AGRINURTURE, INC. AND SUBSIDIARIES

(Formerly Mabuhay 2000 Enterprises, Inc.)

CONSOLIDATED BALANCE SHEETS

December 31, 2008 and 2007

	Notes	2008	2007
ASSETS			
Current Assets			
Cash		**P8,397,521**	P11,064,779
Trade and other receivables	4	**220,461,635**	87,909,220
Note receivable	9	**58,000,000**	50,000,000
Due from stockholders	15	**5,182,925**	81,449,381
Advances to projects	21	**31,997,768**	9,167,441
Inventories	5	**34,150,232**	16,323,174
Prepayments and other current assets		**7,344,877**	3,137,144
Total Current Assets		**365,534,958**	259,051,139
Non-current Assets			
Property and equipment, net	6	**133,380,179**	45,337,380
Deferred tax assets	16	**945,608**	293,075
Goodwill	21	**19,509,913**	30,103,896
Other non-current assets		**3,924,462**	738,113
Total Non-current Assets		**157,760,162**	76,472,464
TOTAL ASSETS		**P523,295,120**	P335,523,603
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	7	**P89,725,054**	P70,674,718
Current portion of long-term notes payable	8	**211,241,383**	106,376,923
Due to stockholders	15	**14,652,684**	17,441,630
Income tax payable		**633,751**	692,184
Total Current Liabilities		**316,252,872**	195,185,455
Non-current Liabilities			
Long-term notes payable	8	**15,680,391**	13,276,122
Pension liability	13	**525,294**	383,296
Deferred tax liability	16	**-**	121,563
Total Non-current Liabilities		**16,205,685**	13,780,981
Total Liabilities		**332,458,557**	208,966,436
Equity			
Equity Attributable to Equity Holders of the Parent			
Share capital - P1 par value in 2008 and P100 in 2007			
Authorized - 300,000,000 shares in 2008; 10,000,000 in 2007			
Issued - 178,536,602 shares in 2008; 100,000 in 2007	9	**178,536,602**	10,000,000
Deposits for future stock subscriptions	9	**-**	95,898,440
Retained earnings			
Appropriated	9	**19,000,000**	-
Unappropriated		**(6,700,039)**	3,562,842
		190,836,563	109,461,282
Equity Attributable to Minority Interests		**-**	17,095,885
Total Equity		**190,836,563**	126,557,167
TOTAL LIABILITIES AND EQUITY		**P523,295,120**	P335,523,603

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
(Formerly Mabuhay 2000 Enterprises, Inc.)

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2008, 2007 and 2006

	Notes	2008	2007	2006
Sales		**P777,964,691**	P623,874,393	P106,887,850
Cost of Sales	10	**643,940,906**	510,249,833	88,856,264
Gross Profit		**134,023,785**	113,624,560	18,031,586
Operating Expenses	11	**110,166,155**	100,857,585	16,909,415
Operating Income		**23,857,630**	12,766,975	1,122,171
Other Expenses, Net	14	**(10,357,077)**	(1,872,131)	(186,339)
Income Before Income Tax		**13,500,553**	10,894,844	935,832
Provision for Income Tax	16			
Current		**4,763,434**	4,310,888	387,776
Deferred		**-**	(82,266)	(27,233)
		4,763,434	4,228,622	360,543
NET INCOME		**P8,737,119**	P6,666,222	P575,289
Attributable To				
Equity Holders of the Parent		**8,737,119**	4,302,533	582,136
Minority Interests		**-**	2,363,689	(6,847)
		P8,737,119	P6,666,222	P575,289
EARNINGS PER SHARE	17	**P0.06**	P0.43	P0.06

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
(Formerly Mabuhay 2000 Enterprises, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2008, 2007 and 2006

	Notes	**2008**	2007	2006
Cash Flows from Operating Activities				
Income before income tax		**P13,500,553**	P10,894,844	P935,832
Adustments for -				
Depreciation and amortization	6,12	**4,295,220**	2,236,735	322,195
Provision for retirement benefits cost	11,13	**141,998**	128,311	254,986
Unrealized foreign exchange gain		-	(347,325)	-
Goodwill		**10,593,983**	-	-
Interest expense	8,14	**13,880,886**	2,862,966	823,524
Interest income	14	**(36,620)**	(15,621)	(91,707)
Operating income before working capital changes		**42,376,020**	15,759,910	2,244,830
Changes in working capital accounts				
Decrease (increase) in				
Trade and other receivables		**(132,552,417)**	(100,280,134)	(2,802,105)
Note receivable		**(8,000,000)**	-	-
Inventories		**(17,827,058)**	(15,090,750)	(1,054,433)
Due from stockholders		**76,266,456**	(81,403,296)	(46,085)
Advances to projects		**(22,830,327)**	(1,613,397)	(7,554,044)
Prepayments and other current assets		**(4,207,733)**	(2,939,105)	(126,194)
Increase (decrease) in				
Trade and other payables		**19,050,336**	69,236,636	153,938
Due to stockholders		**(2,788,946)**	16,644,847	796,783
Cash used for operations		**(50,513,669)**	(99,685,289)	(8,387,310)
Interest paid		**(13,880,886)**	(2,862,966)	(823,524)
Interest received		**36,620**	15,621	91,707
Income taxes paid		**(5,595,963)**	(3,984,212)	(30,772)
Net cash used in operating activities		**(69,953,898)**	(106,516,846)	(9,149,899)
Cash Flows from Investing Activities				
Additions to property and equipment	6	**(92,338,017)**	(23,533,825)	(1,909,892)
Additional investment in subsidiary		**(17,095,885)**	-	-
Increase in other non-current assets		**(3,186,350)**	(738,113)	-
Net cash used in investing activities		**(112,620,252)**	(24,271,938)	(1,909,892)
Cash Flows from Financing Activities				
Proceeds from borrowings		**109,402,671**	115,653,045	7,000,000
Repayments on borrowings		**(2,133,942)**	(3,000,000)	(1,972,000)
Deposits for future stock subscriptions		-	24,918,440	-
Proceeds from issuance of share capital		**72,638,162**	-	-
Net cash provided by financing activities		**179,906,891**	137,571,485	5,028,000
Net Increase (Decrease) in Cash		**(2,667,259)**	6,782,701	(6,031,791)
Cash, January 1		**11,064,779**	4,282,078	10,313,869
Cash, December 31		**P8,397,520**	P11,064,779	P4,282,078

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES

(Formerly Mabuhay 2000 Enterprises, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2008, 2007 and 2006

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		Equity Attributable to the Equity Holders of the Parent Company					
	Notes	Share Capital (Issued and Outstanding)	Deposits for Future Stock Subscriptions	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Minority Interest	Total
Balances at January 1, 2006		P10,000,000	P-	P-	(P1,321,827)	P-	P8,678,173
Additions with the acquisition of IMEX						7,500	7,500
Additions with the acquisition of LFVPI						125	125
Net income for the period		-	-	-	582,136	(6,847)	575,289
Balances at December 31, 2006		P10,000,000	P-	P-	P(739,691)	P778	P9,261,087
Balances at January 1, 2007		P10,000,000	P-	P-	(P739,691)	P778	P9,261,087
Acquisition of equity interest of FCAC		-	-	-	-	14,731,418	14,731,418
Deposits for future stock subscriptions	9		95,898,440				95,898,440
Net income for the period		-	-	-	4,302,533	2,363,689	6,666,222
Balances at December 31, 2007		P10,000,000	P95,898,440	P-	P3,562,842	P17,095,885	P126,557,167
Balances at January 1, 2008		P10,000,000	P95,898,440	P-	P3,562,842	P17,095,885	P126,557,167
Issuance of common shares		72,638,162	-	-	-	-	72,638,162
Transfer of deposits for future stocks subscriptions to share capital	9	95,898,440	(95,898,440)	-	-	-	-
Acquisition of remaining equity interest of FCAC		-	-	-	-	(17,095,885)	(17,095,885)
Appropriation for future dividends	9	-	-	19,000,000	(19,000,000)	-	-
Net income for the period		-	-	-	8,737,119	-	8,737,119
Balances at December 31, 2008		**P178,536,602**	**P-**	**P19,000,000**	**P(6,700,039)**	**P-**	**P190,836,563**

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
(Formerly Mabuhay 2000 Enterprises, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 1 – CORPORATE INFORMATION

Incorporation

AgriNurture, Inc. (the Parent Company) formerly known as Mabuhay 2000 Enterprises, Inc., and its subsidiaries (collectively referred herein as the Group) were incorporated under the laws of the Republic of the Philippines.

