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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
AGRINURTURE, INC. AND SUBSIDIARIES
No. 54 National Road, Dampol II-A
Pulilan, Bulacan, Philippines

We have audited the accompanying consolidated financial statements of **AGRINURTURE, INC. AND SUBSIDIARIES**, which comprise the consolidated statements of financial position as of December 31, 2009 and 2008, the consolidated statements of comprehensive income, cash flows and changes in equity for each of the three years then ended December 31, 2009 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained and the reports of the other auditor are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **AGRINURTURE, INC. AND SUBSIDIARIES** as of December 31, 2009 and 2008, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

For the Firm: Alba Romeo & Co.

GIDEON A. DE LEON
Partner
PTR No. 1610026 B, January 4, 2010
CPA Reg. No. 23029
TIN No. 110-291-260
SEC Accreditation No. 0036-AR-2 (April 14, 2009 to April 13, 2012)
BIR Certificate of Accreditation AN 08-001682-10-2009 (April 7, 2009 to 2012)

Makati City, Philippines
April 15, 2010

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONS

December 31, 2009 and 2008

	Notes	2009	2008
ASSETS			
Current assets			
Cash		**P152,186,392**	P8,397,521
Trade and other receivables	5	**239,196,808**	220,461,635
Note receivable	10	**58,000,000**	58,000,000
Due from stockholders, officers and employees	16	**50,699,965**	5,182,925
Advances to projects	22	**53,412,422**	31,997,768
Inventories	6	**37,749,478**	34,150,232
Prepayments and other current assets		**13,151,138**	7,344,877
Total current assets		**604,396,203**	365,534,958
Non-current assets			
Property and equipment, net	7	**145,761,509**	133,380,179
Deferred tax assets	17	**225,777**	945,608
Goodwill	21	**19,509,913**	19,509,913
Other non-current assets		**31,501**	3,924,462
Total non-current assets		**165,528,700**	157,760,162
Total assets		**P769,924,903**	P523,295,120
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	8	**P50,398,309**	89,725,054
Current portion of long-term notes payable	9	**166,734,989**	211,241,383
Due to stockholders, officers and employees	16	**3,182,227**	14,652,684
Income tax payable		**2,553,993**	633,751
Total current liabilities		**222,869,518**	316,252,872
Non-current liabilities			
Long-term notes payable	9	**-**	15,680,391
Pension liability	14	**733,215**	525,294
Total non-current liabilities		**733,215**	16,205,685
Total liabilities		**223,602,733**	332,458,557
Issued capital and reserves attributable to the owners of the parent			
Share capital - P1 par value			
Authorized - 300,000,000 shares			
Issued - 91,868,445 in 2009; 178,536,602 shares in 2008	10	**191,868,445**	178,536,602
Share premium		**306,832,220**	-
Retained earnings			
Appropriated	10	**19,000,000**	19,000,000
Unappropriated		**28,621,505**	(6,700,039)
Total equity		**546,322,170**	190,836,563
Total liabilities and equity		**P769,924,903**	P523,295,120

(The notes on pages 1 to 40 are integral part of these financial statements.)

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 and 2007

	Notes	2009	2008	2007
Sales		**P1,017,682,209**	P777,964,691	P623,874,393
Cost of sales	11	**865,966,271**	643,940,906	510,249,833
Gross profit		**151,715,938**	134,023,785	113,624,560
Operating expenses	12	**95,043,892**	110,166,155	100,857,585
Operating income		**56,672,046**	23,857,630	12,766,975
Other expenses, net	15	**(16,293,398)**	(10,357,077)	(1,872,131)
Income before income tax		**40,378,647**	13,500,554	10,894,844
Provision for income tax	17			
Current		**4,637,816**	4,763,434	4,310,888
Deferred		**50,864**	-	(82,266)
		4,688,680	4,763,434	4,228,622
Profit for the year		**P35,689,967**	P8,737,119	P6,666,222
Profit for the year attributable to:				
Owners of the parent		**P35,689,967**	P8,737,119	P4,302,533
Minority Interests		**-**		2,363,689
		P35,689,967	P8,737,119	P6,666,222
Earning per share for profit attributable to the ordinary equity holders of the parent during the year	18	**P0.18**	P0.06	P0.43

(The notes on pages 1 to 40 are integral part of these financial statements.)

