COVER SHEET

A 1 9 9 7 0 1 8 4 8

S.E.C. Registration Number

A G R I N U R T U R E , I N C .

(Company's Full Name)

3 0 - A W A S H I N G T O N T O W E R A S I A

W O R D C I T Y M A C A P A G A L A V E N U E

P A R A N A Q U E C I T Y

(Business Address: No. Street City/Town/Province)

Kenneth S. Tan

Contact Person

8793256

Company Telephone Number

1 2 | 3 1

Month Day

Fiscal Year

1 7 - A

FORM TYPE

3rd Monday of May

Month Day

Annual Meeting

N/A

Secondary License Type, If Applicable

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2009**

2. SEC Identification Number **A199701848** 3. BIR Tax Identification No. **200-302-092**

4. Exact name of issuer as specified in its charter **AgriNurture, Inc.**

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines** **3005**
   Address of principal office Postal Code

8. **(02) 879-3256**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**195,303,871**

Title of Each Class	Number of Shares of Listed Common Stock
Common Shares	**178,536,602**

Title of Each Class	Number of Shares of Unissued Common Stock
Common Shares	**104,696,129**

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

    Yes [**X**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    On 19 January 2009, the CHESS Depositary Interests relating to 178,536,602 common shares of the Company were listed in the National Stock Exchange of Australia.

    On 25 May 2009, the Company's 178,536,602 issued and outstanding common shares were listed by way of introduction on the Second Board of the Philippine Stock Exchange.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ]

Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders; **Not Applicable**

(b) Any information statement filed pursuant to SRC Rule 20; **Not Applicable**

(c) Any prospectus filed pursuant to SRC Rule 8.1. **Not Applicable**

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

OVERVIEW OF THE COMPANY

History

AgriNurture, Inc. ("ANI" or the "Company") was incorporated on 04 February 1997 as Mabuhay 2000 Enterprises Inc. It was established to engage primarily in the trading, distribution, marketing of goods, commodities, wares and merchandise and to enter into contracts for the export, import, purchase, acquisition, sale of goods, wares, merchandise or products. The Company started its business operations in the same year as an importer, trader and fabricator of post harvest agricultural machineries intended to improve the productivity and reduce the post harvest losses of farmers.

Beginning in 2001, the Company diversified into other various agrocommercial businesses, specifically focusing on the export trading of fresh Philippine Carabao Mangoes "kinalabaw variety" as its main revenue stream. It acquired its new name, **Agrinurture, Inc.,** on 08 February 2008. Since then, ANI has become one of the Philippines' top fresh mango exporters and only exporter of coconut water in can and fresh tamarind to the world market. At present, ANI also supplies other homegrown fruits such as coconut, banana, pineapple and papaya to customers in Greater China Region, the Middle East, North America and European Union under the "Fresh Distribution Group".

On 19 January 2009, ANI was listed at the National Stock Exchange (NSX) of Australia. On 25 May 2009, ANI was listed by way of introduction at the Philippine Stock Exchange ("PSE").

Operations of the Parent Company

At present, ANI is engaged primarily in the trading and exporting of commercial crops with Philippine Carabao Mangoes as the top exported item. Other crops include banana, pineapple, papaya, and tamarind which are sold to various clients worldwide. Over the last three (3) years, total sales showed an increasing trend with an average annual growth rate of 13.5% from 2007 to 2009. Export sales averaged 86% of the reported revenue for the period 2007-2009.

		ANI Parent Revenues	
Particulars	**2007**	**2008**	**2009**
Sales	**154,803,961**	**178,249,812**	**201,732,676**
Export Sales	133,273,055	132,220,000	197,698,022
Local Sales	21,530,906	46,029,812	4,034,654
% of Total Sales			
Export Sales	86%	74%	98%
Local Sales	14%	26%	2%
Net Income	880,386	504,925	10,098,706

For 2009, approximately 40% of ANI's export revenues were exported to Greater China, 30% to the rest of Asia and Pacific and 30% to the North America and Europe. ANI expects these areas to continue to be its largest exports markets.

Operations through Subsidiaries

Through its subsidiaries, ANI serves the domestic market through the sourcing, trading and distribution of fresh fruits and vegetables to supermarkets, wet markets and other institutional accounts throughout the Philippines. At the same time, the ANI group has started to develop its own farm production capability to mitigate its supply risks, although at present the group sources its produce mainly from third party farmers and growers.

ANI's operations are divided into the *Fresh Distribution Group*, which handles the distribution of fresh fruits and vegetables throughout the Philippines, especially in the Luzon island; the *Processed Foods Group*, which handles the production of export quality processed fruits using homegrown fruits as ready to consume, frozen raw materials and ingredient mixes; and the *Farming Group*, which manages the farming activities of ANI to partially serve the supply requirements of ANI and its distribution subsidiaries.

