

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.
AND ITS SUBSIDIARIES**

(Company's Full Name)

**1206 East Tower PSEC Exchange Rd.
Ortigas Center Pasig City**

(Company's Address)

635-5241 to 44

(Telephone Number)

December 31

(Calendar Year Ending)
(month & day)

SEC FORM 17-Q

(Form Type)

(Amendment Designation if applicable)

For the Nine Months Ended September 30, 2016

(Period Ended Date)

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2016
2. Commission identification number CS200319138
3. BIR Tax Identification No. 227-409-243-000
4. Exact name of issuer as specified in its charter Alliance Select Foods International, Inc.
5. Pasig City, Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. 1206 East Tower PSEC Exchange Rd. Ortigas Center Pasig City 1605
Address of issuer's principal office Postal Code
8. 635-5241 to 44
Issuer's telephone number, including area code
9. Not Applicable
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
Common shares, P1.00 Par Value	2,499,712,463 shares

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

Yes [/] No []

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

The Phil. Stock Exchange - Common shares

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [/] No []

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

Yes [/] No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited financial statements of Alliance Select Foods International, Inc. (the “Company” or “Parent Company”) and its Subsidiaries (collectively referred to as the “Group”) as at and for the nine months ended September 30, 2016 (with comparative figures as at December 31, 2015 and for the period ended September 30, 2015) and Selected Notes to the Consolidated Financial Statements are hereto attached as Annex “A”.

The unaudited financial statements of the Group are presented in US \$, the currency of the primary economic environment in which the Group operates.

Item 2. Management’s discussion and analysis of financial condition and results

The following discussions should be read in conjunction with the attached unaudited financial statements of the Group as at and for the nine months ended September 30, 2016 with comparative figures as at December 31, 2015 and for the period ended September 30, 2015, whichever is relevant.

The table below shows the comparisons of key operating results for the nine months period ended September 30, 2016 versus the same period in 2015.

In USD'000	For the Nine Months Ended September 30	
	2016	2015
Revenue – net	\$ 45,764	\$ 56,740
Gross Profit	2,489	5,409
<i>Gross Profit Margin</i>	<i>5%</i>	<i>10%</i>
Selling and Administrative Expenses	4,798	6,801
Other Income	472	59
Other Expenses	82	450
Finance Costs	702	1,254
Profit (Loss) Before Tax	(2,621)	(2,874)
Income Tax Expense (Benefit)	(349)	210
Profit (Loss) for the period	(2,272)	(3,084)
Attributable to:		
Equity holders of the parent	(2,262)	(2,326)
Non-controlling interest	(9)	(759)
	<u>(\$2,272)</u>	<u>(\$3,084)</u>

Results of operations

Nine months Ended September 30, 2016 versus September 30, 2015

- The Group’s consolidated net revenue for the nine months ended September 30, 2016 reached \$ 45.76 million which registered a decrease of 19% compared to the same period last year. Sales of tuna and fishmeal products comprised 62% of total revenue while 38% represents sales of salmon products. The revenue decline is primarily due to lower sales volumes from both the General Santos and Bitung Tuna Canning plants. The severe fluctuation in prices of raw materials negatively affected the Tuna business. PTIAFI continues to weather the uncertain and restrictive regulatory environment for foreign commercial fishing in Indonesian waters. This has resulted in higher fish prices.

The revenue decline in salmon products was due to the Company’s loss of PFNZ as a customer after the company divested its shares in PFNZ. BGB has been intensifying its selling efforts in

increasing its local customer base and developing new export clients to compensate for the lost volume from PFNZ. The positive impact of this initiative was already felt in September 2016.

- The Group's gross profit of \$2.49 million as of September 2016 was 54% lower than the gross profit of \$5.41 million a year ago. Gross margin dropped to 5% from 10% in 2015. The unexpected spike in prices of raw materials in the past seven months dragged the gross profit of the tuna business downward for the nine months ended September 30, 2016.
- Selling and Administrative expenses during the period declined by 29% compared to the same period last year. Over the past two years, the group has successfully implemented measures to reduce operating expenses and have consistently managed costs to partially cushion the impact of the inherent volatility in raw material prices.
- Other income is composed of a duty benefit rebate received from a major customer, resulting from the Company's continued efforts to improve customer relationships, interest income and foreign exchange gain arising from a stronger Peso relative to the Dollar during the period.
- Finance costs during the period were reduced by 44% compared to year ago due to the repayment of high cost bank loans and efficient working capital management.
- The Group realized a net loss of \$2.28 million for the nine months ended September 30, 2016 versus a net loss of \$ 3.08 million for the same period last year.

Financial Condition, Liquidity, and Capital Resources September 30, 2016 vs. December 31, 2015

The Group's total assets decreased by 13% or \$8.67 million from \$ 68.54 million as at December 31, 2015 to \$ 59.88 million as at September 30, 2016. The inventory increase of 55% pertains to finished goods inventory scheduled for shipment in the succeeding months. The Group's total liabilities declined by 21% or \$ 6.38 million from \$ 30.47 million as at December 31, 2015 to \$24.09 million as of September 30, 2016. The decline in total assets and total liabilities was primarily due to the repayment of high cost bank loans using internally generated funds and the proceeds from the Stock Rights Offering (SRO).

The Group posted an improvement in total liability to equity ratio from 0.75:1 as at December 31, 2015 to 0.63:1 as at September 30, 2016.

Plan of Operation

The Group does not foresee any cash flow or liquidity problem over the next twelve (12) months. It is compliant with its loan covenant pertaining to debt-to-equity ratio. It is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationship of the Group with entities or other persons created during the reporting period that would have significant impact on the Group's operations and/or financial condition.

As of September 30, 2016, there were no other material events or uncertainties known to management that could have a material impact on the future operations, with respect to the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;
- Known trends, events, uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/ income from continuing operations;
- Significant elements of income or loss that did not arise from the Group's continuing operations;
and

- Seasonal aspects that had a material effect on the financial condition or results of operations.

Explanations for other material changes in the financial statements

Statement of Comprehensive Income

Nine months ended September 30, 2016 versus the same period in 2015.

16% decline in Cost of Goods Sold primarily due to lower year-on-year volume sold.

9% decrease in loss before tax due to lower selling and administrative expenses and higher other income year-on-year.

Statement of Financial Position

As at September 30, 2016 versus December 31, 2015

77% decrease in Cash is primarily due to the repayment of high cost bank loans. 24% decrease in Short-term loans payable and 96% decrease in Long-term loan payable is due to payment of said loans using SRO proceeds.

55% increase in Inventories due to an increase in the production of finished goods to fulfill confirmed customer orders. 41% increase in Other current assets is primarily due to prepayments made for raw materials. 11% increase in Trade and other payables is due to purchases of raw materials during the period.

8% increase in Trade and other receivables pertain to September 2016 sales due for collection the following months.

13% decrease in Other non-current assets is primarily due to a decline in biological assets which have been harvested during the period.

KEY PERFORMANCE INDICATORS

The Group uses the following key performance indicators in order to assess the Group's financial performance from period to period. Analyses are employed by comparisons and measurements based on the financial data on the periods indicated below:

Liquidity and Solvency	September 30, 2016	December 31, 2015
Current ratio	0.94	1.11
Debt to equity ratio	0.63	0.75

For the Nine Months Ended September 30

Profitability	2016	2015
Revenue growth rate	-19%	-12%
Net profit margin	-4.94%	-4.10%
Return on average stockholders' equity	-0.06%	-0.07%

The following defines each ratio:

- Liquidity ratio (expressed in proportion) = current assets / current liabilities
- Debt to equity ratio (expressed in proportion) = total liabilities / total stockholders' equity
- Revenue growth rate (expressed in percentage) = (current year's revenue – previous year's revenue) / previous year's revenue
- Net profit margin (expressed in percentage) = net income attributable to equity holders of parent / net revenues
- Return on average stockholders' equity (expressed in percentage) = net income attributable to equity holders of the parent / average stockholders' equity

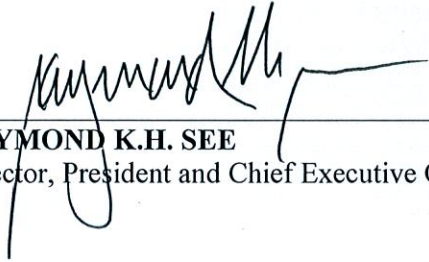
PART II--OTHER INFORMATION

All current disclosures were already reported under SEC Form 17-C.

SIGNATURES

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

ALLIANCE SELECT FOODS INTERNATIONAL, INC.