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 and 2007

	Notes	2009	2008	2007
Cash Flows from operating activities				
Income before income tax		**P40,378,647**	P13,500,553	P10,894,844
Adustments for				
Depreciation and amortization	7,13	**5,431,999**	4,295,220	2,236,735
Provision for retirement benefits cost	12,14	**207,921**	141,998	128,311
Prior period adjustment		**(368,423)**		
Unrealized foreign exchange gain		**-**	-	(347,325)
Goodwill		**-**	10,593,983	-
Interest expense	9,15	**20,340,457**	13,880,886	2,862,966
Interest income	15	**(3,837,569)**	(36,620)	(15,621)
Operating income before working capital changes		**62,153,033**	42,376,020	15,759,910
Changes in working capital accounts				
Decrease (increase) in				
Trade and other receivables		**(18,735,175)**	(132,552,417)	(100,280,134)
Note receivable		**-**	(8,000,000)	-
Inventories		**(3,599,246)**	(17,827,058)	(15,090,750)
Due from stockholders		**(45,517,040)**	76,266,456	(81,403,296)
Advances to projects		**(21,414,654)**	(22,830,327)	(1,613,397)
Prepayments and other current assets		**(5,806,261)**	(4,207,733)	(2,939,105)
Increase (decrease) in			-	-
Trade and other payables		**(39,326,745)**	19,050,336	69,236,636
Due to stockholders		**(11,470,457)**	(2,788,946)	16,644,847
Cash used for operations		**(83,716,545)**	(50,513,670)	(99,685,289)
Interest paid		**(20,340,457)**	(13,880,886)	(2,862,966)
Interest received		**3,837,569**	36,620	15,621
Income taxes paid		**(2,048,605)**	(5,595,963)	(3,984,212)
Net cash used in operating activities		**(102,268,039)**	(69,953,899)	(106,516,846)
Cash Flows from Investing Activities				
Additions to property and equipment	7	**(17,813,327)**	(92,338,017)	(23,533,825)
Additional investment in subsidiary			(17,095,885)	-
Increase in other non-current assets		**3,892,961**	(3,186,349)	(738,113)
Net cash provided by (used in) investing activities		**(13,920,366)**	(112,620,251)	(24,271,938)
Cash flows from financing activities				
Proceeds from borrowings		**(15,680,391)**	109,402,671	115,653,045
Repayments on borrowings		**(44,506,394)**	(2,133,942)	(3,000,000)
Deposits for future stock subscriptions		**-**	-	24,918,440
Proceeds from issuance of share capital		**320,164,063**	72,638,162	-
Net cash provided by (used in) financing activities		**259,977,278**	179,906,891	137,571,485
Net Increase (Decrease) in Cash		**143,788,873**	(2,667,258)	6,782,702
Cash and cash equivalents				
January 1		**8,397,521**	11,064,779	4,282,078
December 31		**P152,186,394**	P8,397,521	P11,064,779

(The notes on pages 1 to 40 are integral part of these financial statements.)

AGRINURTURE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 and 2007

		Equity Attributable to the Equity Holders of the Parent Company						
	Notes	Share Capital (Issued and Outstanding)	Share Premium	Deposits for Future Stock Subscriptions	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Minority Interest	Total Equity
Balances at January 1, 2007		P10,000,000	P-	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		-	-	P95,898,440	-			95,898,440
Net income for the period		-	-	-	-	4,302,533	2,363,689	6,666,222
Balances at December 31, 2007		10,000,000	-	95,898,440	-	3,562,842	17,095,885	126,557,167
Balances at January 1, 2008		10,000,000.00	-	95,898,440	-	3,562,842	17,095,885	126,557,167
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		-	-	-	19,000,000	(19,000,000)	-	-
Net income for the period						8,737,119		8,737,119
Balances at December 31, 2008		178,536,602	-	-	19,000,000	(6,700,039)	-	190,836,563
Balances at January 1, 2009		178,536,602		-	19,000,000	(6,700,039)	-	190,836,563
Prior period adjustment						(368,423)		(368,423)
Issuance of common shares		13,331,843						13,331,843
Share premium			306,832,220					306,832,220
Net income for the period		-		-	-	35,689,967		35,689,967
Balances at December 31, 2009		**P191,868,445**	**P306,832,220**	**P-**	**P19,000,000**	**P28,621,504**	**P-**	**P546,322,170**

(The notes on pages 1 to 40 are integral part of these financial statements.)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

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.