Fresh Distribution Group

ANI has three (3) subsidiaries under its Fresh Distribution Group:

- First Class Agriculture Corporation (FCA), a wholly-owned subsidiary of ANI, is engaged in the distribution of fruits and vegetables to supermarket chains, where it markets its produce under the "FCA" (First Choice Always) brand. It supplies more than 100 varieties of vegetables and local fruits daily to more than 20 outlets in NCR and in some provinces in Luzon. FCA earned revenues of **Php402.7 million** in 2009, **Php331.5 million** in 2008 and **Php282.4 million** in 2007; and Net Income of Php17.5 million in 2009, Php4.9 million in 2008 and Php4.8 million in 2007.

- Fresh and Green Harvest Agricultural Company, Inc. (FG) is a wholly-owned subsidiary of FCA. FG is engaged in the commercial distribution of fresh vegetables and fruits to the SM Hypermarket chain and Makro outlets. It supplies more than 100 varieties of vegetables and local fruits daily to more than twenty (20) branches in NCR. FG earned revenues of **Php301.3 million** in 2009, **Php221.9 million** in 2008 and **Php184.5 million** in 2007; and Net Income of Php12.8 million 2009, Php4.0 million in 2008 and Php1.1 million in 2007.

- Lucky Fruit & Vegetable Products Inc. ("LF") is wholly-owned by ANI and is engaged in the wholesale trading and distribution of commercial crops to various supermarkets and institutional accounts such as hotels, restaurants, public markets and catering companies throughout Luzon and Visayas region. LF earned revenues of **Php20.9 million** in 2009, **Php21.4 million** in 2008 and **Php17.8 million** in 2007; and Net Income of Php.937 million in 2009, Php.089 million in 2008 and Php.065 million in 2007.

Fresh produce is sourced through the centralized purchasing office which operates and maintains nationwide buying stations and handles importation. The purchasing office is further classified into several categories namely: Chopsuey, Pinakbet, Salad, Spices, Local Fruits, Imported Fruits, Commodities, and Other Non-Perishables.

Normally the Company provides cash payment for small farmers, weekly payment for big suppliers of fresh produce, and 60-120 days for other non-perishable items such as packaging materials and food ingredients.

Processed Food Group

The Processed Food Group consists of two (2) subsidiaries, as follows:

- M2000 IMEX Company Inc. ("M2000 IMEX") is a wholly-owned subsidiary of ANI and is engaged in the manufacture and processing of its own brand of canned fruit products such as Mango Nectar, Coco Juice, Coco Cream, and Coco Milk, condiments fermentation and processed vegetables. The Company likewise provides toll-packing services to several local companies and and shall begin operating a vegetable freezing unit to serve the overseas Filipino communities with frozen pre-cooked Philippine vegetable dishes. M2000's products are produced for export, with its largest markets being North America (25%), the Middle East (30%), Asia (30%), Europe (10%) and local 5%.

The canning facility has a capacity of 200,000 cans per day. It sources its aluminum cans from San Miguel Packaging while its tin cans are imported from Taiwan.

M2000 IMEX earned revenues of **Php22.2 million** in 2009, **Php19.6 million** in 2008; Net Income of Php1.95 million in 2009, Php1.4 million in 2008.

- Fruitilicious Company Inc. ("Fruitilicious") is 90%-owned by ANI. It operates a fruit freezing and processing facility to produce frozen and dried fruit products and by-products for local and international clients. Its plant is located in Cagayan de Oro at the corner of the fruit bountiful provinces of Bukidnon, Davao, Lanao del Norte and Agusan del Sur in Mindanao. Fruitilicious also serves as the ANI group's logistics and sourcing hub for its Mindanao operations.

  Fruitilicious earned revenues of Php1.025 million in 2009.

Farming Group

The group's farming activities are handled through Best Choice Harvest Agricultural Corporation (BCH), a wholly owned-subsidiary of FCA, which is engaged in the management and development of the Company's farms in various provinces throughout Central Luzon and Mindanao. Currently, the primary role of the farms is to augment the Group's supply requirements. However, current expansion and development of the Company's farms are being undertaken with the objective of eventually making the farms the primary source of supply for the Group.

BCH is also engaged in introduction, field-testing and commercialization of new, imported crop varieties that are high yielding as well as livestock integration and bio-fuel feedstock development. Currently, it maintains and manages farms located in Pampanga, Tarlac, Zambales, Benguet, Cavite, Batangas, and Cagayan de Oro.

The current farm operations of Best Choice Harvest are as follows:
1. Mabalacat Demo Farm (35 hectares) used for demonstration, training, sales of farm equipment and inputs, production of high value crops under green houses.
2. Capas Vegetable Farm (53 hectares) used for the production of pinakbet vegetables
3. Bamban Aeta Village (50 hectares expandable to 10,000 hectares) used for the production of rootcrops and jathropa
4. San Antonio, Zambales Farm (70 hectares) used for the production of watermelon and few vegetable items.
5. Subic, Zambales Farm (7 hectares) used for the production of bamboo, coconut, and mango.
6. Indang, Cavite Farm (7 hectares) used for the production of salad vegetables.
7. Trece Martires Farm (37 hectares) used for the production of papaya, rootcrops, and vegetables.
8. Lipa Batangas Farm (11 hectares) used for the production of leafy vegetables.
9. Cagayan de Oro Farm (7 hectares) used for the production of rootcrops.
10. Palawan Corn Plantation (300 hectares) used for the production of corn.
11. Palawan Pineapple Farm (51 hectares) used for the production of pineapple.
12. Ozamis Corn Plantation(300 hectares) – used for the production of corn.