RAYMOND K.H. SEE
Director, President and Chief Executive Officer




GRACE S. DOGILLO
Group Controller

SUBSCRIBED AND SWORN to before me this **NOV 10 2016** at **MANDALUYONG CITY**
affiants exhibiting to me their government issued identification cards, as follows:

NAMES	GOV'T. ISSUED ID NO.	DATE OF ISSUE	PLACE OF ISSUE	EXPIRATION
Raymond K.H. See	Passport-EC3695414	March 17, 2015	DFA, Manila	March 16, 2020
Grace S. Dogillo	Passport-EB8007108	April 30, 2013	DFA, Manila	April 29, 2018

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Page No. *44*
Book No. *5*
Series of 2016


ATTY. JOSE B. BULNUAN
NOTARY PUBLIC-MANDALUYONG
NOTARIAL COMMISSION NO. 458-16
UNTIL DEC. 31, 2017
ROLL NO. 24604
PTR NO 2745784 3/8/2016 Mandaluyong
MCLE COMPLIANCE NO. 0024571
IBP, IFUGAO CHAPTER
D-22-AB GUEVENTVILLE II, 52 D.M.
GUEVARA ST., MANDALUYONG CITY

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(With Comparative Figures for 2015)

	Note	September 30, 2016 Unaudited	December 31, 2015 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	8	\$4,009,864	\$17,594,979
Trade and other receivables	9	5,776,618	5,373,575
Inventories	10	10,410,599	6,722,456
Other current assets	11	1,543,253	1,096,766
Total Current Assets		21,740,334	30,787,776
Noncurrent Assets			
Property, plant and equipment	12	17,702,365	17,916,572
Deferred tax assets		9,571,053	8,764,114
Goodwill	4	9,502,585	9,502,585
Other noncurrent assets	13	1,359,887	1,566,887
Total Noncurrent Assets		38,135,890	37,750,158
		\$59,876,224	\$68,537,934
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14	\$6,336,349	\$5,730,919
Short-term loans payable	15	16,602,544	21,839,914
Due to a related party	16	142,959	134,657
Income tax payable		71,169	80,042
Total Current Liabilities		23,153,021	27,785,532
Noncurrent Liabilities			
Loans payable - net of current portion	15	67,221	1,805,996
Retirement benefit obligation	17	380,023	381,169
Deferred tax liabilities		311,110	317,058
Refundable lease deposits		178,637	184,201
Total Noncurrent Liabilities		936,991	2,688,424
Total Liabilities		24,090,012	30,473,956

		September 30, 2016	December 31, 2015
	Note	Unaudited	Audited
Equity			
Capital stock	18	\$53,646,778	\$53,646,778
Additional paid-in capital	18	6,662,001	6,662,001
Other comprehensive income		937,176	950,491
Deficit		(22,962,982)	(20,700,539)
		38,282,973	40,558,731
Treasury shares	18	(5,774)	(5,774)
Equity attributable to equity holders of the Parent Company		38,277,199	40,552,957
Non-controlling interests		(2,490,987)	(2,488,979)
Total Equity		35,786,212	38,063,978
		\$59,876,224	\$68,537,934

See accompanying Notes to Consolidated Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED & NINE MONTHS ENDED SEPTEMBER 30, 2016
(With Comparative Figures for 2015)

	Note	For the Quarter Ended September 30		For the Nine Months Ended September 30	
		2016	2015	2016	2015
NET SALES	19	\$14,259,486	\$17,244,295	\$45,763,879	\$56,739,920
COST OF GOODS SOLD	20	(13,672,929)	(16,033,357)	(43,274,392)	(51,330,988)
GROSS PROFIT		\$586,557	1,210,938	2,489,487	5,408,932
SELLING AND ADMINISTRATIVE EXPENSES	21	(1,543,132)	(1,883,902)	(4,798,164)	(6,801,114)
INTEREST EXPENSE	15	(193,510)	(362,645)	(702,342)	(1,253,959)
EQUITY IN NET EARNINGS (LOSSES)	13		39,832		163,749
OTHER INCOME (CHARGES)	22	38,323	141,267	390,222	(391,541)
LOSS BEFORE INCOME TAX		(\$1,111,762)	(854,510)	(2,620,797)	(\$2,873,933)
INCOME TAX EXPENSE (BENEFIT)	27	(82,506)	175,952	(349,107)	210,421
NET INCOME (LOSS)		(\$1,029,256)	(1,030,462)	(2,271,690)	(\$3,084,354)
OTHER COMPREHENSIVE INCOME (LOSS)					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations					
				(6,076)	93,818
TOTAL COMPREHENSIVE INCOME (LOSS)		(\$1,029,256)	(\$2,198,182)	(2,277,766)	(\$2,990,536)
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company		(\$1,020,402)	(\$718,212)	(\$2,262,444)	(\$2,325,704)
Noncontrolling interests		(8,854)	(312,250)	(9,246)	(758,650)
		(\$1,029,256)	(\$1,030,462)	(\$2,271,690)	(\$3,084,354)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company		(\$1,020,402)	(\$718,212)	(\$2,275,758)	(\$2,152,290)
Noncontrolling interests		(8,854)	(312,250)	(2,008)	(838,247)
		(\$1,029,256)	(\$1,030,462)	(\$2,277,766)	(\$2,990,537)
EARNINGS (LOSS) PER SHARE					
Basic and diluted earnings per share	24			(\$0.00091)	(\$0.00155)

See accompanying Notes to Consolidated Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(With Comparative Figures for 2015)

	Note	September 30, 2016	December 31, 2015	September 30, 2015	December 31, 2014
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
Capital Stock					
	18				
Balance at beginning of year		\$53,646,778	\$32,238,544	\$32,238,544	\$22,575,922
Additional subscription			21,408,234		9,662,622
Balance at end of year		53,646,778	53,646,778	32,238,544	32,238,544
Deposit on Subscription					
	18				
Balance at beginning of year			21,408,234	21,408,234	
Additional subscription					
Transfer to capital stock			(21,408,234)		
Balance at end of year				\$21,408,234	
Additional Paid-in Capital					
	18				
Balance at beginning of year		6,662,001	6,768,843	6,768,843	3,821,732
Addition			-	-	2,947,111
Stock issue cost			(106,842)		-
Balance at end of year		6,662,001	6,662,001	6,768,843	6,768,843
Other Comprehensive Income					
<i>Cumulative Remeasurement on Retirement Obligation</i>					
	17				
Balance at beginning of year		(48,352)	(123,446)	(123,446)	(175,109)
Remeasurement gain (loss) on retirement			75,094		51,663
Balance at end of year		(48,352)	(48,352)	(123,446)	(123,446)
<i>Revaluation Reserves</i>					
Balance at beginning of year		275	79,153	86,457	70,771
Effect of deconsolidation			(71,677)		-
Share in other comprehensive income(loss) of a joint venture			(7,201)	(7,304)	15,686
Balance at end of year		275	275	79,153	86,457
<i>Cumulative Translation Adjustment</i>					
Balance at beginning of year		998,568	356,670	183,256	140,644
Exchange differences on foreign currency translation		(13,314)	641,898	173,414	42,612
Balance at end of year		985,254	998,568	356,670	183,256
Total balance at end of year of other comprehensive income		937,177	950,491	312,377	146,267
Deficit					
Balance at beginning of year		(20,700,539)	(17,224,108)	(14,898,404)	1,537,708
Effect of deconsolidation			590,257		-
Net income (loss)		(2,262,444)	(4,066,688)	(2,325,704)	(16,436,112)
Balance at end of year		(22,962,983)	(20,700,539)	(17,224,108)	(14,898,404)
Treasury Shares					
	18				
		(5,774)	(5,774)	(5,774)	(5,774)
NON-CONTROLLING INTERESTS					
Balance at beginning of year		(2,488,979)	(1,757,061)	(918,814)	(278,551)
Total comprehensive income (loss) attributable to non-controlling interests		(2,008)	(731,918)	(838,247)	(640,263)
Balance at end of year		(2,490,987)	(2,488,979)	(1,757,061)	(918,814)
		\$35,786,212	\$38,063,978	\$41,741,055	\$23,330,662

See accompanying Notes to Consolidated Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(With Comparative Figures for 2015)

	Note	September 30, 2016	September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		(\$2,620,797)	(\$2,873,933)
Adjustments for:			
Depreciation and amortization	12,13	797,008	895,018
Finance cost	15	702,342	1,253,959
Unrealized foreign exchange loss (gain) – net		(97,508)	(209,927)
Retirement benefit	17	68,598	57,316
Interest income	22	(73,748)	(37,252)
Gain on disposal of property, plant and equipment	22	(23,619)	(1,450)
Write off of receivables			6,939
Loss on provision of inventory writedown			211,200
Equity in net losses (earnings)	13		(163,749)
Operating income (loss) before working capital changes		(\$1,247,724)	(\$861,879)
Decrease (increase) in:			
Trade and other receivables		(366,076)	904,328
Inventories		(3,688,143)	8,347,080
Other current assets		(446,487)	(79,773)
Other noncurrent assets		207,510	115,637
Increase (decrease) in trade and other payables		607,531	91,404
Net cash generated from (used for) operations		(\$4,933,389)	8,516,797
Income tax paid		(472,653)	(645,630)
Interest received		73,748	37,252
Contribution to retirement fund	17	(61,936)	(33,737)
Net cash provided by (used in) operating activities		(\$5,394,230)	7,874,682
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	12	(631,305)	(1,098,618)
Proceeds from sale of property, plant and equipment	12	14,418	33,340
Net cash used in investing activities		(\$616,887)	(1,065,278)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of bank loans		26,074,913	60,282,012
Payments of:			
Bank loans		(32,976,163)	(69,171,398)
Interest		(702,342)	(1,253,959)
Decrease in due to a related party			2,350,064
Net cash used in financing activities		(7,603,592)	(7,793,281)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		29,594	436,460
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(\$13,585,115)	(547,417)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,594,979	2,426,020
CASH AND CASH EQUIVALENTS AT END OF YEAR		\$4,009,864	1,878,603

See accompanying Notes to Consolidated Financial Statements

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2016 AND DECEMBER 31, 2015 AND FOR THE NINE MONTHS
ENDED SEPTEMBER 30, 2016 AND 2015
(With Comparative Figures for 2015)

1. Corporate Information and Status Of Operation

Alliance Select Foods International, Inc. (ASFII or the “Parent Company”) is a public corporation under Section 17.2 of the Securities Regulation Code (SRC) and was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 1, 2003. The Parent Company is primarily engaged in the business of manufacturing, canning, importing and exporting of food products such as marine, aquaculture and other processed seafood. Its shares are listed in the Philippine Stock Exchange (PSE) since November 8, 2006.

Strongoak Inc. acquired 952,479,638 Parent Company common shares from the increase in authorized capital stock and stock rights offering, which were both approved by the SEC on October 28, 2015 (see Note 18). This resulted in Strongoak Inc. owning a total of 1,382,765,864 common shares, representing 55.3% of the total issued and outstanding shares of the Parent Company (see Note 18). As at December 31, 2015, the Parent Company is considered a subsidiary of Strongoak Inc.

Strongoak Inc., now the immediate parent of ASFII, is a domestic company engaged in investment activities. The ultimate parent company is Seawood Resources, Inc., a domestic company also engaged in investment activities.