The Parent Company registered with the Securities and Exchange Commission (SEC) per Registration No. 0199701848 on February 4, 1997 to carry on the business of manufacturing, producing, growing, buying, selling distributing, marketing at wholesale only insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description and to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale only and other disposition for its own account as principal or in representative capacity as manufacturer's representative, upon consignment of all kinds of goods, wares, merchandise or products, whether natural or artificial.

The details of incorporation and principal activities of the subsidiaries are as follows:

Name of Subsidiary	Percentage of Ownership	Date of SEC Registration	Registered Address	Principal Activity
First Class Agriculture Corporation (FCAC)	100% directly owned	June 11, 2002	Provincial Road, Barangay Arenas, Arayat, Pampanga	Trading agricultural goods
Fresh & Green Harvest Agricultural Company, Inc. (FG)	100% indirectly owned through FCAC	June 4, 2004	Block 176 Lot 5 Phase 3 Guagua Ext B, Madapdap Resettlement Center, Mabalacat, Pampanga	Trading agricultural goods
M200 IMEX Company Inc. (IMEX)	100% directly owned	May 11, 2005	No. 54 National Road, Dampol II-A Pulilan, Bulacan, Philippines	Manufacturing *- pre-operating stage in 2007* *- operating in 2008*
Lucky Fruit and Vegetable Products, Inc. (LFVPI)	100% directly owned	May 11, 2005	No.35 Gasan Street, Masambong, SFDM, Quezon City	Trading agricultural goods

Best Choice Harvest Agricultural Corp. (BCHAC)	100% indirectly owned through FCAC		Sitio Gugu, Brgy Sta. Rosa, Concepcion City, Tarlac	Management of Farming Activities
Fruitilicious Company, Inc. (FCI)	89.20% directly owned	February 11, 2008	Balongis, balulang, Cagayan de Oro	Processing, manufacturing and trading of frozen agricultural products *-non-operating in 2008*

The Parent Company's registered business address is at National Road, Pulilan, Bulacan, Philippines and its principal place of business is at No. 35 Gasan Street, Masambong, SFDM, Quezon City.

Status of Operations

Business Acquisitions
On January 1, 2007, FCAC declared ownership over 100% of the paid-up capital of FG and BCHAC by virtue of the fulfillment of the conditions for unconditional transfer of ownership from FG's and BCHAC's incorporators to FCAC as embodied in various Deeds of Trusts previously executed by and between parties concerned.

Furthermore, the Parent Company and FCAC (the Parties) executed a Memorandum of Understanding (MOU), which provides for the firm commitment of the former to acquire 100% equity interest on FCAC and all its subsidiaries. The following are the significant mutual covenants agreed upon by the Parties:

- The negotiation and execution of mutually acceptable Memorandum of Agreement (MOA) for the acquisition by ANI of the shares of FCAC's shareholders on or before December 31, 2007;

- Upon signing of the MOU, all decisions in the ordinary course of business of FCAC shall only be made with the consent of the Parent Company; and

- As consideration for the foregoing, the Parent Company shall pay FCAC and its shareholders goodwill money upon execution of the MOA.

Moreover, the Parent Company and the shareholders of FCAC executed a voting trust agreement (VTA), whereby the shareholders holding 60% of the total issued and outstanding shares of stock of FCAC assigned their voting rights to the Parent Company. By virtue of the VTA, the Parent Company obtained control over the financial and operating policies of the FCAC and its subsidiaries.

Note 1 – CORPORATE INFORMATION - *continued*

On December 28, 2007, the Parent Company, FCAC and its major shareholder, executed the aforementioned MOA, which provides for the agreed consideration in acquiring the 100% equity interest in FCAC. The following are the significant mutual covenants agreed upon by the parties:

- The Parent Company shall acquire 100% equity interest in FCAC including all of the latter's 100% owned subsidiaries, FG and BCHAC for a consideration of P56.5 million;

- The said consideration shall be paid as follows: (a) P50 million cash for the net worth of FCAC, receipt of which was already acknowledged and: (b) the remaining P6.5 million shall be paid on or before March 31, 2008; and

- Upon payment of P50 million, FCAC shall assign in favor of the Parent Company, 60% equity interest in FCAC including all its subsidiaries. The remaining 40% shall be assigned to the Parent Company upon payment of the remaining P6.5 million.

In March 2008, the Parent Company has fully paid for the remaining 40% equity interest in FCAC and all its subsidiaries.

On January 2, 2008, the majority of the stockholders and BOD of the Parent Company resolved to approve the following amendments to the Parent Company's Articles of Incorporation:

a) Change in the registered business name from Mabuhay 2000 Enterprises, Inc. to its current name; and
b) Change in the registered business address of the Parent Company, from 7th Floor Escolta Twin Tower, Escolta St., Binondo, Manila City to its current address.

The SEC approved the aforementioned amendments on February 15, 2008.

Compliance Listing of Securities with a Foreign Stock Exchange - the National Stock Exchange of Australia (NSX)
On January 09, 2009, the Parent Company's application for compliance listing with the NSX has been approved with its secondary common shares being listed and have subsequently been traded.

Initial Listing of Securities with a Local Stock Exchange – the Philippine Stock Exchange, Inc (PSE).
On April 15, 2009, the PSE has approved the application of the Parent Company's initial listing by way of introduction of 178,536,602 common shares, with par value of one peso: P1 per share, in the Second Board of the PSE at an opening price based on the closing price of the Parent Company's shares in the NSX on the trading day immediately preceding the listing date subject to the compliance by the Parent Company with all the requirements set forth by the PSE.

Listing by way of introduction is a listing process that does not involve a public offering of the Parent Company's securities.

Approval of Consolidated Financial Statements

The accompanying consolidated financial statements of the Group for the period ended December 31, 2008 were authorized and approved for issuance by the BOD on April 24, 2009.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Basis of Preparation

Basis of Measurement
The accompanying consolidated financial statements of the Group have been prepared on historical cost basis.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs) issued by the Financial Reporting Standards Council. PFRSs consist of the following:

(a) PFRSs - correspond to International Financial Reporting Standards;
(b) Philippine Accounting Standards (PASs) – correspond to International Accounting Standards; and
(c) Philippine Interpretations to existing standards – correspond to Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee of the International Accounting Standards Board; these include Interpretation developed by the Philippine Interpretation Committee.

Functional and Presentation Currency
The accompanying consolidated financial statements are presented in Philippine peso, which is also the functional currency of the Group.

Basis of Consolidation

The consolidated financial statements of the Group comprise the separate financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Company, using consistent accounting policies.

All intra-company balances, receivables and payables, income and expenses, profits and losses resulting from intra-company transactions that are recognized in the separate financial statements of the Parent Company and its subsidiaries are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases.

Minority interest represents the portion of profit or loss and net assets of FCA, FG, BCHAC, IMEX and LFVPI in 2007 not held by the Group and are presented separately in the consolidated statements of income and within the equity section in the consolidated balance sheets and consolidated statements of changes in equity, separately from the Parent Company's shareholders' equity.

Minority interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Group. If losses applicable to the minority interest in a subsidiary exceed the minority interest's equity in the subsidiary, the excess, and any further losses applicable to the minority interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses.

If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority interest's share of losses previously absorbed by the majority interest has been recovered.

Business Combinations

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured at fair values of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities represents goodwill, and recognized in the consolidated balance sheets on the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

On the other hand, any excess of the Parent Company's interest in the fair values of the identifiable assets and liabilities and contingent liabilities acquired over the cost of business combination is recognized in the consolidated statements of income on the date of acquisition.

Acquisition of the minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share on net assets acquired is recognized as goodwill in the consolidated statements of income.

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

Group's Adoption of New Accounting Standards, Interpretations and Amendments to Existing Standards

The accounting policies adopted in the preparation of the Group's consolidated financial statements have been consistently applied in all periods presented except as stated below.