Each farm is equipped with farm animals and farm equipment. A permanent farm supervisor is assigned to each farm while the rest of the workers are engaged on a seasonal basis. Normal work time is 4 hours after sunrise and 4 hours before sunset with daily targets similar to piece rate basis.

STRENGTHS

The Company believes that its principal strengths include the following:

Competitive Strengths

Complete and strategic integration of its operations

The Company is moving toward full integration of its operations from farm to market to table. This shall provide the Company with a stable and responsive supply pipeline through its farms, thereby equipping the Company with the ability to better control the quality, volume and prices of its products. Expanding its retail distribution channels to include the public markets will further reduce or eliminate wastage altogether. In addition, its processing subsidiaries, Fruitilicious, and M2000 IMEX, engaged in the processing and manufacturing of fruit products and beverages, source their raw materials from the Group's subsidiaries. This assures the quality of the ingredients of the Processing Group's products and provides excellent pricing for its supply. This integration significantly reduces spoilage or wastage of the excess or unused output of the Group's subsidiaries.

Ability to constantly innovate products and services to maximize use of its strong network of local and foreign distribution channels

The Company is able to rapidly penetrate new markets, and has quickly established a global marketing presence. Among its recent innovations include the successful development and marketing (through subsidiary M2000 IMEX) of several new processed juices for the international market such as Coconut Juice and Tamarind juice in cans. It has likewise successfully commercialized locally the new high value, hybrid variety of the sweet melon.

ANI will soon launch its ecommerce store, http://www.ani.com.ph/, which will allow buyers from the food services sector, namely, hotels, restaurants, catering companies, and canteens to book their orders online, with the guarantee of next day delivery. Also, ANI will be launching franchise opportunities for its employees and the public to service Metro Manila communities.

To reach a wider segment of the market, ANI will launch the FCA Wet Market Wholesale Shop (which will sell vegetables in a neat location, with neat packaging) in the 2nd quarter of 2010. Initial areas of operation shall be the Balintawak and Divisoria markets followed by class A and B wet markets in Metro Manila and in the urban centers of neighboring provinces. The company shall also be setting up The Lucky Store (staple and seasonal fruits in trendy locations, with trendy packaging) which will be launched in the 2nd half of 2010. All these would seek to maximize market reach across all segments through various channels of distribution.

Established reputation of offering quality products and services

The Company's track record of performance and firm grasp of the markets in which it operates is evidenced by accreditations and recognition from local and international agencies. ANI has over thirteen (13) years of experience in handling fresh fruits and vegetables and gaining many years worth of learning in product innovation, and is consistently in PhilExport's list of the top 100 exporters of the country. The Company has attained product acceptance in major world markets such as the Greater China Region, Middle East and North America. It has catapulted ANI into being one of the top exporters of mangoes from the Philippines. The Company is even now one of the few accredited by the China government to export mangoes to their country.

Currently, ANI's businesses are accredited by: (i) the General Administration of Quality Supervision (AQSIQ) of China, allowing the company to export directly to mainland China; (ii) the USFDA for the export of canned juices to mainland USA; (iii) the Department of Agriculture – Bureau of Plant Industry for the importation of fruits, spices and other planting materials; Bureau of Animal Industries for the importation of feeds and additives; Fertilizer and Pesticides Authority for the importation of fertilizers and agri chemicals; PHILCOA for the export of coconut products. (iv) the Department of Health – BFAD for the operation of the canning facility in Pulilan, Bulacan; Freezing facility in Cagayan de Oro and (v) the Department of Finance – Bureau of Customs for the importation and export of various products and materials. The accreditations allow the Company to quickly take advantage of opportunities in these major markets. The Company believes that few, if any other major agricultural companies in the Philippines can boast this level of accreditations from agencies all over the world. Generally, it takes years of effort and an established professional track record to secure these types of permits. The Company is currently in the process of securing HACCP and ISO certification.

Exceptional human resource pool and philosophy

The Company is able to recruit and retain reliable, creative and well trained managers, staff and employees thereby allowing its businesses to continue to succeed. ANI believes that its most important resources are the employees. ANI attributes its continued growth in the industry to its reliable, creative and well trained managers, staffs and employees. Its executives and operational managers have had more than a decade of experience in the business of farming, fresh produce distribution, and fruit and juice processing. They are supported by experienced and competent multi-lingual marketing staff and purchasers.

The Company's operations are supported by a flat organizational structure. Senior management (division heads) exercise executive and policy functions while at the same time have direct control over operational line managers. This arrangement provides for a streamlined, proactive and *real-time* planning and decision making process which allows management to be immediately responsive to operational issues and developments.