The Parent Company’s registered office address, which is also the principal place of business, is Unit 1206 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City. It has a plant located in Brgy. Tumbler, General Santos City, Philippines. The consolidated financial statements include the accounts of ASFII and the following subsidiaries (collectively referred herein as the “Group”):

Name of Subsidiary	% of Ownership			Nature of Business	Principal Place of Business
	2016	2015	2014		
ASFI Thailand	100	100	100	Sales office	Thailand
Spence & Company Ltd. (Spence)	100	100	100	Salmon & other sea- foods processing	USA
Big Glory Bay Salmon and Seafood Company, Inc. (BGB)	100	100	68	Salmon & other sea- foods processing	Philippines
PT International Alliance Food Indonesia (PTIAFI)	99.98	99.98	99.98	Canned fish processing	Indonesia
Alliance MHI Properties, Inc. (AMHI)	98.89	98.89	40	Leasing	Philippines
Akaroa Salmon (NZ) Ltd. (Akaroa)	80	80	80	Salmon farming & processing	New Zealand
PT. Van De Zee (PT VDZ) ^(a)	49	49	49	Fishing	Indonesia
Prime Foods New Zealand Limited (PFNZ)	–	–	+1 share	Salmon & other sea- foods processing	New Zealand
ASFI Choice Foods, Inc. (ASFIC)	–	–	100	Investment vehicle	USA

(a) Indirect ownership interest through PTIAFI.

Additional Investments

October 27, 2015. ASFII acquired 50,864,702 shares of BGB for \$1.37 million from PFNZ. The acquisition resulted to the increase in Parent Company ownership interest in BGB from 68% to 100%.

December 23, 2015. ASFII converted advances of \$0.29 million as partial payment of its subscription to 54,000,000 voting preferred shares of AMHI. The subscription resulted to the increase in Parent Company's effective ownership interest in AMHI from 40% to 98.89% (see Note 6).

Disposal of Investments

October 30, 2015. ASFII sold its equity interest in PFNZ to HC & JW Studholme No. 2 Family Trust (see Note 7).

November 10, 2015. The Parent Company BOD approved the dissolution of ASFIC. ASFIC ceased operations and was dissolved as at December 31, 2015 (see Note 7).

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in U.S. Dollar, the functional currency of the primary economic environment in which the Parent Company operates. All values are rounded to the nearest U.S. Dollar, except when otherwise stated.

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

These are the Group's consolidated financial statements. Consolidated financial statements are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity in which the investments are accounted for on the basis of direct equity interest rather than on the basis of the reported results and net assets of the investees.

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and revised PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2015:

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization* - The amendment clarifies how the gross carrying amount and the accumulated depreciation / amortization are treated when an entity uses the revaluation model.
- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* - The amendments clarify the requirements on how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service).
- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* - The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination, and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property* - The amendment clarifies the application of PFRS 3 and PAS 40 in respect of acquisitions of investment property. PAS 40 distinguishes investment property from owner-occupied property and PFRS 3 determines whether the acquisition of an investment property is a business combination.
- Amendment to PFRS 3, *Business Combinations* - The amendment excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself.
- Amendment to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* - The amendment requires the disclosure of management judgments in applying the aggregation criteria to operating segments, and requires reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.
- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* - The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to the consolidated financial statements, as applicable.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ending December 31, 2015 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* - The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Amortisation* - The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
- Amendment to PAS 19, *Employee Benefit* - The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* - The amendments reinstate the equity method option allowing entities to use the

equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* - The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.
- Amendment to PFRS 7, *Financial Instruments: Disclosures* - The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* - The amendments address a current conflict between the two standards and clarify that the gain or loss from sale or contribution of assets between an investor and its associate or joint venture should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- Amendments to PFRS 10, IFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 - *Investment Entities: Applying the Consolidation Exception* - The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* - The amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in PFRS 3) to apply all of the business combinations accounting principles and disclosure in PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

Effective for annual periods beginning on or after January 1, 2018 -

- PFRS 9, *Financial Instruments* - This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* - This standard will replace PAS 17, *Leases*. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer (lessee) and the supplier (lessor). This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset has a low value, and to recognize depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income. Lessors continue to classify leases as operating or finance, and continue to account for those two types of leases differently.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

4. Summary of Significant Accounting and Reporting Policies

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below.

Basis of Consolidation

A subsidiary is an entity in which the Group has control. The Group controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Control is generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Group controls an entity. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like

transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Gain or loss arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of interest retained.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group, presented within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. Non-controlling interests represent the interests of minority shareholders of PTIAFI, PT VDZ, Akaroa and AMHI.

Business Combination and Goodwill

Acquisitions of businesses are accounted for using the acquisition method. The acquisition cost is measured as the sum of the considerations transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When the business combination is achieved in stages, any previously held non-controlling interest is re-measured at the date of obtaining control and a gain or loss is recognized in profit or loss.

If the initial accounting for a business combination is incomplete as at the reporting date in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts and recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period ends at the date the Group receives the information about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable, but should not exceed one year from the acquisition date.

Goodwill, which arose from the acquisitions of Spence (\$7.45 million) in 2011 and Akaroa (\$2.05 million) in 2012, is initially measured at the acquisition date as the sum of the fair value of consideration transferred; the recognized amount of any non-controlling interest in the acquiree; and, if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree less the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the bargain purchase gain is recognized directly in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the entity's cash-generating units or group of cash-generating units that are

expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

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

Financial Assets and Liabilities

Financial assets and liabilities are accounted for as follows:

a. Recognition

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of an instrument. Financial instruments are initially measured at fair value which includes transaction costs directly attributable to the acquisition (e.g. fees, commissions, transfer taxes, etc.). However, transaction costs related to the acquisition of financial instruments classified as fair value through profit or loss (FVPL) are recognized immediately in profit or loss. The Group uses trade date accounting to account for financial instruments.

“Day 1” Difference. The best evidence of the fair value of a financial instrument at initial recognition is its transaction price unless the transaction price differs from its fair value. The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Group determines fair value by using a valuation technique whose variables include data from observable markets. The difference between the transaction price and the fair value (a “day 1” difference) is recognized in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where the valuation model uses unobservable data, the difference between the transaction price and the model value is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “day 1” difference.

b. Classification

The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group’s intention at acquisition or issuance date.

As at September 30, 2016 (and 2015), the Group does not have financial assets and liabilities classified at FVPL, HTM investments and AFS financial assets.

Financial Assets at FVPL. Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at September 30, 2016 (and 2015), the Group does not have financial assets at FVPL.

AFS Financial Assets. AFS financial assets are those non-derivative financial assets that are designated as such or are not classified as another category of financial assets. After initial recognition, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income. These fair value changes are recognized in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Investment in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are carried at cost.

As at September 30, 2016 (and 2015), the Group does not have AFS financial assets.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction costs which are directly attributable to the acquisition of the financial instrument. The amortization is included in profit or loss.

The Group has classified its cash and cash equivalents, trade and other receivables, due from related parties and refundable lease deposits as loans and receivables.

Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group has the positive intention and ability to hold to maturity. When the Group sells more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category is tainted and shall be reclassified as AFS financial assets.

After initial recognition, HTM investments are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by

taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in profit or loss.

As at September 30, 2016 (and 2015), the Group does not have HTM investments.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through amortization process.

The Group's trade and other payables (excluding customer's claims, customer's deposit and government liabilities), short-term and long-term loans payable and due to a related party are classified under this category.

c. Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The Group first assesses whether objective evidence of impairment exists individually for its financial assets that are individually significant, and individually or collectively for its financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Impairment losses are recognized in full in profit or loss. Interest income continues to be recognized on the reduced carrying amount using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

If, in a subsequent year, 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 by adjusting the allowance account. The amount of the reversal is recognized in profit or loss, to the extent that the resulting carrying amount will not exceed the amortized cost determined had no impairment loss been recognized in prior years.

d. Derecognition

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

- the right to receive cash flows from the asset has expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risk and rewards of the assets, but has transferred control over the asset.

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

A financial liability is derecognized when the obligation under the liability is discharged or 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 de-recognition of the original liability and the recognition of the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

e. Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the consolidated statement of financial position.

Fair Value Measurement

The Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 28 to the consolidated financial statements.

Inventories

Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value (NRV). The costs of inventories are calculated using weighted average method. Costs comprise direct materials and when applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. NRV represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the NRV of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in NRV, is recognized as part of other income or charges in the consolidated statement of comprehensive income.

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

Other Assets

Other assets include advances to suppliers, prepayments, creditable withholding taxes (CWTs), value-added tax (VAT), deferred input VAT, biological assets and intangible assets. Other assets that are expected to be realized over no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

Advances to Suppliers. Advances to suppliers are amounts paid in advance for the purchase of goods and services. These are carried at face amount in the consolidated statement of financial position and are recognized as cost of sales in profit or loss when the services or materials for which the advances were made are received and delivered to the customers.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are apportioned over the period covered by the payment and recognized in profit or loss when incurred.

CWTs. CWTs represent the amount withheld by the Group's customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT. The net amount of VAT recoverable from the taxation authority is included as part of current assets in the consolidated statement of financial position.

Deferred Input VAT. Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services, including the use or lease of properties.

In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT on capital goods is classified as current assets if it is expected to be claimed against output VAT over no more than 12 months after the reporting date. Otherwise these are classified as noncurrent assets. Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Biological Assets. The Group measures its biological assets on initial recognition and at the end of each reporting period at its fair value less costs to sell. The Group uses the national average market values issued by the New Zealand Inland Revenue Department as a proxy for fair value of a class of livestock, provided that such values are applied consistent to a class of livestock. Biological assets of the Group comprised solely of consumable female smolts. They are cultured during its developmental phase which lasts around on average period of 12-18 months.

Harvested agricultural produce are also carried at fair value less estimated costs to sell at harvest point.

Gains or losses arising on initial recognition of biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale of biological asset are included in the consolidated statement of comprehensive income for the period in which they arise.