On March 30, 2010, the SEC approved the change in the Parent Company’s primary purpose to engage in corporate farming, in all its branches for the planting, growing, cultivating and producing of crops, plants and fruit bearing trees, of all kinds and in connection to engage in agri-tourism and other pleasurable pursuits for the enjoyments and appreciation of mother nature and ecology and to engage in the establishment, operation and maintenance of equipment, structures and facilities for the preservation, conservation and storage of foods, grains and supplies, like cold storage and refrigeration plants.

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	100% directly	May 11, 2005	No.35 Gasan Street, Masambong, SFDM,	Trading agricultural

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, Tarlac	Management of Farming Activities
Fruitilicious Company, Inc. (FCI)	90% directly owned	February 11, 2008	Balongis, balulang, Cagayan de Oro City Misamis Oriental	Processing, manufacturing and trading of frozen agricultural products *-non-operating in 2008 and 2009*

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. In 2009, the Parent Company changed its registered address to Unit 30A Washinton Tower, Asiaworld Complex, Marina, Paranaque 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.

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 Chess Depository Instruments 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, 2009 were authorized and approved for issuance by the BOD on April 15, 2010.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

2.1 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.

Changes in accounting policies

a) New standards, interpretations and amendments to the existing standards effective in 2009.

The following new standards, amendments and interpretations to existing standards have been applied and are relevant in these financial statements effective 2009.

- *Amendments to PFRS 7: Improving Disclosures about Financial Instruments*
  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 help to improve comparability between entities about the effects of fair value measurements.

- *PAS 1 (Revised 2007), Presentation of Financial Statements*
  The changes made required information in financial statements to be aggregated on the basis of shared characteristics and introduce a statement of comprehensive income. This enables readers to analyze changes in a company'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).

- PFRS 8, Operating Segment (effective January 1, 2009), PFRS 8 replaces PAS 14. This new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The company adopted the following new standards, interpretations and amendments to existing standards which are effective in 2009, but does not have any material effect on the financial statements:

- *PAS 23 (revised), Borrowing Costs*
- *Amendments to PFRS 1 and PAS 27: Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate*
- *Amendments to PFRS 2: Vesting Conditions and Cancellations*
- *Amendments to PAS 32 and PAS 1: Puttable Financial Intruments and Obligations Arising on Liquidation*
- *PFRS 3 (revised), Business Combinations*
- *PAS 27 (revised), Consolidated and Separate Financial Statements*
- *PFRS 1 (revised), First-time Adoption of Philippine Financial Reporting Standards*
- *Amendments to PAS 39: Eligible Hedged Items*
- *Improvements to PFRSs (2008)*
- *Philippine Interpretation IFRIC-15: Agreements for the Construction of Real Estate*
- *Philippine Interpretation IFRIC-17: Distribution of Non-cash Assets to Owners*

b) *New standards, interpretations and amendments to existing standards not yet effective*

The following new standards, interpretations and amendments to existing standards, which have not been applied in these financial statements:

- *PFRS for SMEs* (Effective for annual periods beginning on or after January 1, 2010)
- *Amendments to PFRS 2: Company Cash-settled Share-based Payment Transactions* (effective for annual periods beginning on or after January 1, 2010)
- *Improvements to PFRS 2009* (effective for annual periods beginning on or after January 1, 2010)
- *Interpretation IFRIC-15: Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after January 1, 2012)

Based on management's initial assessment, the adoption of these standards, interpretations and amendments to existing standards would not have any material impact on the Company's financial statements.

2.2 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 comprehensive income and within the equity section in the consolidated statements of financial position 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.

2.3 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 statements of financial position 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 comprehensive 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 comprehensive income.

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

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

2.4 Financial instruments

Initial recognition

Financial assets and financial liabilities are recognized in the consolidated statements of financial position 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

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the statement of comprehensive income. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Company has no assets under this category.

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 comprehensive 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 stockholders, officers and employees as shown and disclosed in Notes 5, 10 and 16 are included in this category.

HTM Investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. Where the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the statements of income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Company has no investments classified under this category.

AFS Investments

AFS investments are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. AFS investments are carried at fair value in the statements of financial position. Changes in the fair value of such assets are reported in the "Unrealized gain (loss) on available-for-sale investments" in the statements of comprehensive income until the investment is derecognized or the investment is determined to be impaired.