Unrivalled industry influence

ANI's core business has a significant and direct impact on the livelihood of Filipino farmers and households, in addition to contributing directly to agricultural development and security. In the process the Company has forged numerous strategic alliances with government agencies, business organizations, universities, NGOs, and local and international media which were built over years of integrity and trust. These networks and alliances intertwine and overlap to provide ANI the capability to mobilize resources promptly and at a bigger scale when market opportunities arise.

Economies of Scale

Through its backward and vertical integration from farm production to wholesale distribution to food processing, ANI is able to derive significant benefits from economies of scale. ANI's acquisition of FCA, FG, and the expansion of BCH consolidate sources and supply chains for vegetables and fruit. Full development of its own farms through the *Farming Group* shall equip the Company with large scale production capacity which shall significantly reduce fixed costs. As a large volume buyer, the Company is able to avail of volume discounts when purchasing from third party suppliers. The Processed Food Group further expands ANI's market, in terms of volume and diversity of products, while allowing the group to minimize wastage and manage seasonality risks.

STRATEGIES

Business Strategy

In pursuit of its vision to become a world class supplier of high quality fruit and vegetable products, the Company adopted a strategic program that has transformed its purely *farm-to-market* trading business model into a *farm-to-plate* business model supported by complete forward and backward integration. As a result, ANI's range of operations has expanded to include all vital business activities from farming, packing, trading, distribution, processing, canning, up to retail sales. The Company's strategy revolves around maximizing its competitive strengths*: i) a well-established nationwide supply network to source its products from; ii) a well-entrenched and wide local and foreign distribution network to sell its products through; and iii) technological and production capability to develop not only fresh, but also, processed fruit and vegetable products.*

Backward integration of ANI's operations is being undertaken by the farming arm, BCH, which is continually developing farmlands either through lease, joint venture, or contract growing arrangements to mitigate the supply risks inherent in purchasing from third parties. The wide dispersal of the locations of farmlands throughout the central and southern regions of the country enables ANI to spread the risk against weather disturbances, pest infestation, manmade and natural disasters. Currently, ANI is working out farming ventures with China's biggest Agricultural company Bei Da Huang for the development and distribution of high yielding hybrid rice seedling and a group of investors from the Kingdom of Saudi Arabia for the joint development of a 50,000 hectare plantation of high value fruits and commodities.

On the domestic marketing side, ANI, through the subsidiaries of the *Fresh Distribution Group*, shall be expanding its market presence from supermarkets to wet markets, particularly in Metro Manila, Northern Luzon, and CALARBARZON. The Company estimates that the wet market sector accounts for 70% of the Philippines' total fresh fruit and vegetable market.

At present ANI's distribution of fresh goods is primarily through major supermarkets such as the SM Supermarket and Hypermarket chain, the Puregold chain, Metro Gaisano, Metrotown, Lianas and Waltermart. Within fiscal year 2010, the Company expects to have established distributorships through all existing supermarkets in the country. The current thrust to also serve wet markets shall increase ANI's trading volumes by up to 100% in the first year of expansion. To support the greater trading volumes, ANI is currently investing in additional logistics assets such as transport vehicles, packing and warehousing units, and cold storage assets.

ANI shall be further maximizing use of its local supermarket distribution network by introducing dairy products (imported UHT milk and fresh milk products) into its distribution pipeline within 2010.

To strengthen servicing of its foreign distribution channels, ANI has set up a representative office in Hong Kong to cater to Greater China clientele and, within 2010, ANI shall set up a business entity in Brisbane, Australia to better monitor and expand its existing market channels in that region. Currently, ANI sells processed foods and juices in Australia through Asian owned/operated stores and fresh fruits to New Zealand mainstream market. By having a permanent presence in the Australia-New Zealand territory, ANI is expected to speed up the penetration of major market channels. In addition, the business entity is expected to have better access and supply management in anticipation of ANI adding the dairy products into its distribution system within the year 2010.

ANI intends to aggressively pursue regional expansion through mergers and acquisition with other regional companies. The initial targets for ANI's regional expansion shall be agriculture or food companies in Greater China Region and/or Southeast Asia Region. Tie ups with agricultural companies in Central and South America are currently being nurtured and developed. By 2010, ANI intends to establish bigger market share in North America and Europe by cross selling items currently being planted by farmers in Central and South American Continent. With these tie ups, the farms in Central and South America will be able to produce crops that North American clients source from ANI resulting in significant savings in freight cost. The reduction of freight cost will increase market demand for specific produce since fruits and vegetables are price-sensitive products. Potential opportunities due to seasonality factor in fruits and vegetables can also be maximized due to the difference in the geographic location. This will also enable ANI to commit to year-round supply for its major US and Canadian clients.

As of the last quarter of 2009, ANI has completed the 400 ton capacity cold storage facility in Pulilan, Bulacan and 100 ton cold storage in Cagayan de Oro. Moving forward, ANI intends to expand Pulilan Cold Storage capacity to 3,000 tons, while increasing the Cagayan de Oro facility to 1,000 tons and set up a new cold storage in Cebu.