Investments in Associates and Joint Ventures. An associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% percent of the voting power of

another entity.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and joint ventures are initially carried in the consolidated statement of financial position at cost. Subsequent to initial recognition, investments in associates and joint ventures are carried in the consolidated financial statements using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

Upon loss of significant influence over an associate or of joint control over the joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence or joint control and the fair value of the retained interest and proceeds from disposal is recognized in profit or loss.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Property, Plant and Equipment

Property, plant and equipment except land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials and direct labor, any other directly attributable costs, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When significant parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items (major components) of property, plant and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property, plant and equipment:

	Number of Years
Building	25
Leasehold improvements	5 (or lease term, whichever is shorter)
Machinery and equipment	15
Transportation equipment	5
Plant and office furniture, fixtures and equipment	5
Fishing vessels	40

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Construction in progress represents properties under construction and is stated at cost, including cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

Intangible Assets

Acquired Intangible Assets. Intangible assets that are acquired by the Group with finite useful lives are initially measured at cost. At the end of each reporting period items of intangible assets acquired are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes purchased price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the intangible asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in the consolidated profit or loss as incurred.

Amortization of Intangible Assets with Definite Useful Lives. Amortization for salmon farming consent and fishing license with finite useful life is calculated over the cost of the asset less its residual value.

Amortization is recognized in the consolidated profit or loss on a straight-line basis over the useful life of salmon farming consent and fishing license, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of the salmon farming consent and fishing license for the current and comparative periods is 25 years.

Intangible Assets with Indefinite Useful Lives. Macrocytic consent with indefinite life is not amortized. However, these assets are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present. The Group considers its macrocytic consent having an indefinite useful life for the following reasons:

- there have been no established legal or contractual expiration date;
- impracticability of the determination of the intangible assets' economic useful lives; and
- are expected to generate net cash flows for the Group.

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

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Trade and Other Payables

Trade and other payables include customer's claims, customer's deposit and government liabilities.

Customer's Claims. Customer's claims are recognized when it is probable that the Group has a present obligation and it is probable that an outflow of resources embodying economic benefits will be

required to settle the obligation and it can be measured reliably. These are recorded at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Customer's Deposit. Customer's deposit consists of amounts received by the Group from its customers as advance payments for the sale of services. These are recorded at face amount in the consolidated statement of financial position and recognized as revenue in profit or loss when the services for which the advances were made are rendered to the customers.

Capital Stock

Capital stock is measured at par value for all shares issued. Incremental costs, net of tax, incurred that are directly attributable to the issuance of new shares are recognized in equity as a reduction from related additional paid-in capital or retained earnings. Proceeds or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Deficit

Deficit represents the cumulative balance of net loss, net of dividend declaration. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provision.

Treasury Shares

Own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and returns. The Group has concluded that it is the principal in all of its revenue arrangements. Revenue is recognized as follows:

Sale of Goods. Revenue is recognized, net of sales returns and discounts, when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery to and acceptance of the goods by the buyer.

Interest Income. Interest income is recognized in profit or loss using the effective interest method.

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

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

Selling and Administrative Expenses. Selling expenses constitute costs incurred to sell and market the goods and services. Administrative expenses constitute cost of administering the business. Both are expensed as incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. This requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following 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 the 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 specified asset; or
- d. there is a substantial change to the asset.

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

Group as Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Group as Lessor. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an income in profit or loss on a straight-line basis over the lease term.

Retirement Benefits

Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed annually by a qualified actuary.

The Group recognizes service costs comprising of current service costs, past service costs, gain or loss on curtailment and settlements and net interest expense on the retirement benefit liability in profit or loss.

The Group determines the net interest expense on retirement benefit liability by applying the discount rate to the net retirement benefit liability at the beginning of the year, taking into account any changes in the liability during the period as a result of contributions and benefit payments.

Remeasurements of the net retirement benefit liability, which consist of actuarial gains and losses and the return on plan asset (excluding amount charged in net interest) are recognized immediately in other comprehensive income (OCI) and are not reclassified to profit or loss in subsequent periods.

The net retirement benefit liability recognized by the Group is the present value of the defined benefit obligation is reduced by the fair value of plan asset. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

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

Income Taxes

Current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rate enacted or substantively enacted at the reporting date.

Deferred tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

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

Foreign Currency-Denominated Transactions and Translation

Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Investments in foreign associates are translated to US Dollar using the closing exchange rate prevailing at the reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Related Party Relationships and Related Party Transactions

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

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of 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. Provisions are reviewed at the end of reporting period and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Date

The Group identifies subsequent events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Any subsequent event that provides additional information about the Group's financial position at the reporting date is reflected in the consolidated financial statements. Non-adjusting subsequent events are disclosed in the notes to the consolidated financial statements, when material.

Earnings (Loss) per Share

The Group presents basic and diluted earnings per share data for its common shares.

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

Diluted earnings per share amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares.

Operating Segments

For management purposes, the Group is divided into two operating segments (manufacturing and real estate leasing) according to the nature of the products and services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker.

5. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

The Group believes that the following represent a summary of these significant estimates and judgments and the related impact and associated risks in the consolidated financial statements.

The following are the significant judgments and estimates made by the Group:

Judgments

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

Determining Functional Currency. Based on management's assessment, the functional currency of the Group has been determined to be the U.S. Dollar, except for certain subsidiaries whose functional currency is the New Zealand Dollar and Philippine Peso. The U.S. Dollar is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

Assessing Acquisition of a Business. The Parent Company acquired a subsidiary which owns real estate. At the time of acquisition, the Parent Company considers whether the acquisition represents an acquisition of a business or a group of assets. An entity accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to its current business. The consideration is made to the extent that the significant business processes are acquired and the additional services to be provided by the subsidiary.

Management has assessed that the acquisition of AMHI constitutes a business.

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries

as at June 30 31, 2016 (and 2015), the Parent Company has the ability to exercise control over these investees.

Determining Reportable Operating Segments. The Group has determined that it has reportable segments based on the following thresholds:

- a. Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.
- b. The absolute amount of its reported profit or loss is 10% or more, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- c. Its assets are 10% or more of the combined assets of all operating segments.

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

As at December 31, 2015, management has determined that it has reportable operating segments as a result of acquisition of AMHI, a real estate leasing company, in 2015.

Interest in a Joint Operation. The Group has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement, classified its interest in a joint arrangement with FDCP and WCFI under PFRS 11 as a joint venture. As a consequence, the Group accounts for the assets, liabilities, revenues and expenses relating to its interest in the joint operation only to the extent of the Group's interest in the joint venture.

Assessing Lease Commitments. The Group has an operating lease agreement for its office site. The Group has determined that the risks and rewards of ownership related to the leased property are retained by the lessor. Accordingly, the agreement is accounted for as an operating lease.

Estimating Impairment Losses on Financial Assets. The Group maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, significant financial difficulties or bankruptcy, the length of the Group's relationship with the customer, the customer payment behavior, and known market factors. The Group identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

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

Inventories carried at lower of cost and NRV amounted to \$10.41 million as at September 30, 2016 (\$6.72 million as at December 31, 2015). Allowance for impairment losses recognized amounted to \$2.29 million as at September 30, 2016 (\$4.59 million as at December 31, 2015) (see Note 10).

Estimating Useful Lives of Property, Plant and Equipment and Other Intangible Assets. The Group estimates the useful lives of property, plant and equipment and other intangible assets based on the period over which the assets are expected to be available for use. The estimates are based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amount and timing of recording of depreciation expense for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of the Group's property, plant and equipment and other intangible assets as at September 30, 2016 (and 2015).

Property, plant and equipment, net of accumulated depreciation, amortization and impairment losses amounted to \$17.70 million as at September 30, 2016 (\$17.92 million as at December 31, 2015) (see Note 12). Intangible assets, net of accumulated amortization, amounted to \$65,198 as at September 30, 2016 (\$64,687 as at December 31, 2015) (see Note 13).

Assessing Impairment of Nonfinancial Assets and Goodwill. The Group assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Each group of the Group's equipment installed in customer sites is considered as a cash-generating unit. Recoverable amount represents the value in use, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the assets.

As at December 31, 2015 and 2014, management believes that there is no further allowance for impairment is required on its investments in associates, joint ventures, property, plant and equipment and intangible assets (including goodwill) in excess of those that were already provided. Carrying amounts of these nonfinancial assets are disclosed in Notes 12 and 13).

Estimating Retirement Benefit Costs. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 17 to the consolidated financial statements and include, among others, discount rates and salary increase rates.

The retirement benefit liability amounted to \$0.38 million as at September 30, 2016 (\$0.38 million as at December 31, 2015). The cumulative remeasurement loss on retirement benefit liability recognized in equity amounted to \$48,352 as at September 30, 2016 and December 31, 2015. (see Note 17).

Recognizing Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date is reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group has recognized deferred tax assets amounting to \$9.57 million as at September 30, 2016 (\$8.76 million as at December 31, 2015).

6. Business Combinations

The Parent Company had 40% ownership interest in AMHI as at December 31, 2014 and 2013. On December 23, 2015, the Parent Company converted advances of \$0.29 million (₱13.5 million) as partial payment of its subscription to 54,000,000 voting preferred shares of AMHI. The subscription resulted to the increase in the Parent Company's effective ownership interest in AMHI to 98.89%.

The fair values of the identified assets and liabilities of AMHI at the time of acquisition and the purchase price allocation are as follows:

	Amount
Cash in banks	\$2,553
Due from related parties	170,279
Other current assets	85,568
Property and equipment	8,748,405
Deferred tax assets	59,415
Due to related parties	(453,137)
Refundable lease deposits	(1,877,828)
Loan payable	(323,326)
Deferred tax liabilities	(32,875)
Net assets	6,379,054
Percentage share of net assets acquired	98.89%
Net assets acquired	6,308,884
Gain from acquisition	(3,471,040)
Gain on remeasurement of previously held interest	(2,356,202)
Total consideration	\$481,642
<hr/>	
Total consideration	\$481,642
Less cash acquired	2,553
Acquisition of subsidiary, net of cash acquired	\$479,089

Gains from acquisition and remeasurement of previously held interest resulted from the increase in fair value of the land held by AMHI.