<u>Accounting Standard, Amendments and Interpretations Effective in 2008</u>
The Group adopted the following relevant standard, amendment and interpretations to existing standards, which are effective for annual periods beginning on or after January 1, 2008, that are relevant to its operations:

- PAS 39 and PFRS 7 (Amendment), *Reclassification of Financial Assets*
  The amendments to the standards, which became effective on July 1, 2008, permitted an entity to reclassify non-derivative financial assets (other than those designated at FVPL by the entity upon initial recognition) out of the FVPL in particular circumstances. The amendment also permitted an entity to transfer from AFS category to the loans and

receivables category a financial asset that would have met the definition of loans and receivables (if the financial assets had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. In the event of reclassification, additional disclosures are required under PFRS 7. The Group assessed that the amendment to these standards have no impact on its consolidated financial statements since it has not reclassified its financial assets to a new category.

- Philippine Interpretation IFRIC 14, PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*
  This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. This interpretation does not have any impact on the financial position of the Group, as it does not have any pension asset.

The following interpretations to existing standards are effective in 2008, but are not yet relevant to the Group's operations:

- Philippine Interpretation IFRIC 11, *PFRS 2 – Group and Treasury Share Transactions*
  This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instrument of the parent. The Group currently does not have any stock option plan and therefore, this interpretation have no impact to its consolidated financial statements.

- Philippine Interpretation IFRIC 12, *Service Concession Agreements*
  This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession agreements. The Group does not have any service concession arrangements and hence this interpretation have no impact to the Group's consolidated financial statements.

<u>Standards and Amendment to Existing Standards Subsequent to 2008</u>
The Group is also aware of the following standards and amendments to existing standards that have been approved and are effective subsequent to 2008:

- Philippine Financial Reporting Standard (PFRS) 8, *Operating Segments* (Effective January 1, 2009)
  The Standard applies to listed companies. It will replace PAS 14, Segment Reporting and requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group is currently assessing the impact of this standard in its consolidated financial statements and will adopt once it becomes effective.

- Amendments to PFRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* (Effective January 1, 2009)
  The amendments improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments. It introduces a three-level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. As of the reporting date, the management could not yet measure the likely effect of adopting these amendments in the future.

- Revised PFRS 3, Business Combinations, and PAS 27, *Consolidated and Separate Financial Statements* (Effective July 1, 2009)
  The changes to PFRSs have been relatively small. The revised PFRS 3 reinforces the existing PFRS 3 model but remedies problems that have emerged in its application. Management believes that this interpretation would not have any significant impact in the Group's financial statements when it becomes effective in the future.

- Amendments to PFRS 2, Share-based Payment – *Vesting Conditions and Cancellations* (Effective January 1, 2009)
  The amendments deal with two matters. They clarify that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. They also specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group is currently assessing the impact of this standard in its consolidated financial statements and will adopt once it becomes effective.

- Revised Version of PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* (Effective July 1, 2009)
  The revised version has an improved structure but does not contain any technical changes and therefore, would not have any effect on the Group when it becomes effective. It was restructured to make it easier for the reader to understand and to allow it to accommodate more easily any future changes that might be necessary.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards and PAS 27, Consolidated and Separate Financial Statements* (Effective January 1, 2009)
  The amendments are relevant to first-time adopters of PFRS and thus, are not applicable to the Group. It will allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements; and it removes the definition of the cost method from IAS 27 and replacing it with a requirement to present dividends as income in the separate financial statements of the investor.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (Effective for annual periods beginning on or after July 1, 2009)
  The amendments provide additional guidance on what can be designated as a hedged item. It focused on developing application guidance to illustrate how the principles underlying hedge accounting should be applied in those situations. These amendments would most likely not affect the Group when it becomes effective as it does not usually enter into hedging activities.

- Amendments to PAS 32, *Financial Instruments: Presentation, and PAS 1, Presentation of Financial Statements (revised 2007) – Puttable Financial Instruments and Obligations Arising on Liquidation* (Effective January 1, 2009)
  The amendments are intended to improve the accounting for particular types of financial instruments that have characteristics similar to ordinary or common shares but are at present classified as financial liabilities. The amendments to PAS 32 address this issue and provide that puttable financial instruments will be presented as equity only if all of the following criteria are met: the holder is entitled to a pro-rata share of the entity's net assets on liquidation; the instrument is in the class of instruments that is the most subordinate and all instruments in that class have identical features; the instrument has no other characteristics that would meet the definition of a financial liability; and the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the entity (excluding any effects of the instrument itself). Profit or loss or change in recognized net assets for this purpose is as measured in accordance with relevant PFRSs. Management believes that this interpretation would not have any significant impact in the Group's financial statements when it becomes effective since it has not issued any puttable financial instruments and obligations.

- PAS 23 (Amendment), *Borrowing Cost* (Effective on January 1, 2009) - requires capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

- Revised PAS 1, Presentation *of Financial Statements* (Effective January 1, 2009)
  The changes made will require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyze changes in a Group's equity resulting from transactions with owners in their capacity as owners (such as dividends and share repurchases) separately from 'non-owner' changes (such as transactions with third parties). Management believes that such revision would most likely have no significant impact to the Group when it becomes effective.

- Philippine Interpretation IFRIC–18, *Transfers of Assets from Customers* (Effective to transfers of assets from customers received on or after 1 July 2009)
  The Interpretation is particularly relevant for the utility sector and therefore, would not have a significant impact on the Group when it becomes effective. The interpretation clarifies: the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset), the recognition of revenue; and the accounting for transfer of cash from customers.

- Philippine Interpretation IFRIC–17, *Distributions of Non-cash Assets to Owners* (Effective for annual periods beginning on or after 1 July 2009)
  It will standardize practice in the accounting treatment of distribution of non-cash assets to owners. The Interpretation clarifies that: a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Management believes that the Group is not yet in a financial position to distribute any asset to its owners.

- Philippine Interpretation IFRIC-16, *Hedges of a Net Investment in a Foreign Operation* (Effective for annual periods beginning on or after October 1, 2008)
  The Interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and that apply hedge accounting in accordance with IAS 39. It does not apply to other types of hedge accounting. Management believes that this interpretation would not have any significant impact in the Group's financial statements when it becomes effective in the future.

- Philippine Interpretation IFRIC –15, *Agreements for the Construction of Real Estate* (Effective January 1, 2012)
  The Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors and therefore, would most likely not have any impact on the Group when it becomes effective. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e., before construction is complete. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11, *Construction Contracts*, or IAS 18, *Revenue*, and when revenue from the construction should be recognized.

The following principal and relevant accounting policies have been consistently applied:

Financial Instruments

<u>Initial Recognition</u>
Financial assets and financial liabilities are recognized in the consolidated balance sheets when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are recognized initially at fair value plus transaction costs except for those designated at fair value through profit and loss (FVPL).

Classification of Financial Instruments
The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) investments, financial assets at fair value through profit and loss (FVPL), and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, reevaluates such designation at every reporting date.

The Group does not have financial assets and liabilities designated as FVPL, HTM and AFS investments.

Determination of Fair Value
The fair value of financial instruments traded in active markets is based on their quoted market price or dealer price quotation (bid price for long positions and asking price for short positions). When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in the economic circumstances since the time of the transaction. If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Financial Assets

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest rate method. Gains and losses are recognized in consolidated statements of income when the loans and receivables are derecognized or impaired, as well as through amortization process. Unearned discount is recognized as income over the life of the loan using the effective interest rate method.

The Group's trade and other receivables, note receivables and due from related parties as shown and disclosed in Notes 4 and 9 are included in this category.

Financial Liabilities

Other Financial Liabilities

This classification pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. Included in this category are the Group's trade and other payables, notes payable, and due to related parties as shown and disclosed in Notes 7, 8, and 15.

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

Derecognition of Financial Assets and Liabilities

A financial asset, where applicable, part of a financial asset or part of a group of similar financial assets is derecognized when: a) the rights to receive cash flows from the asset have expired; b) 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 c) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset 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.

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

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

Impairment of Financial Assets

Assessment of Impairment

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The determination of impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

Evidence of Impairment

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment of Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in the consolidated statements of income.