MARKETING, SALES AND DISTRIBUTION

Marketing Activities

To further enhance its competitive strength and build a strong corporate brand, ANI intends to deepen the respective specialization and expertise of its subsidiaries and focus on a specific business area or market. LF would be groomed to be a preferred brand for both local and imported fruits and even go into innovative arrangements such as cross trading. Meanwhile, FG will be integrated into FCA so that brand building activities would be started, promoting the tagline, "Fresh Choice Always". On the other hand, FCA was re launched as a premium brand for “veggie safe” and “veggie licious” vegetables that will create more awareness among children and housewives and increase consumption of fruits and vegetables. Currently, Filipino consumption of fruits and vegetables is one of the lowest in the world with only less than 30kg per year whereas WHO standard is 200kg per year. Due to this, FCA will launch the new theme, Good Food = Good Life effective May of 2010.

ANI has invested in media and advertising activities intended to rapidly increase brand-awareness of the public. In mid-March of 2010, FCA lauched the unique tv cooking show dubbed “Healthy Cravings,” hosted by Iza Calsado and Chef Jeremy Favia and aired on QTV Channel 11 every

Sunday at 11:00 o'clock in the morning with a target audience belonging to females of Class A and B. Also in March 2010, FCA undertook sponsorship of a basketball team at Philippine Basketball League ("PBL") with the aim of promoting sports at the same time awareness of the FCA brand.

A new set of posters endorsed by celebrities Alfred Vargas, Connie Sison, and Chef Jeremy Favia will be launch via the trucks of ANI and billboard sites located at NLEX, SCTEX, C5, SLEX, Packing Houses, and Farms.

In April of 2010, ANI will launch the Agri discussion radio program of DWIZ 882 every Saturday at 5:00 o'clock in the afternoon. The FCA jingle was launched in preparation for the launch of the Veggie Cart concept that is targeted at supplying fruits and vegetables to the class A and B subdivisions in Metro Manila cities.

REGULATION AND TAXATION

Currently, the company and its subsidiaries are required to pay 30% Corporate Tax. Most of the group's revenues are VAT-free transactions due to the exemption of agriculture crops and export revenues are exempt from 12% VAT. Only processed goods intended for local distribution are subject to the 12% VAT.

Best Choice Harvest, the farming subsidiary is expecting to be granted a 4 year tax holiday by the Board of Investment while M2000 IMEX is filing an application for a four (4) year tax holiday owing to its expansion. ANI, on the other hand, is identifying potential locations to transfer to an appropriate Export Processing Zone to avail of incentives that will allow the Company to pay a tax rate of only five percent (5%) instead of its current thirty percent (30%).

EMPLOYEES

The table below presents the Company's personnel numbers by functional category for the periods indicated.

Category	For the year ended Dec. 31, 2007	For the year ended Dec. 31, 2008	For the year ended Dec. 31, 2009
Executives (Officers and Managers)	20	30	40
Project employees and Consultants	1	3	5
All other employees	600	685	680
Total	621	718	725

There is no labor union in the organization.

INSURANCE

The Company has an all-risk policy for each of its facilities and inventories against a variety of risks, including, among others, fire, lightning, catastrophic perils (typhoon, flood, earthquake, volcanic eruption), machinery breakdown, explosion, civil commotion, riot/strike, malicious damage, and other perils liability.

INSURANCE OF PROPERTY		
		Insured Amount
1. Canning Facility Line in Pulilan	Orix Metro	15,000,000.00

2. Cold Storage Facility in Pulilan	Philchartet	24,800,000.00
3. Walk In Chiller In Pulilan	Philchartet	5,256,915.00
4. Pulilan Property	Landbank of the Philippines Insurance Brokerage Inc.	33,975,000.00
5. FCA Property Arayat	UCPB General	12,495,000.00
		91,526,915.00

In addition to the all-risk policy, the Company maintains various general liability and product liability insurance policies covering its operations. These policies do not cover liability as a result of pollution or environmental damage by the Company.

The Company has a marine cargo insurance policy to cover domestic and international shipment of goods and equipment. A products liability insurance policy insures the Company's entire export product. The Company's insurance policies are provided by leading Philippine insurance companies that are generally reinsured by major international insurance companies.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

The Company is subject to a number of employee health and safety regulations in the Philippines. For example, the Company is subject to the occupational safety and health standards promulgated by the Philippine Department of Labor and Employment. The Company believes that a safe and healthy work environment is fundamental to the management of its human resources as well as conducive to greater employee productivity. The Company has a safety management group responsible for formulating, implementing and enforcing the Company's employee health and safety policies as well as ensuring compliance with applicable laws and regulations.

The Company is also subject to various laws and regulations concerning the discharge of materials into the environment. The Company is subject to extensive regulation by the Philippine Department of Environment and Natural Resources.

RISK FACTORS

A. RISKS RELATED TO THE COMPANY

The Company's financial condition and results of operations may be adversely affected by any disruptions in the supply of, or the price fluctuations, for its major products.

ANI procures its vegetables and fruits (mangoes, banana, and pineapple) from various sources, ranging from small farmers to co-operatives and big producers. Currently, a minimal part of ANI's internal supply requirement is provided for by its farming subsidiary, Best Choice Harvest Corp. As a policy, volume and quality is the main consideration in the sourcing of all the products handled by ANI. However, the risk of supply shortage poses significant threat to the continuity of business operations and ultimately to the results of operations of the Company.