Non-controlling interest is measured based on its proportionate share on the net assets of AMHI at acquisition date.

The revenue and the net income of AMHI from the date the Parent Company obtained control, which is December 23, 2015, to December 31, 2015 were no longer included in the consolidated financial statements because these were not considered significant. The assets and liabilities of AMHI as at December 31, 2015 were included in the 2015 consolidated financial statements.

Had the acquisition of AMHI taken place at the beginning of the year, the Group's revenue and net loss for the year would have been \$67.99 million and \$7.64 million, respectively.

7. Disposal of Investments

PFNZ

On October 30, 2015, ASFII sold its 50%+1 share interest in PFNZ to HC & JW Studholme No. 2 Family Trust for \$5,000. The sale resulted in a gain of \$0.37 million in the consolidated level (see Note 22).

The carrying amounts of the assets and liabilities of PFNZ as at October 30, 2015, which have been excluded in the 2015 consolidated financial statements, are as follows:

	Carrying Amount
Cash and cash equivalents	\$100,004
Trade and other receivables	230,815
Due from related parties	14,135
Inventories	629,681
Property and equipment	1,010,268
<u>Total assets</u>	<u>1,984,903</u>
Trade and other payables	169,457
Income tax payable	201,937
Notes payable	2,346,283
<u>Total liabilities</u>	<u>2,717,677</u>
Deficit	(732,774)
Non-controlling interests	366,494
<u>Net liabilities sold</u>	<u>(\$366,280)</u>

Gain on disposal of a subsidiary was computed as follows:

	Amount
Fair value of consideration received	\$5,000
Carrying amount of net liabilities sold	(366,280)
<u>Gain on disposal</u>	<u>\$371,280</u>

The 2015 consolidated statement of comprehensive income includes revenue of \$3.26 million and net loss of \$0.57 million of PFNZ as at October 30, 2015 (revenue and net loss of \$7.49 million and \$0.74 million, respectively, as at December 31, 2014, and \$7.78 million and \$0.29 million, respectively, as at December 31, 2013).

ASFIC

On November 10, 2015, the Parent Company BOD approved the dissolution of ASFIC and as at December 31, 2015, ASFIC was dissolved.

ASFIC had no revenue nor expenses as it was a vehicle for corporate acquisitions. The net assets amounting to nil as at December 31, 2015 (\$10,000 as at December 31, 2014 and 2013) of ASFIC were excluded from the 2015 consolidated financial statements.

8. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	\$14,310	\$15,944
Cash in banks	1,590,091	3,416,569
Cash equivalents	2,405,463	14,162,466
	<u>\$4,009,864</u>	<u>\$17,594,979</u>

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents pertain to cash placement with a bank for varying periods of up to three months depending on the immediate cash requirements of the Group.

Interest income included in the consolidated statement of comprehensive income is summarized below:

	Note	2016	2015
Cash and cash equivalents	22	\$73,748	\$37,252
		<u>\$73,748</u>	<u>\$37,252</u>

9. Trade and Other Receivables

This account consists of:

	Note	2016	2015
Trade		\$5,150,406	\$4,458,287
Due from related parties	16	336,730	71,623
Current portion of long-term receivable	13	160,000	160,000
Claims receivables		435,164	435,222
Others		1,526,268	2,137,629
		7,608,568	7,262,761
Allowance for impairment losses		1,831,950	1,889,186
		<u>\$5,776,618</u>	<u>\$5,373,575</u>

Trade receivables are generated from the sale of inventories and are generally collectible within 29 to 60 days.

Trade receivables with aggregate carrying amount of \$2.23 million as at September 30, 2016 (\$2.07 million as at December 31, 2015) are used to secure the Group's short-term loans (see Note 15).

Claims receivables include refunds from government agencies.

Other receivables include advances to employees, insurance claims, and claims to suppliers and receivable from sale of light boat. Other receivables also include a long-outstanding receivable of \$0.94 million, which had been fully provided with allowance for impairment loss since 2013.

Movements in the allowance for impairment losses are as follows:

	Note	2016	2015
Balance at beginning of year		\$1,889,186	\$1,620,966
Provisions	21		315,318
Write-off			(43,596)
Currency translation adjustment		4,648	(3,502)
Reversal		(61,884)	
Balance at end of year		\$1,831,950	\$1,889,186

10. Inventories

This account consists of:

	2016	2015
At cost:		
Work-in-process	\$43,451	\$223,599
Parts and supplies	–	–
	\$43,451	223,599
At NRV:		
Finished goods	4,840,478	2,274,098
Raw and packaging materials	5,099,729	3,803,966
Parts and supplies	426,941	420,793
	\$10,367,148	6,498,857
	\$10,410,599	\$6,722,456

The costs of inventories measured at NRV are as follows:

	2016	2015
Finished goods	\$6,675,268	\$6,415,666
Raw and packaging materials	5,557,787	4,244,625
Parts and supplies	426,941	428,471
	\$12,659,996	\$11,088,762

Movements in the allowance for impairment losses on inventories are as follows:

	Note	2016	2015
Balance at beginning of year		\$4,589,905	\$1,259,431
Provisions			5,298,817
Reversal		(1,563,891)	(436,277)
Write-off			(1,532,066)
Write-off		4,404	
Balance at end of year		\$3,030,418	\$4,589,905

Inventories aggregating \$7.37 million as at September 30, 2016 (\$3.41 million as at December 31, 2015) are used to secure the Group's short-term loans (see Note 15).

Inventories charged to cost of goods sold amounted to \$33.20 million in 2016 (\$39.83 million in 2015) (see Note 20).

11. Other Current Assets

This account consists of:

	2016	2015
Prepayments:		
Taxes	\$243,537	\$234,227
Importation	133,968	81,622
Insurance	71,453	13,907
Rent	21,087	–
Others	128,986	242,792
Input VAT	571,743	430,545
Deposits	372,479	93,673
	\$1,543,253	\$1,096,766

Deposits represent rental deposits for office spaces.

Other prepayments pertain to dues and subscriptions, membership fees and travel advances.

12. Property, Plant and Equipment

Movements in this account are as follows:

	Note	September 30, 2016							Total	
		Land	Building and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and equipment	Plant Furniture, Fixtures and equipment	Fishing Vessels		Construction in Progress
Cost										
Balance at beginning of year		\$9,400,964	\$4,954,242	\$8,032,043	\$394,618	\$290,364	\$90,633	\$14,687,953	\$8,964	37,859,781
Additions			8,859	359,162	49,740	16,176	24,672		172,696	631,305
Disposals				(2,189)	(18,343)					(20,532)
Translation adjustment		(72,502)	(1,390)	62,455	7,292	1,061	(375)			(3,459)
Balance at end of year		9,328,462	4,961,711	8,451,471	433,307	307,601	114,930	14,687,953	181,660	38,467,095
Accumulated Depreciation and Amortization										
Balance at beginning of year		–	1,253,799	3,538,945	132,766	225,436	63,710	506,337	–	5,720,993
Depreciation and amortization			175,877	537,469	45,944	26,977	7,013		–	793,280
Disposals				(1,480)	(4,586)				–	(6,066)
Translation adjustment			(3,031)	32,923	3,507	908			–	34,307
Balance at end of year		–	1,426,645	4,107,857	177,631	253,321	70,723	506,337	–	6,542,514
Allowance for Impairment										
Balance at beginning of year		–	506,658	101,406	–	–	–	13,614,152	–	14,222,216
Provisions										
Balance at end of year		–	506,658	101,406	–	–	–	13,614,152	–	14,222,216
Carrying Amount		\$9,328,462	\$3,028,408	\$4,242,208	\$255,676	\$54,280	\$44,207	\$567,464	181,660	\$17,702,365

December 31, 2015										
		Building and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and equipment	Plant Furniture, Fixtures and equipment	Fishing Vessels	Construction in Progress		Total
Note	Land									
Cost										
		\$1,554,446	\$5,130,229	\$8,070,399	\$855,074	\$365,431	\$57,147	9,882,935	849,365	26,765,026
		–	197,979	691,171	68,909	60,758	20,871	849	245,535	1,286,072
		–	–	404,578	–	–	–	5,914,904	–	6,319,482
		–	(103,102)	(14,613)	(313,230)	(100,218)	–	(172,877)	–	(704,040)
		–	(152)	(447,097)	–	(1,015)	–	(912,605)	(761,244)	(2,122,113)
		(204,216)	(4,208)	(58,453)	(137,326)	(6,751)	12,304	(25,253)	(324,692)	(748,595)
		8,745,707	163,117	101	4	–	311	–	–	8,909,240
		(694,973)	(429,621)	(614,043)	(78,813)	(27,841)	–	–	–	(1,845,291)
		9,400,964	4,954,242	8,032,043	394,618	290,364	90,633	14,687,953	8,964	37,859,781
Accumulated Depreciation and Amortization										
		–	1,281,140	3,284,657	359,317	268,764	39,886	511,557	–	5,745,321
		–	227,848	780,723	48,080	68,160	23,332	24,505	–	1,172,648
		–	(99,790)	(3,572)	(233,633)	(90,290)	–	(27,100)	–	(454,385)
		–	(1,181)	(58,376)	(4,563)	(1,838)	180	(2,625)	–	(68,403)
		–	160,418	101	4	–	312	–	–	160,835
		–	(314,636)	(464,588)	(36,439)	(19,360)	–	–	–	(835,023)
		–	1,253,799	3,538,945	132,766	225,436	63,710	506,337	–	5,720,993
Allowance for Impairment										
		–	–	–	–	–	–	7,792,307	–	7,792,307
		–	506,810	548,503	–	1,015	–	6,734,450	761,244	8,552,022
		–	(152)	(447,097)	–	(1,015)	–	(912,605)	(761,244)	(2,122,113)
		–	506,658	101,406	–	–	–	13,614,152	–	14,222,216
		\$9,400,964	\$3,193,785	\$4,391,692	\$261,852	\$64,928	\$26,923	\$567,464	8,964	\$17,916,572

The Group has mortgaged its property, plant and equipment for long-term loans. The carrying value of the mortgaged property amounted to \$4.63 million as at September 30, 2016 (\$4.81 as at December 31, 2015) (see Note 15).