Reversal of Impairment Loss

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income, to the extent that the carrying value of the asset does not exceed its cost or amortized cost at the reversal date.

<u>Classification of Financial Instruments Between Debt and Equity</u>
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expense.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or other financial assets to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets 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, and the related assets and liabilities are presented gross in the consolidated balance sheets.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using standard cost, which approximates actual cost determined on the first-in, first-out basis.

NRV is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

The Group directly writes off inventory obsolescence due to spoilage, damage, and bad quality.

Property and Equipment

Property and equipment, except land, are initially measured at cost less any subsequent accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, import duties, taxes and directly attributable costs of bringing the asset to its working condition for its intended use. Land is stated at cost less any impairment in value.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when the expenditure have resulted in an increase in future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. Expenditures for repairs and maintenance are charged to operations during the period in which these are incurred.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation, amortization and any impairment loss are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

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

Property and Equipment	Estimated Life
Building	15 years
Store and warehouse equipment	3 - 5 years
Delivery and transportation equipment	3 - 12 years
Machinery and equipment	3 - 12 years
Office furniture and fixtures	3 - 12 years
Leasehold improvements	5 years

Leasehold improvements are amortized over the term of the lease or estimated useful lives of the improvements, whichever is shorter.

Construction in-progress represents leasehold improvements under construction and is stated at cost. This includes cost of construction, renovation, and other direct costs. Construction in-progress is not depreciated until the relevant assets are completed and put into operational use.

The useful lives, residual value and depreciation and amortization methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statements of income.

Impairment of Non-Financial Assets

At each financial reporting date, the Group reviews the carrying amounts of non-current assets to determine whether there is any indication of impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to its recoverable amount. The recoverable amount of the assets is the greater of net selling price and value in use. 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. Any impairment loss is recognized in the consolidated statements of income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of impairment loss is credited to current operations.

Provisions and Contingencies

The Group recognizes a provision if a present obligation (legal and constructive) has arisen as a result of a past event, payment is probable and the amount can be reliably measured. The amount recognized is the best estimate of the expenditure required to settle the present obligation at balance sheet date, that is, the amount the Group would rationally pay to settle the obligation to a third party.

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

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES – *continued*

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The additional specific recognition criteria for each type of revenue is as follows:

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

Interest income
Interest income is recognized as the interest accrue, taking into account the effective yield on the asset.

Operating Leases

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Pension Benefits Cost

The amount recognized as net pension liability is the net of the present value of the defined benefit obligation at the balance sheet date minus the fair value at the balance sheet date, of plan assets out of which the obligations are to be settled directly. The Group's pension benefits costs are actuarially determined using the projected unit credit actuarial valuation method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Upon introduction of a new plan or improvement of an existing plan, past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. To the extent that the benefits are already vested, past service cost is immediately expensed. Actuarial gains or losses are recognized as income or expense when the cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs.

Borrowing Costs

Borrowing costs of ordinary loans from local banks and financing institutions are recognized in the consolidated statements of income in the period in which these are incurred.

Foreign Exchange Transactions

Transactions in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the date in which the transaction took place. Foreign currency denominated monetary assets and liabilities of the Group are translated using the prevailing exchange rate as of balance sheet date. Gains or losses arising from these transactions and translation are credited or charged to income for the period.

Related Parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled or under common control are considered related parties.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute for the amount are those that are substantively enacted at the financial reporting date.

Deferred income tax

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

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

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

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

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

Business Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 20 to the consolidated financial statements.

Events After the Financial Reporting Date

Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements, when material.

Note 3 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from these estimates and assumptions used. The effect of any change in estimates will be reflected in the consolidated financial statements when these become reasonably determinable.

Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency is determined to be the Philippine peso. It is the currency that mainly influences the sale of goods and expenses of the Group.

Classification of financial instruments
The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

Determination of fair value of financial instruments
The Group carries certain financial assets and liabilities at fair value, which requires use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

The fair value of financial assets and liabilities as of December 31, 2008 amounted to P292,042,081 and P331,299,512, respectively, as shown in Note 19.

The fair value of financial assets and liabilities as of December 31, 2007 amounted to P230,423,380 and P207,769,393, respectively, as shown in Note 19.

Estimation of useful lives and residual value of property and equipment
The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

The carrying value of property and equipment amounted to P133,380,179 and P45,337,380 as of December 31, 2008 and 2007, respectively, as disclosed in Note 6.

Asset impairment
The Group determines whether its property and equipment is impaired at least annually. In determining the fair value of property and equipment, the Group relies on the determination of an independent firm of appraisers, which involves significant assumptions and estimates. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial condition and results of operations. While management believes that the assumptions made are appropriate and reasonable, significant changes in assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment losses were recognized on property and equipment in 2008 and 2007, as disclosed in Note 6.

Estimation of liability for retirement benefits
The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 12 and include, among others, discount rate and salary increase rate.

Note 3 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS – *continued*

In accordance with PFRS, actual results that differ from the assumptions used are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The estimated liability for retirement benefits amounted to P525,294 and P383,296 as of December 31, 2008 and December 31, 2007, respectively, as shown in Note 13.

Recognition of deferred income taxes

The Group reviews its deferred income tax assets and liability at each balance sheet date and reduces the carrying amount 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 and liability to be utilized.

Total deferred income tax assets (liability) amounted to P945,608 and (nil) as of December 31, 2008 and P293,075 and (P121,563) as of December 31, 2007, respectively, as shown in Note 16.

Note 4 – TRADE AND OTHER RECEIVABLES

This account consists of:

	2008	2007
Trade receivables	**P129,779,992**	P84,403,164
Other receivables	**90,681,643**	3,506,056
	P220,461,635	P87,909,220

Trade receivables are normally due within 15-30 days and do not bear any interest. All trade receivables are subject to credit risk exposure.

Other receivables include due from officers and employees as disclosed in Note 15.

The Group did not provide for any allowance for doubtful accounts since it believes that the entire amount is collectible within the normal credit period.

Note 5 – INVENTORIES

This account consists of:

	2008	2007
At cost:		
Finished goods	**P5,258,905**	P1, 527,788
Raw materials	**2,046,400**	378,893
Vegetables and fruits	**15,563,050**	-
Packaging materials and other supplies	**11,281,877**	14,416,493
	P34,150,232	P16,323,174

Note 6 – PROPERTY AND EQUIPMENT, Net

The details of the Group's property and equipment, net are as follows:

	Land	Building	Store and Warehouse Equipment	Delivery and Transportation Equipment	Machinery and Equipment	Office Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost									
At January 1, 2008	P2,417,000	P2,939,835	P4,079,291	P8,886,331	P23,173,053	P2,741,071	P2,804,830	P5,489,311	P52,530,722
Additions	18,500,000	53,750,056	1,456,984	1,435,226	47,815,826	1,020,277	-	1,786,859	125,765,228
Disposals					(34,301,374)				(34,301,374)
At December 31, 2008	20,917,000	56,689,891	5,536,275	10,321,557	36,687,505	3,761,348	2,804,830	7,276,170	143,994,576
Accumulated Depreciation and Amortization									
At January 1, 2008	-	391,980	1,308,011	1,770,817	426,520	1,090,691	2,205,323	-	7,193,342
Depreciation and amortization expense	-	195,989	959,312	1,196,939	1,250,202	549,296	143,482	-	4,295,220
Disposals					(874,165)				(874,165)
At December 31, 2008	-	587,969	2,267,323	2,967,756	802,557	1,639,987	2,348,805	-	10,614,397
Net Book Value									
At December 31, 2008	**P20,917,000**	**P56,101,922**	**P3,268,952**	**P7,353,801**	**P35,884,948**	**P2,121,361**	**P456,025**	**P7,276,170**	**P133,380,179**
Net Book Value									
At December 31, 2007	P2,417,000	P2,547,855	P2,771,280	P7,115,514	P22,746,533	P1,650,380	P599,507	P5,489,311	P45,337,380

Portion of the Group's land, building and machinery and equipment were used to secure loans obtained by the Group as disclosed in Note 8.