To mitigate supply risks, ANI does the following:

- Observes an "open line" type of communication with all its suppliers, maintaining 24/7 constant coordination and accessibility with key personnel including the Company's top management. This enables the Purchasing Division to realign sourcing activities and locations in a timely and appropriate manner should supply issues arise;
- ANI, owing to its long standing stature in the fresh foods industry, is able to attract reputable and reliable long term suppliers. The strong relationship with its suppliers, built over years of mutually beneficial dealings, allows the Company and its suppliers to address and resolve

any supply concerns that may arise, from time to time, through mutual cooperation. ANI believes that "Friendship beyond Business" works;

- The establishment of cold storage facilities in Pulilan (central Luzon)) central packing house and Cagayan central depot (Mindanao) in the last quarter of 2009, provides ANI with the capacity to effectively store large volumes of fresh vegetables. Thus, ANI is better able to mitigate the risks inherent in the seasonality of supplies for certain types of produce. The cold storage prolongs shelf life and enables the Company to maintain a buffer stock for these produce;
- ANI is currently expanding its cold storage facilities to dramatically increase its capacity to stock supplies; and
- ANI intends to intensively develop the farmlands being managed by its wholly-owned subsidiary Best Choice Harvest. ANI intends to develop and operate 5,000 hectares of productive farmland which would significantly reduce or eliminate its dependence on third party sources for its supplies and improve its ability to control its quality and prices.

The Company's business is affected by seasonality

The demand for and supply of many fruits and vegetables is seasonal, and the price of any particular commodity may change significantly, depending on the season. Market demand is especially strong during the Yuletide season in the last quarter of the calendar year. Because of seasonality the results of operations of the Company may fluctuate significantly from one quarter to another.
To mitigate the risks of seasonality of supplies and prices, the Company has diversified its source or products geographically, so seasonal fluctuations in one region can be offset by those in another region. The setting-up of additional cold storage facilities also allows the Company to stock up on certain produce when they are 'in season' and therefore relatively inexpensive, so such produce can be sold in the market when they are 'off season' and can command higher prices and provide wider gross profit margins.

The Company may experience losses due to inadequate or failed internal processes and systems.

The Company handles numerous transactions daily, most of which involve cash transactions. A failure in internal procedures or systems, fraud, or the impact of external events carries a risk that the Company may experience losses on any or all of the transactions that it handles. The specific type of risks that the Company faces includes:

- Risk arising from fraudulent activities of a third party or internal party such as robbery or theft of supplies (especially during transport).
- Risk resulting from inadvertent failure to satisfy a professional responsibility or obligation to particular suppliers or customers, including the prompt payment of payables and the delivery of supplies.
- Risks arising from the far flung nature of the Company's operations, including issues on safety, telecommunications, transport and remote monitoring.
- Risks arising from failure in process management or transaction processing due to poor relationships with vendors and commercial service providers.

To mitigate the foregoing risks, ANI has centralized its purchasing functions at the Metro Manila business office thereby eliminating the risks inherent in dealing with numerous provincial suppliers through numerous and highly autonomous middlemen in the field. Furthermore, centralizing purchasing significantly increases control over field operations and enhances efforts towards standardizing the methods and quality of our processes. Systems (monitoring, tracking, communications, logistics) and procedures are also currently being reviewed, changed and/or upgraded as part of the overall effort to minimize and eliminate inefficiencies in the supply chain.

The Company faces the risk of inadequate supply in the event of inclement weather.

Inclement weather is traditionally a major source of uncertainty in the agriculture industry. Its inherent volatility and the occurrence of extreme weather events due to global climate change impacts greatly the performance and management of the Company's farming and trading operations. For example, the El Nino and La Nina phenomena, characterized by alternating cycles of inadequate and excessive rainfall, respectively, has in the past posed significant challenges to growers and traders alike. At present, the Philippines is in the middle of what has been described as a mild El Nino event and is experiencing less than normal rainfall in numerous parts of the country.

To manage this risk, ANI implements a geographical diversification strategy where its operations are spread across the country, depending on the existing season (wet or dry) to ensure continued production and trading. As such, the Company is able to step up operations in farms, buying stations and raw material trading posts in the Visayas and Mindanao to offset the cutback in the Luzon area before the typhoon season begins. The Company believes that its nationwide presence has allowed for a stable and reliable conduct of operations all year round.

Moreover, as a farming practice, ANI adapts to the existing season to determine the crops to be planted and produced (i.e. rice production during wet season), thus enabling its farms to remain productive every month of the year. In addition, this crop rotation method is able to prevent depletion of nutrients of the soil and immunity of domestic pest.

The Company faces risks arising from pest and insect infestation.

Pest and disease infestation affect both the quantity and quality of commodities available for the market. If not addressed appropriately, infestation may translate to decreased crop yield and farm output, as well as uncertainty in commodity prices. Infestation may also render the Company's products unacceptable to both domestic and export products, and could adversely affect its results of operations.