On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the statements of comprehensive income. Interest earned on holding AFS investments are recognized in the statements of comprehensive income using the effective interest rate method.

The Company has no investments classified under this category.

Financial liabilities

Financial liabilities at FVPL

Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Company elects to designate a financial liability under this category.

The Company has no designated financial liability at FVPL.

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 8, 9, and 16.

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 comprehensive income.

Impairment of financial assets

Assessment of impairment

The Group assesses at each financial position 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 comprehensive 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 comprehensive income, to the extent that the carrying value of the asset does not exceed its cost or amortized cost at the reversal date.

Classification of financial instruments between debt and equity

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

2.5 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.

2.6 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 comprehensive 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 comprehensive 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.

2.7 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 statements of financial position 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.

2.8 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.

2.9 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 comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2.10 Pension benefits cost

The amount recognized as net pension liability is the net of the present value of the defined benefit obligation at the financial reporting date minus the fair value at the financial reporting 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.

2.11 Borrowing costs

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

2.12 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 financial reporting date. Gains or losses arising from these transactions and translation are credited or charged to income for the period.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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 financial position date.

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, 2009 amounted to P500,033,165 and P220,315,524, respectively, as shown in Note 19.

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.

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 P145,761,509 and P133,380,179 as of December 31, 2009 and 2008, respectively, as disclosed in Note 7.

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 2009 and 2008, as disclosed in Note 7.

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 14 and include, among others, discount rate and salary increase rate.

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 P733,215 and P525,294 as of December 31, 2009 and December 31, 2008, respectively, as shown in Note 14.

Recognition of deferred income taxes

The Group reviews its deferred income tax assets and liability at each financial reporting 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 amounted to P225,777 and P945,608 as of December 31, 2009 and 2008, respectively, as shown in Note 17.

NOTE 4 - 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.
The Group's exposure to credit risk arises from default of other counterparties, with a maximum exposure equal to the carrying amounts as follows:

	2009	2008
Cash	**P152,186,392**	P8,397,521
Loans and receivables		
Trade and other receivables (Note 5)	**239,196,808**	220,461,635
Note receivable (Note 10)	**58,000,000**	58,000,000
Due from stockholders, officers and employees (Note 16)	**50,699,965**	5,182,925
	P500,083,165	P292,042,081

Aging analyses of financial assets are as follows:

	December 31, 2009					
		Neither impaired nor past due on the reporting date	Past due but not yet impaired			
	Carrying amount	Current	1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days
Cash	P 152,186,392	152,186,392	P -	P -	P -	P -
Trade and other receivables (Note 5)	239,196,808	85,894,649	10,041,044	7,056,475	69,510,363	66,694,277
Note receivable (Note 9)	58,000,000	58,000,000				
Due from stockholders (Note 15)	50,699,965	50,699,965				
	P500,083,165	P346,781,006	P10,041,044	P7,056,475	P69,510,363	P66,694,277

	December 31, 2008					
		Neither impaired nor past due on the reporting date	Past due but not yet 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-**

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, 2009				
	On Demand	Less than 3 months	3 to 12 Months	1 to 5 years	Total
Trade and other payables (Note 7)	**P512,199**	**P29,585,545**	**P20,300,565**	**-**	**P50,398,309**
Notes payable (Note 8)	**-**	**-**	**166,734,989**	**-**	**166,734,989**
Due to stockholders (Note 15)	**-**	**-**	**3,182,227**	**-**	**3,182,227**
	P512,199	**P29,585,545**	**P190,217,781**	**P-**	**P220,315,524**

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

	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.*

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, 2009					
	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	**P6,047,966**	**P-**	**P-**	**P-**	**P-**	**P6,047,966**
BPI	**60,000,000**					**60,000,000**
Floating Rate						
Loans Payable						
BDO	**43,000,000**					**43,000,000**
MBTC	**10,000,000**					**10,000,000**
LBP	**17,000,000**					**17,000,000**
RCBC	**868,712**					**868,712**
PNB	**15,000,000**					**15,000,000**
ORIX	**14,818,311**					**14,818,311**
	P166,734,989	**P-**	**P-**	**P-**	**P-**	**P166,734,989**

	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**

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:

	2009		2008	
	US$ Dollar	**Peso Equivalent**	H.K. Dollar	Peso Equivalent
Assets				
Cash	**US$498,562**	**P12,339,399**	HK$ P15,400	P96,461
Trade receivable (included under Trade and other receivables in the statements of financial position)	**912,844**	**5,458,808**	2,987,355	18,304,420
Total	**US$1,411,406**	**P17,798,207**	HK$ 3,002,755	P18,398,881

* *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 statements of financial position)	**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.*

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 statements of financial position. 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 5 - TRADE AND OTHER RECEIVABLES

This account consists of:

	2009	2008
Trade receivables	**P169,830,939**	P129,779,992
Other receivables	**69,365,869**	90,681,643
	P239,196,808	P220,461,635

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 16.