Note 6 – PROPERTY AND EQUIPMENT, Net – *continued*

Construction in-Progress

This pertains to the capitalizable expenses incurred by a Subsidiary amounting to P7,276,170, and P5,489,311 as of December 31, 2008 and 2007, respectively, in connection with the future transfer and use of a real property. The real property is a collateral to an indebtedness by a third party to the Parent which was subsequently foreclosed.

Management reviewed the carrying value of its property and equipment as of December 31, 2008 and 2007 for any impairment. Based on its evaluation, there were no indications that these assets are impaired.

Note 7 – TRADE AND OTHER PAYABLES

This account consists of:

	2008	2007
Trade payables	**P43,226,875**	P55,075,325
Customers' deposit	**1,258,298**	12,936,797
Accrued expenses	**823,800**	1,092,145
Other payables	**44,416,081**	1,570,451
	P89,725,054	P70,674,718

Trade payables are normally due within 30 days and do not bear any interest.

Other payables include due to officers as disclosed in Note 15.

Note 8 – NOTES PAYABLE

This account pertains to the outstanding balances of loans obtained by the Group, from various banks and a financing institution, for its working capital requirements. The details of which are as follows:

	2008	2007
Banco De Oro (BDO)	**P90,000,000**	P74,750,000
Bank of Commerce (BOC)	**29,770,267**	-
Mega International Commercial Bank (MICB)	**28,499,973**	-
Bank of the Philippine Islands (BPI)	**26,099,482**	19,351,556
Metropolitan Bank and Trust Co. (MBTC)	**20,000,000**	-
Land Bank of the Philippines (LBP)	**8,735,672**	10,000,000
Rizal Commercial Banking Corporation (RCBC)	**8,998,069**	3,383,387
Orix Metro Leasing Finance Corporation (ORIX)	**14,818,311**	12,168,102
	226,921,774	119,653,045
Non-current portion	**(15,680,391)**	(13,276,122)
Current portion	**P211,241,383**	P106,376,923

The pertinent provisions of the loan agreements with the lenders are as follows:

	Annual Interest Rate			
Lenders	2008	2007	Term	Security
BDO*	7.75% - 8.5%	–	1 to 6 months	Suretyship agreement and line of credit
MICB	7.50%	–	3 years	Real estate mortgage of FCAC's land and building
BPI	9.25% to 10.5%	9.25% to 10.5%	6 months/5 years	Unsecured in 2008; Receivables of Parent Company and land and building of FCAC in 2007
MBTC	9.0%	–	5 months	Unsecured
LBP*	8.75%	8.75%	6 months	Unsecured
RCBC	8% to 9.5%	8% to 9.5%	1 month to 3 years	Transportation equipment of Parent Company
EWBC*	8.68	–	1 month	Unsecured
ORIX**	Floating rate	–	3 years	Machinery and equipment of Parent Company

** Subject to quarterly repricing at the prevailing market interest rates.*

*** Equivalent to Philippine Dealing Exchange Rate of 9.16% or an average one-year rate plus 7.63% per annum, and is subject to annual repricing.*

Interest expense charged to operations amounted to P13,880,886, P2,862,966, and P823,524 in 2008, 2007 and 2006, respectively, as shown in Note 14.

Note 9 – EQUITY

Increase in Authorized Capital Stock of the Parent Company
The capital stock of the Parent Company consists only of common shares. All shares are equally eligible to receive dividends and repayment of capital and each share is entitled to one vote at the shareholders' meeting.

In 2007, the stockholders made the following payments and assignments of assets to the Parent Company for their future subscription of shares of stock.

a.) A portion of a secured note receivable amounting to P50,000,000 of the total note receivable of P108,356,522, which is based on the consideration given by the stockholder to the seller, was assigned by a major stockholder to the Parent Company on December 27, 2007;
b.) Machinery and equipment amounting to P20.98 million; and
c.) Cash payment of P24.91 million.

On January 21, 2008, the SEC approved the increase in authorized share capital of the Parent Company from P10 million to P300 million and a decrease in the par value per share from P100 to P1 per share. In addition, the Parent Company was also authorized to issue 9.90 million shares out of the increase in the authorized share capital in favor of the existing shareholders.

Subsequent to the SEC approval on the increase in authorized share capital of the Parent Company, the subscribed and paid common shares of stock in 2007 were accordingly issued to the stockholders, including the transfer of the deposits made which amounted to P95,898,440.

Total shares of stocks that were subscribed, paid and issued as of December 31, 2008 and 2007 are detailed below:

	2008		2007	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized – P1 par value per share in 2008 and P100 par value per share in 2007	**300,000,000**	**P300,000,000**	100,000	P10,000,000
Issued and outstanding	**178,536,602**	**P178,536,602**	100,000	P10,000,000

Out of the shares outstanding, P10,631,467 is allotted to and fully paid for by the Group's directors, employees and consultants under the Stock Purchase Plan. The said Plan is still subject for approval by the SEC.

Appropriation of Retained Earnings of FCAC
FCAC appropriated an accumulated retained earnings of P5,000,000 each, in 2004 and 2005 for expansion projects which was reverted as unappropriated retained earnings in 2007, upon accomplishment of the said project.

On March 10, 2008, the BOD of FCAC approved the appropriation of accumulated retained earnings amounting to P19,000,000 for future dividend declaration.

Note 10 – COST OF SALES

The breakdown of this account for the years ended December 31 is as follows:

	2008	2007	2006
Inventories, January 1	**P16,323,174**	P1,232,424	P177,991
Purchases	**661,767,964**	525,340,583	89,910,697
Total merchandise available for sale	**678,091,138**	526,573,007	90,088,688
Inventories, December 31	**(34,150,232)**	(16,323,174)	(1,232,424)
	P 643,940,906	P510,249,833	P88,856,264

Note 11 – OPERATING EXPENSES

The breakdown of this account for the years ended December 31 is as follows:

	2008	2007	2006
Deliveries	**37,404,836**	P19,539,618	P8,752,946
Salaries, wages and other employee benefit	**17,189,772**	44,123,274	1,373,128
Advertising and promotions	**9,693,836**	4,274,346	-
Professional fees	**6,493,742**	1,158,668	-
Repairs and maintenance	**6,260,387**	2,572,532	-
Taxes and licenses	**5,180,823**	2,749,489	-
Transportation and travel	**4,779,106**	3,437,769	1,179,365
Depreciation and amortization (Note 6)	**4,295,220**	2,236,735	-
Communications, light and water	**3,970,706**	2,292,150	-
Bank charges	**3,831,949**	874,112	-
Representation and entertainment	**1,812,885**	1,955,145	-
SSS, Philhealth and Pag-ibig contributions	**1,477,150**	2,209,333	-
Security services	**1,021,000**	647,867	-
Office supplies	**981,065**	1,035,853	-
Rent (Note 12)	**529,739**	1,511,315	-
Commission	**472,993**	1,828,886	-
Insurance	**282,785**	-	-
Research and development costs	**162,358**	-	-
Retirement benefits cost (Note 13)	**141,998**	128,310	-
Separation Pay	**-**	3,651,841	-
Miscellaneous	**4,183,805**	4,630,342	5,603,976
	P110,166,155	P100,857,585	P16,909,415

Note 12 – LEASES

The Parent Company leases a parcel of land with improvements thereon, where its warehouse and office buildings are located. The lease is for a period of 4 years and 5 months from August 1, 2005 up to December 31, 2009 at a monthly rental of P50,000. The lease includes an annual 10% escalation clause at the lessor's discretion.

Further, FCAC leases a marketing office located at No. 1240 Unit 16A 2nd floor ANPN Plaza, North EDSA, Balintawak, Quezon City. The lease contract is for a period of one year which expired on September 5, 2008.

As of December 31, 2008, the future minimum lease payments under the non-cancelable operating lease amounts to P600,000.

Note 13 – RETIREMENT BENEFITS

The Group does not have a formal retirement plan yet for its employees. The most recent actuarial valuation of the Parent Company's retirement plan was performed by an independent actuary on October 9, 2007. Actuarial valuations are made every two years to update the retirement benefit costs and the amount of contributions.