The Group provided for impairment loss of \$8.55 million in 2015 (\$7.79 million in 2014) on its property, plant and equipment (mainly fishing vessels) because of the discontinuance of the Group's fishing operations. Allowance for impairment loss amounted to \$14.22 million as at September 30, 2016 and 2015 respectively. The resulting carrying amount of the fishing vessels represents the estimated scrap value of the assets.

In 2015, the Parent Company recovered two of the fishing vessels it previously sold to WCFI because of losses sustained by WCFI. The receivable from the sale of three fishing vessels of \$6.38 million in 2013 was provided with an allowance for impairment loss of \$6.28 million in 2014 (see Note 13). When the Parent Company recovered the two vessels at a carrying amount of \$5.91 million, it reversed allowance for impairment (recovery) of \$5.82 million in 2015 but recognized a provision for impairment loss on the fishing vessels at the same amount in the same year. Effectively, the Parent Company did not recognize any gain or loss from this transaction in 2015.

Gain on disposal of property, plant and equipment amounted to \$23,619 in 2016 (nil in 2015) (see Note 22).

13. Other Noncurrent Assets

This account consists of:

	2016	2015
Receivable from WCFI	\$2,182,863	\$2,182,863
Receivable from PFNZ- net of current portion	1,038,375	1,198,375
Investments in joint ventures	553,480	553,480
Other intangible assets	72,481	178,966
Investments in associates	179,477	72,481
Others	183,333	231,344
	4,210,009	4,417,509
Less allowance for impairment losses	2,850,622	2,850,622
	\$1,359,387	\$1,566,887

Receivable from WCFI

Receivable from WCFI includes receivable from the sale of three fishing vessels and advances for fish deposit. These were provided with allowance for impairment losses of \$8.00 million in 2014 because of losses sustained by WCFI. WCFI ceased operations in the same year.

In 2013, the Parent Company sold three fishing vessels with an aggregate carrying amount of \$6.30 million to WCFI for a total consideration of \$6.38 million, resulting in a gain of \$71,497. In 2015, the Parent Company reversed receivable of \$5.82 million from WCFI when the Parent Company recovered two of the vessels (see Note 12). Accordingly, the related allowance for impairment losses of \$5.82 million was also reversed.

Movements in this account are as follows:

	Note	2016	2015
Gross amount of receivable from WCFI:			
At beginning of year		\$2,182,863	\$8,097,767
Reversal			(5,821,845)
Recovery			(93,059)
Advances as fish deposit			—
At end of year		2,182,863	2,182,863
Allowance for impairment losses:			
At beginning of year		2,182,863	8,004,708
Provision			—
Reversal			(5,821,845)
At end of year		2,182,863	2,182,863
		\$—	\$—

Receivable from PFNZ

As discussed in Note 1 and Note 7, the accounts of PFNZ were excluded from the consolidated financial statements in 2015 when ASFII sold its ownership interest. The same year, BGB entered into a debt restructuring agreement with PFNZ, which resulted to the following:

- Trade payable of \$0.46 million to PFNZ was offset against the receivable of \$2.77 million from PFNZ as at October 30, 2015;
- The payment terms were modified from payable on demand to payable in monthly installments commencing in January 2016 and ending in September 2029;
- The restructured receivable shall be secured by PFNZ's tangible and intellectual properties; and
- Interest expense incurred and charged to operations amounted to \$0.40 million (see Note 15).

Details of the receivable from PFNZ are as follows:

	Note	2016	2015
Original receivable from PFNZ			\$2,772,462
Offset of trade payable			(455,583)
Restructuring loss:			
Write-down			(556,879)
Interest expense			(401,625)
Restructured receivable		1,358,375	1,358,375
Less payment of amortization		160,000	
Outstanding balance		1,198,375	1,358,375
Less current portion	9	160,000	160,000
Noncurrent portion		\$1,038,375	\$1,198,375

Investment in Joint Ventures

Details are as follows:

	2016	2015
At cost:		
FDCP, Inc. (FDCP)	\$240,964	\$240,964
WCFI	39,279	39,279
	280,243	280,243
Accumulated equity in net earnings:		
Balance at beginning of year	360,189	392,690
Share in net earnings (losses) for the year		(32,501)
Balance at end of year	360,189	360,189
Share in other comprehensive income:		
Balance at beginning of year	(86,952)	(72,447)
Share in net earnings (losses) for the year		(14,505)
Balance at end of year	(86,952)	(86,952)
Total	553,480	553,480
Allowance for impairment loss	(553,480)	(553,480)
	\$-	\$-

FDCP. FDCP is engaged in manufacturing and wholesale of tin cans. The Group has 40% ownership interest in FDCP. FDCP ceased manufacturing operations effective September 2015. The Group provided for impairment loss of \$0.24 million in 2015 on its investment in FDCP.

WCFI. WCFI is an entity primarily engaged in commercial fishing within and outside Philippine waters and in the High Seas. The Group has 40% ownership interest in WCFI. WCFI ceased operation effective December 31, 2014. The Group provided for impairment loss of \$39,279 in 2014 on its investment in WCFI. WCFI has no available financial information as at and for the year ended December 31, 2015.

The Group's unrecognized share in losses of WCFI as at December 31, 2014 and 2013 amounted to \$0.87 million and \$62,692, respectively.

Investments in Associates

Details are as follows:

	SSNZ	
	2016	2015
Acquisition cost	\$27,319	\$27,319
Accumulated equity in profits:		
Balance, beginning of year	45,162	38,685
Equity in profit (loss) for the year	-	6,477
Balance at end of year	45,162	45,162
	\$72,481	\$72,481

AMHI. The Parent Company increased its ownership interest in AMHI from 40% to 98.89% in 2015. As discussed in Note 6, starting 2015, the accounts of AMHI were included in the consolidated financial statements.

Salmon Smolt New Zealand Limited (SSNZ). The Group has 16% ownership interest in SSNZ through Akaroa. SSNZ is engaged in the farming of salmon in South Island of New Zealand and was incorporated in 2008.

Other Intangible Assets

Other intangible assets pertain to salmon farming consent and fishing license. Movements in this account are as follows:

	Note	2016	2015
Cost		\$269,066	\$269,066
Accumulated Amortization			
Balance at beginning of year		90,100	69,003
Amortization	12	3,730	12,280
Translation adjustment		(4,241)	8,817
Balance at end of year		89,589	90,100
		\$179,477	\$178,966
Allowance for Impairment			
Provisions		114,279	114,279
		\$65,198	\$64,687

Others

Others include biological assets of the Group, which comprised solely of consumable female smolts. The biological assets which amounted to \$0.18 million as at September 30, 2016 (\$0.23 million as at December 31, 2015) are valued at their market values.

Allowance for Impairment Losses

This account consists of:

	2016	2015
Receivable from WCFI	\$2,182,863	\$2,182,863
Investments in joint ventures	553,480	553,480
Other intangible assets	114,279	114,279
	\$2,850,622	\$2,850,622

Movements in this account are as follows:

	Note	2016	2015
Balance at beginning of year		\$2,850,622	\$8,043,987
Provisions	21		628,480
Reversal	22		(5,821,845)
Balance at end of year		\$2,850,622	\$2,850,622

14. Trade and Other Payables

This account consists of:

	Note	2016	2015
Trade payables			
Third parties		\$3,989,605	\$3,001,313
Related party	16	260,957	300,957
Accrued expenses			
Salaries, wages and other benefits		760,762	614,415
Rent		98,568	197,965
Interest		85,103	145,065
Freight		59,601	108,727
Professional fees		521,692	640,969
Others		168,272	289,610
Customer's claims		-	217,340
Statutory payables		81,645	93,011
Customer's deposit		143,796	36,652
Others		166,348	84,895
		\$6,336,349	\$5,730,919

Trade payables are non-interest bearing and are generally settled within one year.

Other accrued expenses include accruals for business development expenses, security services, and commission. Accrued expenses are usually settled in the following month.

Customer's claims pertain to cost of returned goods and other related charges.

Statutory payables include amounts payable to government agencies such as SSS, Philhealth and Pag-IBIG and are normally settled in the following month.

15. Loans Payable

Details of the Group's loans payable are as follows:

Short-term Loans Payable

	Currency	Nominal interest rate	2016	2015
Local banks	USD	2.75% - 4.35%	\$10,541,594	\$8,688,973
	PHP	5.26% - 5.50%	-	4,639,069
Foreign banks	NZD	4.80% - 10.00%	124,167	34,909
Investment banks	PHP	4.60%	3,170,524	4,515,965
	USD	4.25% - 4.50%	2,700,000	2,700,000
			16,536,285	20,578,916
Add current portion of long-term loans			66,259	1,260,998
			\$16,602,544	\$21,839,914

Loans from local and foreign banks aggregating \$14.02 million as at June 30, 2016 (\$13.36 million as at December 31, 2015) pertain to availments of revolving facilities; US denominated promissory notes in the form of export packing credit, export bills purchase, import letters of credit and trust receipts. These loans are secured by the Group's trade receivables and inventories as follows:

	Note	2016	2015
Trade receivables	9	\$2,234,717	\$2,074,890
Inventories	10	7,371,254	3,408,313
		\$9,605,971	\$5,483,203

The other loans are unsecured promissory notes used to finance the Group's working capital requirements.