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 6 - INVENTORIES

This account consists of:

	2009	2008
At cost:		
Finished goods	**P-**	P5,258,905
Raw materials	**4,938,387**	2,046,400
Vegetables and fruits	**20,418,251**	15,563,050
Packaging materials and other supplies	**12,392,840**	11,281,877
	P37,749,478	P34,150,323

Note 7 – PROPERTY AND EQUIPMENT, NET

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

	December 31, 2009								
	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, 2009	P20,917,000	P56,689,891	P5,536,275	P10,321,557	P36,687,505	P3,761,348	P2,804,830	P7,276,170	P143,994,576
Additions	13,000,000	75,336	750,262	629,646	2,645,442	329,718	-	455,641	17,886,045
Adjustments	-	-	-	-	-	-	(72,717)	-	(72,717)
At December 31, 2009	3,523,481	56,765,227	6,286,537	10,951,203	39,332,947	4,091,066	70,079,067	P7,731,811	70,079,067
Accumulated depreciation									
At January 1, 2009	-	587,969	2,267,323	2,967,756	802,557	1,639,987	2,348,805	-	133,380,179
Provisions	-	1,271,110	1,120,907	1,246,113	677,911	909,976	205,981	-	5,431,998
At December 31, 2009	-	1,859,079	3,388,230	4,213,869	1,480,468	2,549,963	2,554,786	-	16,046,395
Net book value									
December 31, 2009	**P33,917,000**	**P54,906,148**	**P2,898,307**	**P6,737,334**	**P37,852,479**	**P1,541,103**	**P177,327**	**P 7,731,811**	**P 145,761,509**

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.

December 31, 2008

	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**

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.

Construction in-Progress

This pertains to the capitalizable expenses incurred by a Subsidiary amounting to P455,641, and P7,276,170 as of December 31, 2009 and 2008, 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, 2009 and 2008 for any impairment. Based on its evaluation, there were no indications that these assets are impaired.

Note 8 – TRADE AND OTHER PAYABLES

This account consists of:

	2009	2008
Trade payables	**P48,427,510**	P43,226,875
Customers' deposit	**1,258,300**	1,258,298
Accrued expenses	**712,499**	823,800
Other payables	**-**	44,416,081
	P50,398,309	P89,725,054

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

Other payables include due to officers as disclosed in Note 16.

Note 9 – 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:

	2009	2008
Banco De Oro (BDO)	**P30,000,000**	P90,000,000
Bank of Commerce (BOC)	**5,287,728**	29,770,267
Mega International Commercial Bank (MICB)	**38,547,967**	28,499,973
Bank of the Philippine Islands (BPI)	**60,000,000**	26,099,482
Metropolitan Bank and Trust Co. (MBTC)	**-**	20,000,000
Land Bank of the Philippines (LBP)	**17,899,294**	8,735,672
Philippine National Bank (PNB)	**15,000,000**	-
Rizal Commercial Banking Corporation (RCBC)	**-**	8,998,069
Orix Metro Leasing Finance Corporation (ORIX)	**-**	14,818,311
	166,734,989	226,921,774
Non-current portion	**-**	(15,680,391)
Current portion	**P166,734,989**	P211,241,383

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

Lenders	Annual Interest Rate 2009	2008	Term	Security
BDO*	6.75% – 7.25%	7.75% - 8.5%	1 to 6 months	Suretyship agreement and line of credit
MICB	7% - 7.5%	7.50%	3 years	Real estate mortgage of FCAC's land and building
BPI	5.5%	9.25% to 10.5%	6 months/5 years	Unsecured in 2008;
MBTC	9%	9.0%	5 months	Unsecured
LBP*	7.1%	8.75%	6 months	Unsecured
RCBC	9%	8% to 9.5%	1 month to 3 years	Transportation equipment of Parent Company
EWBC*	9%	8.68	1 month	Unsecured
ORIX**	9%	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 P20,340,457, P13,880,886 and P2,862,966 in 2009, 2008 and 2007, respectively, as shown in Note 15.