Movement in the net pension liability recognized in the consolidated balance sheets is as follows:

	2008	2007
Net pension liability, beginning	**P383,296**	P254,986
Retirement expense	**141,998**	128,310
Net pension liability, ending	**P525,294**	P383,296

Reconciliation of the present value of defined benefit obligations is as follows:

	2008	2007
Present value of obligation, beginning	**P737,506**	P626,347
Current service cost	**44,374**	42,261
Interest cost	**81,126**	68,898
Present value of obligation, ending	**P863,006**	P737,506

Note 13 – RETIREMENT BENEFITS - *continued*

Total expense recognized in the consolidated statements of income in respect of this defined benefit plan is as follows:

	2008	2007	2006
Current service cost	**P44,374**	P42,261	P42,261
Interest cost	**81,126**	68,898	31,367
Net actuarial loss	**16,498**	17,151	4,182
Provision for retirement benefits cost	**P141,998**	P128,310	P77,810

The amount included in the present value of obligation arising from the Parent Company's obligations in respect of its defined retirement benefit plan is as follows:

	2008	2007
Present value of defined benefit obligations	**P863,006**	P737,506
Unrecognized actuarial gains	**(337,712)**	(354,210)
	P525,294	P383,296

The key actuarial assumptions used as at the balance sheet dates are:

	2008	2007	2006
Discount rate	**11.00%**	11.00%	11.00%
Salary increase rate	**5.00%**	5.00%	5.00%
Average remaining working life of plan members	**17 years**	18 years	19 years

Note 14 – OTHER INCOME (EXPENSES), Net

The breakdown of the account is as follows:

	2008	2007	2006
Rental income	**P137,480**	P-	P545,478
Interest income	**36,620**	15,621	91,707
Realized foreign exchange gain (loss), net	**28,087**	300,830	-
Other income	**3,321,622**	674,384	-
Interest expense	**(13,880,886)**	(2,862,966)	(823,524)
	(P10,357,077)	(P1,872,131)	(P186,339)

Other income pertains to income from commission on sale of other products and other miscellaneous income.

Note 15 – RELATED PARTY TRANSACTIONS

Below are the details of all intra-company balances, receivables and payables, income and expenses, profits and losses resulting from intra-company transactions that are recognized in the separate financial statements of the Parent Company and its subsidiaries, which are eliminated in full in the accompanying consolidated financial statements.

a. Credit Accommodations of Parent Company and FCAC

On December 27, 2007, the Parent Company was granted credit accommodations by Banco de Oro – EPCI, Inc. amounting to P10.0 million and 15.0 million as of December 31, 2008 and 2007, respectively, which is to be shared between the Parent Company and its subsidiary, FCAC. In relation to this, the Parent Company and FCAC have entered into a suretyship agreement with the bank to act as sureties of each other. The Parent Company, being a surety, jointly and severally and irrevocably:

(i) Secures the due and full payment and performance of the obligations incurred by FCAC; and

(ii) Undertakes with the bank that upon nonpayment or nonperformance of FCAC when the obligation falls due, it shall, without need for any notice, demand or any other act or deed, immediately be liable and pay as if the principal obligor.

As a surety, the Parent Company also pledged, as security for the full and due payment and performance of the obligation, all its moneys and other properties.

As of 2008, FCAC has entered into several loan agreements with BDO, resulting to the recognition of an outstanding liability amounting to P80,000,000 and P74,750,000 as of December 31, 2008 and 2007, respectively. These loans are secured by the assignment of receivables of FCAC and the suretyship agreement mentioned above.

b. Due from and to Officers and Employees

As of December 31, 2008, due from and to officers and employees amounts to P75,173 and P16,115,327, respectively; while as of December 31, 2007, due from and to officers and employees amounted to P93,032 and P1,100,000, respectively. These represent advances made in carrying out the day-to-day operations of the Group and are subject to liquidation upon utilization.

c. Due from and to Stockholders

Due from and to stockholders are interest-free and settlement can be made through cash payment, offsetting or assignment of stockholders’ assets to the Group. As of December 31, 2008, due from and to stockholders amounts to P5,182,925 and P14,652,684, respectively; while as of December 31, 2007, due from and to stockholders amounted P81,449,381 and P17,441,630, respectively. The Group has not recorded any impairment of receivables from stockholders as of December 31, 2008 and 2007. The assessment is undertaken through examining the financial position of the stockholders.

d. Compensation of key management personnel

Compensation of key management personnel of the Group amounted to P1,260,000, P6,450,000 and 9,390,000 for the years ended December 31, 2008, 2007 and 2006.

Note 16 – INCOME TAXES

a.) The Group's deferred tax assets and deferred tax liability as of December 31 are as follows:

	2008	2007
Deferred tax assets		
Pension liability	**P158,633**	P134,154
NOLCO	**786,975**	-
MCIT	**-**	158,921
	P945,608	P293,075
Deferred tax liability		
Unrealized foreign exchange gain	**P-**	P121,563

b.) The reconciliation between the provision for income tax computed at statutory rate and the Group's actual provision for income tax is shown below:

	2008	2007	2006
Income before income tax	**P13,500,554**	P10,894,844	P1,038,865
Provision for income tax computed at the statutory tax rate of 35%	**P4,725,194**	P3,813,195	P363,603
Tax effects of -			
Interest income subject to final tax	**(12,817)**	(11,136)	(3,060)
Tax arbitrage	**42,341**	5,218	-
Other nondeductible expenses	**8,716**	350,000	-
Provision for income tax	**P4,763,434**	P4,157,277	P360,543

c.) New Tax Laws

Republic Act (RA) No. 9337

RA No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA, which became effective on November 1, 2005, are as follows:

i. Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;
ii. Grant of authority to the Philippine President to increase the 10% VAT rate to 12%, effective January 1, 2006, subject to compliance with certain economic conditions. VAT rate increased to 12% effective February 1, 2006;
iii. Revised invoicing and reporting requirements for VAT;
iv. Expanded scope of transactions subject to VAT; and
v. Provided thresholds and limitations on the amounts of VAT credits that can be claimed.

Note 16 – INCOME TAXES – *continued*

Revenue Regulation (RR) No. 12-2007

Under National Internal Revenue Code, a minimum corporate income tax (MCIT) of 2% of the gross income as of the end of the taxable year is imposed beginning the fourth taxable year immediately following the registration of the Parent Company and subsidiaries with the Bureau of Internal Revenue (BIR).

The MCIT puts a floor limit to the income tax payable. In the event the income tax due computed under the regular tax rate of 35% on net taxable income becomes lower than 2% of gross income, the MCIT of 2% of gross income shall be the income tax due. Any excess of the MCIT over the regular income tax shall be carried forward and credited against the regular income tax for the three immediately succeeding taxable years.

On October 17, 2007, however, the BIR issued RR No. 12-2007 which amends certain provisions of RR No. 9-98 relative to the due date within which to pay the MCIT imposed on domestic and resident foreign corporations pursuant to Sections 27(E) and 28(A) of the Tax Code, as amended.

Accordingly, MCIT shall be computed at the time of filing the quarterly corporate income tax so that if MCIT is higher than the quarterly normal income tax, then MCIT becomes the tax due for the quarter. In the payment of said quarterly MCIT, any excess MCIT from the previous year/s shall not be allowed to be credited. However, any expanded withholding tax, quarterly income tax payments under the normal income tax and MCIT paid in the previous taxable quarter/s are allowed to be applied against the quarterly MCIT due.

The quarterly MCIT paid in the quarterly ITR shall be credited against the normal income tax at year-end should the normal income tax due becomes higher than the computed annual MCIT. However, should the computed annual MCIT due becomes higher than the annual normal income tax due, only the quarterly MCIT payments of the current taxable quarters, the quarterly normal income tax payments in the quarters of the current taxable year, the expanded withholding taxes in the current year and excess expanded withholding taxes in the prior year may be credited against the annual MCIT due. Any excess MCIT from the previous year/s shall not be allowed to be credited as this can only be applied against normal income tax.

NOTE 17 – EARNINGS PER SHARE

Basic EPS is computed as follows:

	2008	2007	2006
Net income attributable to equity holders of the Parent Company	**P8,737,119**	P4,302,533	P582,136
Weighted average number of shares outstanding	**150,447,168**	10,000,000	10,000,000
	P0.06	P0.43	P0.06

Note 18 – FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business activities are exposed to a variety of financial risks, which include credit risk, liquidity risk and market risk. Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Group's financial performance.

Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which result from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash, trade receivables and payables, notes receivables and payables and due from and to related parties. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and payables, which arise directly from operations.

Financial risk management of the Group is coordinated by the management of the subsidiaries with its Parent Company. Group policies and guidelines cover credit risk, liquidity risk and market risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results of operations and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from deposits with banks, as well as credit exposure to receivables from third and related parties.

The Group trades only with recognized, creditworthy third parties. FCAC and FG are exposed to credit risk due to dependence on one customer. However, this sole customer of FCAC and FG is credit worthy and has already established good business relationships. Also, it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For banks, the Group has maintained its business relationships with accredited banks, which are considered in the industry as universal banks. The receivables from stockholders are accordingly collected in accordance with the group's credit policy.

Note 18 – FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES - *continued*

The Group's exposure to credit risk arises from default of other counterparties, with a maximum exposure equal to the carrying amounts as follows:

	2008	2007
Cash	**P8,397,521**	P11,064,779
Loans and receivables		
Trade and other receivables (Note 4)	**220,461,635**	87,909,220
Note receivable (Note 9)	**58,000,000**	50,000,000
Due from stockholders (Note 15)	**5,182,925**	81,449,381
	P292,042,081	P230,423,380

Aging analyses of financial assets are as follows:

December 31, 2008

		Neither impaired nor past due on the reporting date	Past due but not yet impaired			Impaired
	Carrying amount	Current	1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days
Cash	P8,397,521	P8,397,521	P-	P-	P-	P-
Trade and other receivables (Note 4)	220,461,635	150,708,206	11,882,620	5,677,897	52,192,912	-
Note receivable (Note 9)	58,000,000	58,000,000	-	-	-	-
Due from stockholders (Note 15)	5,182,925	2,800,900	-	-	2,382,025	-
	P292,042,081	**P219,906,627**	**P11,882,620**	**P5,677,897**	**P54,574,937**	**P-**

December 31, 2007

		Neither impaired nor past due on the reporting date	Past due but not yet impaired			Impaired
	Carrying amount	Current	1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days
Cash	P11,064,779	P11,064,779	P-	P-	P-	P-
Trade and other receivables (Note 4)	87,909,220	75,695,452	6,533,366	196,172	5,484,230	-
Note receivable (Note 10)	50,000,000	50,000,000	-	-	-	-
Due from stockholders (Note 15)	81,449,381	81,449,381	-	-	-	-
	P230,423,380	P218,209,612	P6,533,366	P196,172	P5,484,230	P-

The credit quality of the Group's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks, customers and related parties who pay on or before due date.

Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due and because of lack of funding to finance its growth and capital expenditures and working capital requirements.

The Group's approach to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed. In addition, the Group continually supports the short-term funding and financing requirements of the subsidiaries.

The following summarizes the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments:

	December 31, 2008				
	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables (Note 7)	P89,350,054	P375,000	P-	P-	**P89,725,054**
Notes payable (Note 8)	113,499,973	25,009,386	88,412,415	-	**226,921,774**
Due to stockholders (Note 15)	14,652,684	-	-	-	**14,652,684**
	P217,552,711	**P25,384,386**	**P88,412,415**	P-	**P331,299,512**

**The Group has the option to rollforward these loans payable, which are normally due within 3 months or less.*

	December 31, 2007				
	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables (Note 7)	P66,559,359	P2,739,118	P1,376,241	P-	P70,674,718
Notes payable (Note 8)	106,376,923	-	-	13,276,122	119,653,045
Due to stockholders (Note 15)	17,441,630	-	-	-	17,441,630
	P190,377,912	P2,739,118	P1,376,241	P13,276,122	P207,769,393

Market risks

Market risk refers to the risk that changes in market prices, such as interest rates, foreign exchange rates and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to various market risks, including risks from changes in interest rates and foreign currency exchange rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

a. Interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's financial instrument that is exposed to interest risk is its loans that are based on prevailing market rate, subject to quarterly repricing. These are concession rates given by the bank in consideration for the Group's operational and financial difficulties.

The following tables show information about the Group's financial instruments that are exposed to interest rate risk and presented by maturity profile:

	December 31, 2008					
	Within 1 year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Total
Fixed Rate						
Loans Payable						
MICB	P28,499,973	P-	P-	P-	P-	P28,499,973
BPI	26,099,482	-	-	-	-	26,099,482
Floating Rate						
Loans Payable						
BDO	90,000,000	-	-	-	-	90,000,000
MBTC	20,000,000	-	-	-	-	20,000,000
LBP	8,735,672	-	-	-	-	8,735,672
BOC	29,770,267					29,770,267
RCBC	8,135,989	862,080	-	-	-	8,998,069
ORIX		14,818,311	-	-	-	14,818,311
	P 211,241,383	**P 15,680,391**	**P-**	**P-**	**P-**	**P 226,921,774**

	December 31, 2007					
	Within 1 year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Total
Fixed Rate						
Loans Payable						
BPI	P7,000,000	P-	P-	P-	P-	P7,000,000
Floating Rate						
Loans Payable						
BDO	74,750,000	-	-	-	-	74,750,000
BPI	12,351,556	-	-	-	-	12,351,556
LBP	10,000,000	-	-	-	-	10,000,000
RCBC	2,275,367	1,108,020	-	-	-	3,383,387
ORIX	-	-	12,168,102	-	-	12,168,102
	P106,376,923	P1,108,020	P12,168,102	P-	P-	P119,653,045

b. Foreign exchange risk

The Group's exposure to foreign exchange risk results from its business transactions denominated in foreign currency.

Information on the Group's foreign currency-denominated monetary assets and its Philippine peso equivalent are as follows:

	2008		2007	
	H.K. Dollar	**Peso Equivalent**	H.K. Dollar	Peso Equivalent
Assets				
Cash	**HK$ 15,400**	**P96,461**	HK$-	P-
Trade receivable (included under Trade and other receivables in the balance sheets)	**2,987,355**	**18,304,420**	1,270,602	6,744,103
Total	**HK$3,002,755** *	**P18,398,881**	HK$1,270,602 *	P6,744,103

* *Amounts were translated using foreign exchange rates from the Bangko Sentral ng Pilipinas.*

	2008		
	U.S. Dollar	**H.K. Dollar**	**Peso Equivalent**
Assets			
Trade receivable (included under Trade and other receivables in the balance sheets)	**US$67,214**	**HK$1,872**	**P3,028,701**
	US$67,214 *	**HK$1,872***	**P3,028,701**

* *Amounts were translated using foreign exchange rates from the Philippine Dealing and Exchange Corporation.*

The translation of these foreign currency-denominated monetary assets yielded net foreign exchange gain, which amounted to P160,398 in 2008 and P4,774 in 2007.

Note 18 – FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES - *continued*

Capital Risk Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities shown in the consolidated balance sheets. Total equity comprises all components of equity including share capital, additional paid-in capital and retained earnings. Debt to equity ratio of the Company is 1.66% and 1.65% as of December 31, 2008 and 2007, respectively.

There were no changes in the Group's approach to capital management during the periods.

The Group is not subject to externally imposed capital requirements.

Note 19 – FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The carrying values and fair values of financial assets and financial liabilities are presented below:

	2008	2007
	Carrying Value/Fair Value	**Carrying Value/Fair Value**
Financial assets		
Cash in bank	**P8,397,521**	P 11,064,779
Trade and other receivables (Note 4)	**220,461,635**	87,909,220
Note receivable (Note 9)	**58,000,000**	50,000,000
Due from stockholders (Note 15)	**5,182,925**	81,449,381
	P292,042,081	P230,423,380
Financial liabilities		
Trade and other payables (Note 7)	**P89,725,054**	P70,674,718
Notes payable (Note 8)	**226,921,774**	119,653,045
Due to stockholders (Note 15)	**14,652,684**	17,441,630
	P331,299,512	P207,769,393

Note 19 – FINANCIAL INSTRUMENTS – *continued*

The carrying amounts of cash, trade and other receivables, due from and to related parties, trade and other payables, and short-term notes payable approximate their fair values due to the relatively short-term maturities of the financial instruments.

The fair value of the long-term notes payable is based on the discounted value of the expected future cash flows using the applicable rate.