Loans Payable - Net of Current Portion

	Currency	Nominal interest rate	2016	2015
Local banks	PHP	4.31% - 5.50%	\$21,019	\$2,738,387
	USD	4.31% - 5.35%	37,843	48,125
Foreign banks	USD	7.22%		201,600
Foreign financing corporation	NZD	9.90%	38,288	44,661
Private lender	NZD	Non-interest bearing	36,330	34,221
			\$133,480	3,066,994
Less current portion			66,259	1,260,998
			\$67,221	\$1,805,996

Local Banks. The loans were obtained to acquire investments and property and equipment. The security and other details covering these loans are summarized as follows:

	Security	2016	2015
2-year loans, payable in 2017	Assignment of shares of stock of Spence	\$-	\$2,367,358
Mortgage loans, payable monthly, maturing in various dates from April 2016 to June 2021	Chattel mortgage on transportation equipment and building	15,929	47,703
5-year loan, payable in 16 equal quarterly payments and maturing in 2016	Real estate mortgage on BGB's building and improvements and chattel mortgage on machineries and equipment	-	48,125
5-year loan, payable in 20 equal quarterly payments and maturing in 2017	Real estate mortgage on a parcel of land and chattel mortgage on machineries and equipment.		323,326
		\$15,929	\$2,786,512

As at December 31, 2015 (and 2014) the Group is compliant with the loan covenant except for the required current ratio and debt service coverage ratio. Management believes that the exception will not have any adverse effect on the Group's borrowing capacity and overall operations.

Foreign Banks. On September 5, 2013, the Group entered into a loan facility agreement with PT Rabobank International Indonesia for a maximum amount of \$720,000 or 80% of the purchase price of fishing vessels and gears. The loan is secured by a chattel mortgage on the Group's fishing vessels.

Foreign Financing Corporation and a Private Lender. These loans were obtained to finance working capital requirements of Akaroa and will mature on various dates until 2019.

Loan Security. Summary of the carrying amounts of property, plant and equipment under real estate and chattel mortgage on the loan is as follows (see Note 12):

	2016	2015
Buildings and leasehold improvements	\$4,171,307	\$4,278,678
Machineries and equipment	405,575	451,330
Transportation equipment	56,053	57,333
Fishing vessels		18,848
	\$4,632,935	\$4,806,189

Schedule of Payments. These are summarized below:

Year	Amount
2016	\$51,379
2017	27,812
2018	19,333
2019	19,595
2020	10,344
2021	5,017
	\$133,480

Interest Expense

Interest expense charged to operations is as follows:

	Note	2016	2015
Short-term loans		\$636,019	\$915,520
Loans payable - net of current portion		64,320	43,571
Advances from related parties	16	2,003	294,868
		\$702,342	\$1,253,959

16. Related Party Transactions

The Group, in the normal course of business, has regular transactions with its related parties as summarized below:

Related Party	Note	Amount of Transaction		Outstanding Balance	
		2016	2015	2016	2015
Trade and other receivables					
Joint Venture					
FDCP		\$228,567	\$179,705	\$309,808	\$56,481
Associate					
SSNZ		-	-	15,327	15,142
	9			\$325,135	\$71,623
Other non-current assets					
Joint Venture					
WCFI				2,182,863	2,182,863
Allowance for impairment				(2,182,863)	(2,182,863)
	13			\$-	\$-
Trade and other payables					
Joint Venture					
FDCP	14	(\$40,000)	\$2,993,216	\$260,957	\$300,957
Due to a related party					
Subsidiary Stockholder					
Duncan Bates		\$-	\$-	\$142,959	\$134,657
Parent Stockholder					
Strongoak Inc.			2,464,544	-	-
				\$142,959	\$134,657

Nature and Terms of Payment

Working Capital Advances. The Parent Company and its subsidiaries make advances to and from its related parties for working capital requirements. The receivables from AMHI and SSNZ and the payable to Duncan Bates are working capital advances that are non-interest bearing and payable on demand.

Other Noncurrent Assets. As discussed in Note 13, this receivable resulted from the sale of fishing vessels by the Parent Company.

Trade Receivable and Trade Payable. The Parent Company purchased some of its can requirements from FDCP. These trade accounts which resulted from these transactions are non-interest bearing and are normally settled within a year.

Due to Strongoak, Inc. The due to Strongoak, Inc. is an avilment of a loan facility with interest rate of 6.5% secured by purchase orders equivalent to the loan amount. This loan facility is solely for tuna fish purchases.

Interest Expense

Total interest expense aggregated \$2,003 in 2016 (\$0.29 million in 2015) (see Note 15).

17. Retirement Benefit Obligation

The Group values its defined benefit obligation using the Projected Unit Credit Method. The benefit shall be payable to employees who retire from service who are at least sixty years old and with at least five years of continuous service.

The Group has executed a Trust Agreement with Land Bank of the Philippines dated January 13, 2011, establishing the Group's Retirement Plan.

18. Equity

Capital Stock

This account consists of:

	2016		2015	
	Shares	Amount	Shares	Amount
Authorized:				
Ordinary shares at ₱1 par value				
Balance at beginning of year	3,000,000,000	₱3,000,000,000	1,500,000,000	₱1,500,000,000
Increase			1,500,000,000	1,500,000,000
Balance at end of year	3,000,000,000	₱3,000,000,000	3,000,000,000	₱3,000,000,000
Issued and outstanding:				
Balance at beginning of year	2,500,000,000	\$53,646,778	1,500,000,000	\$32,238,544
Additional issuance			1,000,000,000	21,408,234
Total issued and fully paid	2,500,000,000	\$53,646,778	2,500,000,000	\$53,646,778
Treasury stock	(287,537)	(5,774)	(287,537)	(5,774)
Balance at end of year	2,499,712,463	\$53,641,004	2,499,712,463	\$53,641,004

The history of shares issuances from initial public offering of the Parent Company is as follows:

	Subscriber	Issue/Offer Price	Registration/Issue Date	Number of Shares Issued
Initial public offering	Various	₱1.35	November 8, 2006	535,099,610
Stock dividends	Various	–	December 17, 2007	64,177,449
Stock rights offer (SRO)	Various	1.00	July 25, 2011	272,267,965
Stock dividends	Various	–	January 25, 2012	137,500,000
Private placement	Various	1.60	December 14, 2012	60,668,750
Private placement	Strongoak Inc.	1.31	May 5, 2014	430,286,226
SRO	Various	1.00	October 28, 2015	1,000,000,000
				2,500,000,000

On May 5, 2014, the Parent Company's BOD approved the issuance of 430,286,226 shares to Strongoak Inc. in a private placement for a 28.7% share of the Parent Company's total outstanding shares. The subscription price was ₱1.31 a share at a 33% premium on the 30-day weighted average price for the period. The issuance of the shares resulted in an increase in share capital and additional paid-in capital amounting to \$9,662,622 and \$2,947,111, respectively.

On February 17, 2015, the BOD approved the increase in the Parent Company's authorized capital stock from ₱1.50 billion divided into 1.50 billion shares to ₱3.00 billion divided into 3.0 billion shares at ₱1 par value a share. The same resolution was approved by the stockholders on June 30, 2015. The increase in authorized capital stock was approved by the SEC on October 28, 2015.

In the same meeting, the BOD also approved the stock rights offering of up to 1.0 billion shares at ₱1 par value a share by way of pre-emptive rights offering to eligible existing common shareholders of the Parent Company at the proportion of 1 rights offer for every one and ½ existing common shares held as of the record date.

Strongoak Inc. acquired 952,479,638 shares of the Parent Company at par value arising from the increase in authorized capital stock and stock rights offering by way of pre-emptive rights. This resulted in Strongoak Inc. owning a total of 1,382,765,864 shares, representing 55.32% of the total issued and outstanding shares of the Parent Company.

The total number of shareholders as at December 31, 2015 is 252 (239 as at December 31, 2014).

19. Net Sales

This account consists of:

	2016	2015
Sales	\$45,783,105	\$56,775,367
Less:		
Sales returns	2,055	24,474
Sales discounts	17,171	10,973
	\$45,763,879	\$56,739,920

20. Cost of Goods Sold

This account consists of:

	Note	2016	2015
Materials used		\$33,307,359	\$32,376,356
Direct labor		4,526,442	4,344,825
Manufacturing overhead:			
Warehousing	12	980,125	798,893
Depreciation and amortization		692,744	826,341
Fishmeal		516,741	822,492
Fuel		482,198	669,870
Light and water		430,146	523,130
Repairs and maintenance		365,497	366,615
Indirect labor		357,453	606,479
Others		1,875,742	2,544,113
Total manufacturing costs		43,534,447	43,879,114
Finished goods, beginning	10	6,415,166	13,925,033
Total cost of goods manufactured		49,949,613	57,804,147
Finished goods, ending	10	6,675,221	6,473,159
		\$43,274,392	\$51,330,988

Other manufacturing overhead consists of indirect labor, consumables, repairs and maintenance, outside services and insurance among others.

21. Selling and Administrative Expenses

This account consists of:

	Note	2016	2015
Salaries, wages and other short-term benefits		\$2,036,248	2,149,932
Outside services		344,773	742,701
Freight and handling		575,634	701,965
Transportation and travel		266,930	313,420
Taxes and licenses		202,066	371,908
Insurance		166,185	160,779
Advertising and marketing		129,092	406,594
Representation and entertainment		114,297	109,878
Utilities and communication		89,720	105,971
Other personnel expenses		79,683	55,195
Retirement benefit		68,598	57,316
Depreciation and amortization	12	64,225	86,163
Materials and supplies		63,274	103,720
Business development		60,860	97,962
Commission		55,757	26,886
Rental		52,257	143,967
Fuel and oil		36,165	118,958
Membership dues		32,554	38,605
Repairs and maintenance		28,140	56,352
(Forward)			15,698

	Note	2016	2015
Condominium dues			
Fringe benefit tax		4,306	12,889
Buyer's claims			611,932
Inventory writedown			211,200
Others		327,400	101,123
		\$4,798,164	\$6,801,114

22. Other Income (Charges)

This account consists of:

	Note	2016	2015
Interest income		73,748	37,252
Gain on sale of PPE		23,619	
Foreign exchange gain (loss)		83,529	(316,529)
Bank Charges		(81,776)	(133,825)
Others		291,102	21,561
		\$390,222	(\$391,541)

Others consist of duty benefit and miscellaneous items.