Note 10 – 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 million 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.

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 5^{th} 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.

Total shares of stocks that were subscribed, paid and issued as of December 31, 2009 and 2008 are detailed below:

	2009		2008	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized – P1 par value per share	**300,000,000**	P300,000,000	3 00,000,000	P300,000,000
Issued and outstanding	**191,868,445**	**P191,868,445**	178,536,602	P178,536,602

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.

Appropriation of retained earnings of FCAC

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 11 – COST OF SALES

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

	2009	2008	2007
Inventories, January 1	**P34,150,232**	**P16,323,174**	P1,232,424
Purchases	**869,565,517**	**661,767,964**	525,340,583
Total merchandise available for sale	**903,715,749**	**678,091,138**	526,573,007
Inventories, December 31	**(37,749,478)**	**(34,150,232)**	(16,323,174)
	P865,966,271	**P643,940,906**	P510,249,833

Note 12 – OPERATING EXPENSES

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

	2009	2008	2007
Deliveries	**P30,661,029**	37,404,836	P19,539,618
Salaries, wages and other employee benefits	**20,305,447**	17,189,772	44,123,274
Advertising and promotions	**6,988,171**	9,693,836	4,274,346
Taxes and licenses	**6,376,881**	5,180,823	2,749,489
Depreciation and amortization (Note 7)	**5,431,998**	4,295,220	2,236,735
Communications, light and water	**5,109,309**	3,970,706	2,292,150
Professional fees	**4,798,941**	6,493,742	1,158,668
Transportation and travel	**2,880,761**	4,779,106	3,437,769
Security services	**2,013,216**	1,021,000	647,867
Repairs and maintenance	**1,483,630**	6,260,387	2,572,532
Office supplies	**1,395,053**	981,065	1,035,853
Representation and entertainment	**1,302,684**	1,812,885	1,955,145
SSS, Philhealth and Pag-ibig contributions	**1,099,203**	1,477,150	2,209,333
Rent	**937,873**	529,739	1,511,315
Bank charges	**630,875**	3,831,949	874,112
Commission	**629,454**	472,993	1,828,886
Research and development costs	**218,313**	162,358	-
Retirement benefits cost (Note 14)	**207,920**	141,998	128,310
Insurance	**183,631**	282,785	-
Separation pay	**-**	-	3,651,841
Miscellaneous	**2,389,503**	4,183,805	4,630,342
	P95,043,892	P110,166,155	P100,857,585

Note 13 – 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 and expired on 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 14 – 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 statement of financial position is as follows:

	2009	2008
Net pension liability, beginning	**P525,294**	P383,296
Retirement expense	**207,921**	141,998
Net pension liability, ending	**P733,215**	P525,294

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

	2009	2008
Present value of obligation, beginning	**P863,006**	**P737,506**
Current service cost	**86,402**	**44,374**
Interest cost	**103,561**	**81,126**
Actuarial (gain) loss	**(664,283)**	**-**
Present value of obligation, ending	**P388,686**	**P863,006**

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

	2009	2008	2007
Current service cost	**P86,402**	P44,374	P42,261
Interest cost	**103,561**	81,126	68,898
Net actuarial loss	**17,958**	16,498	17,151
Provision for retirement benefits cost	**P207,921**	P141,998	P128,310

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:

	2009	2008
Present value of defined benefit obligations	**P388,685**	P863,006
Unrecognized actuarial gains	**344,529**	(337,712)
	P733,214	P525,294

The key actuarial assumptions used as at the financial reporting dates are:

	2009	2008	2007
Discount rate	**10.90%**	11.00%	11.00%
Salary increase rate	**3%**	5.00%	5.00%
Average remaining working life of plan members	**14 years**	17 years	18 years

NOTE 15 – OTHER INCOME (EXPENSES), NET

The breakdown of the account is as follows:

	2009	2008	2007
Rental income	**P-**	P137,480	P-
Interest income	**3,837,569**	36,620	15,621
Realized foreign exchange gain (loss), net	**(4,126)**	28,087	300,830
Commission income	**202,913**	-	-
Other income	**10,703**	3,321,622	674,384
Interest expense	**(20,340,457)**	(13,880,886)	(2,862,966)
	(P16,293,398)	**(P10,357,077)**	**(P1,872,131)**