NOTE 20 – BUSINESS SEGMENTS

For management purposes, the Group is organized into two main segments – fresh foods and processed foods. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The fresh foods segment is primarily engaged in the trading and distribution of fresh fruits and vegetables on a wholesale basis. The processed foods products segment is engaged in the manufacturing and processing of fruit products.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property and equipment, net of provisions. Segment liabilities include all operating liabilities and consist principally of accounts, and other payables and accrued liabilities. Segment assets and liabilities do not include deferred income taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Transfer prices between business segments are set on an arm’s length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

NOTE 20 – BUSINESS SEGMENTS – *continued*

Business Segment Data

The following table presents revenue and expense information and certain asset and liability information regarding business segments for the years ended December 31, 2008, 2007 and 2006:

	Fresh Foods (in '000)			Processed Foods (in '000)			Eliminations (in '000)			Consolidated (in '000)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Sales	**P798,881**	P639,491	P107,603	**P19,566**	P-	P-	**(P20,917)**	(P15,617)	(P715)	**P777,964**	P623,874	P106,887
Cost of sales	**648,648**	525,866	89,571	**16,209**	-	-	**(20,917)**	(15,617)	(715)	**643,940**	510,249	88,856
Operating income (loss)	**130,666**	13,844	1,225	**3,357**	(203)	(103)	**-**	-	-	**134,023**	13,641	1,122
Other income (expense)	**94,311**	2,746	(186)	**5,493**	-	-	**-**	-	-	**99,804**	2,746	(186)
Net income (loss)	**P10,139**	P6,870	P678	**(P1,387)**	(P203)	(P103)	**P-**	P-	P-	**P8,752**	P6,667	P582
Segment Assets	**P620,377**	P408,754	P13,034	**P62,533**	P6,338	P12	**(P159,578)**	(P79,570)	P-	**P523,332**	P335,522	P13,046
Segment Liabilities	**P388,639**	P259,794	P9,323	**P64,178**	P6,633	(P103)	**(P120,359)**	(P57,461)	P-	**P332,458**	P208,966	P9,426

NOTE 21 – BUSINESS ACQUISITIONS

The acquisitions of the following subsidiaries have been accounted for using the purchase method of accounting:

Acquirer	Acquiree	Date Acquired	% of Ownership
Parent Company	FCAC	January 1, 2007	100%
FCAC	FG and BCHAC	January 1, 2007	100%
Parent Company	FCAC	January 1, 2008	100%
Parent Company	IMEX	January 1, 2008	100%

Accordingly, the 2008 consolidated financial statements include the results of operations of FCAC and FG for the year ended December 31, 2008.

The Parent Company's acquisition on LFVPI and IMEX in 2005, resulted to the recognition of goodwill amounting to P33,175. The additional investment made by the Parent Company to IMEX in 2007, gave rise to the recognition of additional goodwill of P12,600.

On January 1, 2008, the Parent Company acquired the remaining 60% equity interest in IMEX, which resulted to the recognition of additional goodwill of P7,450. The fair value of the assets and liabilities of IMEX as of the date of acquisition were as follows:

	Recognized on Acquisition	**Carrying Value**
Cash	P12,500	P12,500
Advances to related parties	586,794	586,794
Prepayments and other current assets	250,388	250,388
CIP	5,489,311	5,489,311
Advances from related parties	(6,633,369)	(6,633,369)
Fair value of net identifiable assets and liabilities	(P294,376)	(P294,376)

NOTE 21 – BUSINESS ACQUISITIONS – *continued*

On January 1, 2007, the Parent Company acquired 60% equity interest in FCAC, FG and BCHAC (Note 1). Subsequently, the Parent Company acquired the remaining 40% equity interest in FCAC, FG and BCHAC. The total acquisition cost amounted to P56,504,838 and the total fair value of the assets and liabilities at the respective dates of acquisition amounted to P39,198,435, resulting to a total goodwill of P17,306,403.

The fair value of the assets and liabilities of which, as of the dates of acquisition, were as follows:

At January 1, 2007

	Recognized on Acquisition	Carrying Value
Cash	P50,016	P50,016
Trade and other receivables	40,032,838	40,032,838
Advances to related parties	27,869,590	27,869,590
Inventories	1,000,187	1,000,187
Prepayments and other current assets	937,760	937,760
Property and equipment, net	10,092,267	10,092,267
Goodwill from acquisition of FG	2,150,409	2,150,409
Trade and other payables	(23,533,840)	(23,533,840)
Advances from related parties	(12,002,770)	(12,002,770)
Loans payable	(9,767,912)	(9,767,912)
Fair value of net identifiable assets and liabilities	36,828,545	36,828,545
Percentage of ownership	60%	-
	P22,097,127	P36,828,545

NOTE 21 – BUSINESS ACQUISITIONS – *continued*

At January 1, 2008

	Recognized on Acquisition	Carrying Value
Cash	P10,459,336	P10,459,336
Trade and other receivables	60,484,218	60,484,218
Advances to related parties	114,679,582	114,679,582
Inventories	10,842,754	10,842,754
Prepayments and other current assets	156,811	156,811
Property and equipment, net	12,397,710	12,397,710
Goodwill from acquisition of FG	2,150,409	2,150,409
Trade and other payables	(50,964,449)	(50,964,449)
Advances from related parties	(30,212,562)	(30,212,562)
Loans payable	(87,101,556)	(87,101,556)
Income tax payable	(138,983)	(138,983)
Fair value of net identifiable assets and liabilities	42,753,270	42,753,270
Percentage of ownership	40%	-
	P17,101,308	P42,753,270

The acquisition of the 40% minority interest in 2008 resulted to an adjustment in the provisional values of the net assets acquired in 2007. The adjustment was recorded as reduction to the goodwill account in the amount of P10,601,308 in 2008.

NOTE 22 – MEMORANDUM OF AGREEMENT

On February 15, 2007, a Memorandum of Agreement was executed by and among the Parent Company, Education Parks for Sustainable Development Foundation, a non-stock and non-profit organization, Bamban Aeta Tribal Association (B.A.T.A.), and National Commission for Indigenous People (NCIP), a national government agency.

The agreement provides for the establishment of the joint governing council for the B.A.T.A. sustainable development project. To hasten and facilitate a more effective and binding interaction among the four parties, a Joint Governing Council (JGC) shall be established to be represented as follows: two to be named by B.A.T.A.; two by the Foundation; two by the Parent Company; and one by the NCIP. This JGC shall evaluate, approve and provide guidance and direction in the management of the various component projects, which shall be introduced and implemented by various participating entities, which are willing to partake of the different development activities relevant to the improvement of the socio-economic conditions of the indigenous people.

NOTE 23 – SUBSEQUENT EVENTS

As disclosed in Note 1, the Parent Company's applications for listings of its securities with the National Stock Exchange of Australia (NSX) and the Philippine Stock Exchange, Inc. (PSE) have been approved on January 9, 2009 and April 15, 2009, respectively.

Immediately following compliance with the requirements set forth by the latter, the SEC shall declare registration of the following:

	Number of Shares	Amount
a) Common shares		
To be listed by way of introduction in the Second Board of the PSE on behalf of the existing stockholders		
Issued and outstanding	167,905,135	P167,905,135
Allotted to Parent Company's directors, employees and consultants under a stock purchase plan	10,631,467	10,631,467
	178,536,602	178,536,602
To be offered to the public within one (1) year from the subject listing, by way of primary share offer from the Parent Company's unissued authorized share capital	101,463,398	101,463,398
Underlying common shares	20,000,000	20,000,000
	300,000,000	P300,000,000

b) Warrants

Relating to 20,000,000 underlying common shares	P20,000,000

The Company shall list the warrants in the PSE within one (1) year from the listing by way of introduction of the underlying common shares at an issue price of P0.00 per warrant, with expiry date at the end of the 5th year from issuance and listing, and a strike price of P20 per share at the time of exercise and a conversion ratio of 1 warrant to 1 common share.

Although the Parent Company has no issued and outstanding warrants, it has allotted initially a total number of 6,500,000 warrants to its directors and officers.

NOTE 24 – FINANCIAL STATEMENT PRESENTATION

Certain 2007 consolidated financial statement data were reclassified to conform with the current year's financial statement presentation.