23. Employee Benefits

This account consists of:

	2016	2015
Short-term employee benefits	\$6,920,144	\$7,101,236
Post-employment benefits	68,598	55,936
	\$6,988,742	\$7,157,172

24. Earnings (Loss) Per Share

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

	2016	2015
Income (Loss) for the year	(\$2,262,444)	(\$2,325,704)
Weighted average number of ordinary shares outstanding	2,499,712,463	1,499,712,463
	(\$0.0009)	(\$0.0015)

As at September 30, 2016 (and 2015), the Parent Company has no dilutive potential share; hence, the basic loss per share is equal to the diluted earnings per share.

25. Significant Agreements

Operating Lease Agreements

A number of operating lease agreements were entered into by the Group.

The Group as Lessee

- *Operating lease agreement with Dominion Property Holdings, Inc.* The Parent Company leases its head office space from Dominion Property Holdings, Inc. with a monthly rental of \$3,688 for a period of three years, commencing on August 16, 2016 to August 15, 2018 renewable by mutual agreement by both parties.
- *Operating lease agreement with Piadi Multipurpose Cooperative.* The Group has a one-year lease agreement with Piadi Multipurpose Cooperative, a third party, for the lease of the warehouse building expiring on August 31, 2016. The lease agreement provides the following:
 - a. The said lease is renewable at the sole option of the lessor provided that the lessee shall occupy the premises on a month-to-month basis.
 - b. Fixed monthly rent in the amount of \$426 plus 12% VAT or a total of \$477.
- *Operating lease agreement with New Zealand Guardian Trust Company Limited.* The Group entered into a lease agreement with New Zealand Guardian Trust Company Limited for premises located at 6 Pope Street, with an annual rental payment of \$43,291 for 15 years beginning June 1, 2012 until May 30, 2027. The agreement has four renewable dates being December 1, 2014, June 1, 2017, June 1, 2022 and December 1, 2024.
- *Operating lease agreement with a former shareholder.* The Group leases its office and manufacturing space from an entity that is controlled by its former shareholder with a monthly rental of \$17,900, plus an amount to cover the Group's portion of taxes and operating costs, until May 31, 2020.

Total rent expense charged under "Cost of goods sold" amounted to \$0.31 million in 2016 (\$0.79 million in 2015) (see Note 20).

Total rent expense charged under "Selling and distribution expenses" amounted to \$0.05 million in 2016 (\$0.14 million in 2015) (see Note 21).

The Group as Lessor

- *Operating lease agreement between AMHI and FDCP.* AMHI has an existing lease agreement with FDCP covering a parcel of land. The lease agreement will expire in 2017 and renewable as may be agreed by both parties. The rental payments are subject to annual escalation of 5% or the national inflation rate as published by the National Statistics Office, whichever is higher. Rental receivable of AMHI included in the "Due from related parties" under "Trade and other receivable" account.

26. Corporate Social Responsibility

For the past eight (8) years, the Group accommodated the feeding program of the Banisil High School in General Santos City. Guided by the principle of "Feeding the stomach, feeding the mind" students from ages 12 to 14 that were identified to be severely below the average Body Mass Index were fed daily throughout the year with meals that would give complete nutrition to complement their mental development. Part of the goal is to educate families about health and

nutrition, so that they could sustain the progress children have made every school year. As of 2016, eight hundred ninety two (892) students benefited from this program and has helped reduced the rate of students dropping out and improved their academic performance.

27. Income Taxes

Components of income tax expense (benefit) charged to profit or loss is as follows:

	2016	2015
Current	(\$349,107)	\$210,421
	(\$349,107)	\$210,421

28. Fair Value of Financial Instruments

The table below presents the carrying amounts and fair value of the Group's financial assets and financial liabilities as at September 30, 2016 (and 2015).

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	\$4,009,864	\$4,009,864	\$17,594,979	\$17,594,979
Trade and other receivables	5,439,888	5,439,888	5,270,872	5,270,872
Due from related parties	336,730	336,730	71,623	71,623
Refundable lease deposits	-	-	-	-
	\$9,786,482	\$9,786,482	\$22,937,474	\$22,937,474

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Trade and other payables*	\$6,254,704	\$6,254,704	\$5,606,680	\$5,606,680
Loans payable	16,669,765	16,669,765	23,645,910	23,645,910
Due to a related party	142,959	142,959	134,657	134,657
Refundable lease deposit	178,637	178,637	184,349	184,349
	\$23,246,065	\$23,246,065	\$29,571,596	\$29,571,596

* Excluding government liabilities

The difference between the carrying amount of trade and other payables disclosed in the consolidated statement of financial position and the amount disclosed in this note pertains to government payables that are not considered as financial liabilities.

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

The fair value of the loans payable and refundable lease deposits is determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments. There were no significant unobservable inputs identified and no relationship was established between the

unobservable inputs and the fair value of the loans payable and refundable lease deposits. These financial instruments are classified under Level 3 of the fair value hierarchy groups of the consolidated financial statements.

The due to related parties is measured at cost since there is no reliable market data to which the fair value can be obtained. Management assesses that their carrying amounts approximate their fair values. There were no significant unobservable inputs identified and no relationship was established between the unobservable inputs and the fair value of due to related parties. These financial instruments are classified under Level 3 of the fair value hierarchy groups of the consolidated financial statements.

The fair value hierarchy groups the financial instruments into Levels 1 to 3 based on the degree to which the fair value is observable. There were no transfers to other levels in 2015.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise mainly of cash and cash equivalents, trade and other receivables, due from related parties, refundable lease deposits, trade and other payables (excluding government liabilities), loans payable and due to related parties. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The Group's BOD and management review and approve the policies for managing each of the risks summarized below.

Credit Risk

Credit risk is the risk that the counterparty fails to fulfill its obligations to the Group. Counterparty such as banks and customer who pay on or before due date have minimum risk exposure since default in settling its obligations is remote. The Group deals only with reputable banks and customer to limit this risk.

As at September 30, 2016 (and 2015), the aging analysis of the Group's financial assets is as follows:

	2016					Total
	Neither Past Due nor Impaired	Past Due Account but not Impaired			Impaired Financial Assets	
		1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days		
Cash in banks	\$1,590,091	\$-	\$-	\$-	\$-	\$1,590,091
Cash equivalents	2,405,463	-	-	-	-	2,405,463
Trade and other receivables	3,364,830	127,586	95,838	19,683	1,831,950	5,439,887
Due from related parties	336,730	-	-	-	-	336,730
	\$7,697,114	\$877,145	\$113,273	\$12,756	\$1,891,020	\$9,772,171

	2015					Total
	Neither Past Due nor Impaired	Past Due Account but not Impaired			Impaired Financial Assets	
		1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days		
Cash in banks	\$3,416,569	\$-	\$-	\$-	\$-	\$3,416,569
Cash equivalents	14,162,466	-	-	-	-	14,162,466
Trade and other receivables	5,230,329	-	-	-	1,889,186	7,119,515
Due from related parties	71,623	-	-	-	-	71,623
Refundable lease deposits	-	-	-	-	-	-
	\$22,880,987	\$-	\$-	\$-	\$1,889,186	\$24,770,173

As at September 30, 2016 (and 2015), the carrying amounts of financial assets that are neither past due nor impaired are rated as High Grade. The credit quality of the financial assets is managed by the Group using the internal credit quality ratings as follows:

High Grade. Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

Standard Grade. Other financial assets not belonging to high grade financial assets are included in this category.

Interest Rate Risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to debt instruments such as bank and mortgage loans. The interest rates on these liabilities are disclosed in Note 15.

The Group has no established policy on managing interest risk. Management believes that any variation in the interest will not have a material impact on the net profit of the Group.

Bank and mortgage loans amounting to \$23.7 million as at December 31, 2015 (and \$32.6 million as at December 31, 2014) agreed at interest rates ranging from approximately 4% to 11% for bank loans and 9.2% per annum for mortgage loans; expose the Group to fair value interest rate risk.

An estimate of 50 basis points increase or decrease is used in reporting interest rate changes and represents Management's assessment of the reasonably possible change in interest rates.

The effects of a 50 basis points change in interest rate on net profit for the years ended December 31, 2015 (and 2014) is an increase or a decrease of \$118,315 (and \$150,906), respectively.

This is mainly attributable to the Group's exposure to interest rates on its borrowings.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

The Group's objective is to maintain a balance between continuity of funding and flexibility through related party advances and aims to manage liquidity as follows:

- a. To ensure that adequate funding is available at all times;
- b. To meet commitments as they arise without recurring unnecessary costs; and
- c. To be able to assess funding when needed at the least possible cost.

Foreign Currency Risk

The Group has transactional currency exposures arising from purchase and sale transactions denominated in currencies other than the reporting currency. The Group does not enter into forward contracts to hedge currency exposures.

As part of the Group's risk management policy, the Group maintains monitoring of the fluctuations in the foreign exchange rates, thus managing its foreign currency risk.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value. The Group maintains its current capital structure and will make adjustments, if necessary, in order to generate a reasonable level of returns to stockholders over the long term. No changes were made in the objectives, policies or processes during the year.

The Group considers the equity presented in the consolidated statement of financial position as its core capital.

The Group monitors capital using debt to equity ratio, which is total debt divided by total equity. The debt-to-equity ratio as at September 30, 2016 (and 2015) follows:

	2016	2015
Debt	\$24,090,012	\$30,473,956
Equity	38,277,199	40,552,957
Debt-to-Equity Ratio	0.63:1	0.75:1

The Group is not subject to any externally imposed capital requirements except for the loan covenants disclosed in Note 15.

Debt is composed of trade and other payables, loans payable, due to related parties and income tax payable as discussed in Notes 14, 15, and 16 respectively, while equity includes share capital and reserves of the Group, less treasury shares. The computed ratios above are acceptable.

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. The public ownership is about 32% as at December 31, 2015 (42.36% as at December 31, 2014).

The Group reviews its capital structure on an annual basis. As part of this review, the Group considers the cost of capital and the risks associated with it.