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

NOTE 16 – 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 P30,000,000 and P80,000,000 as of December 31, 2009 and 2008, 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, 2009, due from and to officers and employees amounts to P9,747,156 and P3,182,227, respectively; while as of December 31, 2008, due from and to officers and employees amounted to P75,173 and P16,115,327, 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, 2009, due from and to stockholders amounts to P21,285,802 and nil, respectively; while as of December 31, 2008, due from and to stockholders amounted P5,882,925 and P14,652,684, respectively. The Group has not recorded any impairment of receivables from stockholders as of December 31, 2009 and 2008. 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 P3,045,000, P1,260,000 and P6,450,000 for the years ended December 31, 2009, 2008 and 2007.

NOTE 17 - INCOME TAXES

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

	2009	2008
Deferred tax assets		
Pension liability	**P158,633**	P158,633
NOLCO	**67,144**	786,975
	P225,777	P945,608

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:

	2009	2008	2007
Income before income tax	P40,378,647	P13,500,554	P10,894,844
Provision for income tax computed at the statutory tax rate of 30% in 2009 and 35% in 2008 and 2007	**P12,113,594**	P4,725,194	P3,813,195
Tax effects of -			
Interest income subject to final tax	**(1,151,271)**	(12,817)	(11,136)
Tax arbitrage	**1,582,997**	42,341	5,218
Other nondeductible expenses	**7,856,640**	8,716	350,000
Provision for income tax	**P4,688,680**	P4,763,434	P4,157,277

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. Revised invoicing and reporting requirements for VAT;
iii. Expanded scope of transactions subject to VAT; and
iv. Provided thresholds and limitations on the amounts of VAT credits that can be claimed.

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 18 – EARNINGS PER SHARE

Basic EPS is computed as follows:

	2009	2008	2007
Net income attributable to equity holders of the Parent Company	**P35,689,967**	P8,737,119	P4,302,533
Weighted average number of shares outstanding	**191,868,445**	150,447,168	10,000,000
	P0.18	P0.06	P0.43

NOTE 19 – FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

	2009	2008
	Carrying Value/Fair Value	**Carrying Value/Fair Value**
Financial assets		
Cash in bank	**P152,186,392**	P8,397,521
Trade and other receivables (Note 5)	**239,196,808**	220,461,635
Note receivable (Note 10)	**58,000,000**	58,000,000
Due from stockholders, officers and employees (Note 16)	**50,699,965**	5,182,925
	P500,083,165	P292,042,081
Financial liabilities		
Trade and other payables (Note 8)	**P50,398,309**	P89,725,054
Notes payable (Note 9)	**166,734,989**	226,921,774
Due to stockholders, officer and employees (Note 16)	**3,182,227**	14,652,684
	P220,315,525	P331,299,512

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, 2009, 2008 and 2006:

	Fresh Foods (in '000)		Processed Foods (in '000)		Eliminations (in '000)		Consolidated (in '000)	
	2009	2008	2009	2008	2009	2008	2009	2008
Sales	**P1,011,210**	**P798,881**	**P22,179**	**P19,566**	**(P15,707)**	**(P20,917)**	**P1,017,682**	**P777,964**
Cost of sales	**868,684**	**648,648**	**12,989**	**16,209**	**(P15,707)**	**(20,917)**	**865,966**	**643,940**
Operating income (loss)	**62,233**	**130,666**	**2,238**	**3,357**	**-**	**-**	**56,672**	**134,023**
Other income (expense)	**16,332**	**94,311**	**(39)**	**5,493**	**-**	**-**	**16,293**	**99,804**
Net income (loss)	**P34,481**	**P10,139**	**P1,479**	**(P1,387)**	**P-**	**P-**	**P35,690**	**P8,752**
Segment Assets	**P960,373**	**P620,377**	**P62,513**	**P62,533**	**(P252,962)**	**(P159,578)**	**P769,924**	**P523,332**
Segment Liabilities	**P290,860**	**P388,639**	**P12,734**	**P64,178**	**(P79,991)**	**(P120,359)**	**P223,603**	**P332,458**

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)

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

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 AGREEMENTS

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 25 – FINANCIAL STATEMENT PRESENTATION

Certain 2008 consolidated financial statement data were reclassified to conform with the current year’s financial statements presentation.