The Company mitigates this risk by adopting a mix of modern pest control systems, Good Agricultural Practices (such as crop rotation) and the use of a mixture of organic fertilizers in its production farms. ANI also sources its supply requirements from farms and buying stations located in different provinces and regions of the country. This way, no widespread infestation would drastically weaken the Company's supply chain at any time. ANI's nationwide diversified geographical locations allow its farm production and trading activities to easily shift the bulk of its key operations from one region to another should the need arise.

The Company faces the risk of competition from other countries within the ASEAN

Most ASEAN countries are engaged in commercial agriculture, producing and exporting numerous varieties of fruits and vegetables. In many instances these countries export products that may compete or substitute for each other's exports. For example, the Company's major exports--mangoes, bananas, and pineapples, are also exported in significant quantities by Thailand, Malaysia and Indonesia. There is a risk therefore that these competing exports may supplant the Company's products in its main markets. There is also a risk that imported fruits and vegetables may take a significant share of the domestic market.

To mitigate this risk, the Company continuously undertakes research and development in products and technology to improve the quality and productivity of its products while at the same time ensuring their sustainability. ANI also relies on its now fully integrated operations as a strategic advantage over its competitors in the industry whether local or foreign. Utilizing a zero waste approach in its operations, its Farming Group is linked with its Fresh Products Group, while both are also linked with the Processed Foods Group. In turn, the Processed Foods Group and even the Fresh Distribution Group also provide inputs for the Farming Group. This synergy of operations allows ANI to bring down cost of sales and increase the value of its brand and products in the market.

The Fresh Distribution Group has also been aggressively building the "FCA" or Fresh Choice Always brand name. TV commercials, radio jingles, in-store display and billboard advertising, as well as event sponsorships, are used to increase consumer awareness of the quality of FCA products.

There is a risk that the Company may not have adequate working capital to support its growth.

The Company generally requires cash at the point of purchase of its produce, while maintaining a certain level of finished goods inventory. As trading volumes increase, the Company will require additional working capital to support larger scale operations. Under such conditions, the Company will require additional short term working capital to maximize its purchasing flexibility. Therefore, there is the risk that the Company may need additional working capital in the future.

ANI currently maintains omnibus financing lines with the major domestic banking groups that it believes adequately supports its working capital needs. In anticipation of an increase in its future working capital requirements, the Company is negotiating for increases in its short term credit lines. The Offer, among other things, is meant to be an additional source of long term expansion capital.

There is a risk that the Company will be held liable in the event that its subsidiaries default on their respective loans

Banco de Oro Universal Bank (the "Bank"), a related corporation of one of the Company's major clients, extended the Company and its subsidiaries, namely, FCA, FG and BCAC, a credit line in the amount of ₱ 85 million. As security for the credit line, the Company and its subsidiaries entered into a Continuing Surety Agreement with the Bank wherein, among other things, the Company gave the Bank a lien upon all its moneys or other properties. At present, FCA has an outstanding loan with the Bank in the amount of ₱30 million.

In the event that FCA defaults in the payment of its outstanding loan, the Company may be held solidarily liable by the Bank and its moneys and properties applied by the Bank as payment for the unpaid loan of FCA.

Historically and to date, none of the subsidiaries, including FCA, FG and BCAC have ever defaulted or incurred a past due in any of their credit exposures.

Furthermore, to mitigate any potential risks relating to the Continuing Surety Agreement, the Company shall limit its exposure on said loans in relation to its total assets. At present, the outstanding loan of FCA secured by the Company represents less than 10% of the latter's total assets.

In addition, the Company is currently in the process of establishing independent credit facilities for its subsidiaries to eliminate exposure risk. This is being undertaken with all of the Company's banks.

The Company is subject to numerous government regulations, noncompliance to any one of which could disrupt its operations

The Company's operations and products are subject to standards and regulations set forth by the government and regulatory agencies (DA-BPI, DOH-BFAD, DoLE, and DOF-Customs) which may introduce new rules and policies or implement changes in the enforcement of existing laws and regulations, which, in turn, could directly affect the operations and profitability of the Company. Compliance therewith may also entail additional costs for the Company.

Although the Company endeavors to maintain compliance with the requirements and conditions of its licenses, accreditations, and certifications, there can be no assurance that the aforementioned agencies will not introduce more stringent rules and regulations in the future. These and other legal or regulatory changes could materially and adversely affect the company's financial condition and results of operations.

The Chief Finance Officer and the Chief Accountant are responsible and accountable for Compliance. Their acts and recommendations in the area of Compliance are further subject to review by the Corporate Governance Compliance Committee of the Board of Directors.

The Company depends on certain key personnel, and its business and growth prospects may be disrupted if their services were lost.

The Company's future success is dependent upon the continued service of its key executives and employees. The Company cannot assure that it will be able to retain these executives and employees. If many of its key personnel were unable or unwilling to continue in their present positions, or if they join a competitor or form a competing company, the Company may not be able to replace them easily, and the business of the Company may be significantly disrupted and its financial condition and results of operations may be materially and adversely affected.

The Company may be adversely affected by any change in environmental, employee health and safety and other laws and regulations.

The Company's operations are subject to a number of national and local laws and regulations. These include industry laws and regulations relating to environmental protection, employee health and safety, and tax. The Company cannot assure that changes in laws or regulations, including environmental, employee health and safety, and tax laws and regulations, will not result in the Company having to incur substantial additional capital expenditures to upgrade or supplement its existing facilities or being subject to an increased rate of taxation or fines and penalties. Any such changes in laws and regulations could have a material adverse effect on the Company's business, financial condition and results of operations.

B. COUNTRY RISKS - PHILIPPINES

The Company's operations are concentrated in the Philippines, and therefore any downturn in general economic conditions in the Philippines could have a material and adverse impact on the Company.

Historically, the results of our operations have been influenced, and will continue to be influenced to a significant degree, by the general state of the Philippine economy. As a result, the Company's income and the results of operations depend significantly on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the peso and the imposition of exchange controls. However, given that the Company's primary business is basic food, it enjoys a degree of insulation from the negative effects of economic stagnation or recession.

In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and global economy, which would be likely to cause economic conditions in the Philippines to deteriorate. However, as mentioned earlier, the primary business of the Company is basic foods which has a constant, if not increasing demand tendency while its operations supply both wholesale and consumer channels.

Any political instability in the Philippines may adversely affect the Company.

As a developing economy with a democratic political structure and environment, the Philippines has from time to time, experienced political instability. Any occurrence of instability in the future could result in unforseen or sudden changes in the business, regulatory and policy environment which could have an adverse impact on the operations and financial condition of Philippine corporations and businesses, including our Company.

President Macapagal-Arroyo's administration has been pushing for changes to the Philippine Constitution including, among other things, a change in the form of government from presidential to parliamentary. However, the Philippine Supreme Court recently ruled to deny petitions to allow a people's initiative that would have made constitutional changes possible through an abbreviated process and a plebiscite.

In May 10, 2010, presidential and congressional elections will be held in the Philippines. Incumbent President Macapagal-Arroyo is prevented from re-election due to term restrictions. In addition to a new President, elections for the members of the House of Representatives and twelve of the twenty-four seats in the Senate will be held. On 23 November 2009, 57 victims were killed in connection with the candidacy of Esmael Mangudadatu in the forthcoming Philippine general elections. In the aftermath of the Maguindanao massacre, martial law was declared for a short period in the province of Maguindanao assist with the arrest of those responsible. There is no guarantee that such acts of election-related violence will not occur in the future and such events have the potential to impact negatively on the Philippine economy.

The increased political activity and campaigning may result in political and social instability during the period leading to the elections in May 10, 2010. This may result in foreign and domestic investors taking a stance of caution and postponing investment and business activity until after the elections. Furthermore, there is no assurance that the next president of the Philippines will continue to implement the economic policies favoured by President Arroyo's administration As a result of changes in the leadership and membership of the executive and legislative branches, future policies that affect the economic environment remain uncertain, at this point. Consequently, this political uncertainty could materially and adversely impact on the economy and operations, financial condition and prospects.

Isolated but continuing terrorist activities in the Philippines could destabilise the country, adversely affecting the Company's business environment.

The Philippines has been subjected to sporadic terrorist attacks in the past several years. The Philippine military has been in conflict with the Abu Sayyaf organisation, which has been identified as being responsible for kidnapping and terrorist activities in the country, and is also alleged to have ties to the Al-Qaeda terrorist network. On 14 February 2005, three separate bomb explosions in the Makati financial district, Davao City and General Santos City resulted in several deaths and injuries. The Abu Sayyaf organisation claimed responsibility for the attack. On 19 October 2007, an explosion in a shopping mall in the Makati financial district killed eleven (11) people. Initial police reports that the explosion was caused by a bomb attack were retracted when further investigations revealed that the explosion was accidental. However, some sectors still dispute this assertion. Most recently, on 13 November 2007, another explosion, this time on the grounds of the House of Representatives complex in Quezon City, killed at least four (4) people, one of which was a Philippine congressman, who incidentally was a former member of the Abu Sayyaf and had switched allegiance to the Government. Investigations as to the cause and perpetrators behind this latest explosion are still ongoing.

Intensified anti-terrorist activities undertaken by the US-supported Philippine military the last few years have eliminated the strategic capability of Muslim terrorists in Mindanao who no longer have an impact at the national scale. The recent past has seen terrorist activity limited to occasional kidnappings of individuals and small-unit clashes between rebel bands and the military in the hinterlands of Muslim dominated southern Mindanao. However, there can be no assurance, in the future, that Muslim terrorists will not continue to try to escalate their activities and regain their potency as a military and political group. Any instability arising from further acts of terrorism may have a material and adverse effect on the Company's financial condition, operations and prospects.

The Philippines enjoys a current sovereign risk of BB+. Furthermore, the country has never defaulted on any of its international or sovereign borrowings. However, no assurance can be given that Moody's, Standard & Poor's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future as a result of adverse local political events. Any such downgrade could have an adverse impact on liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Item 2. Properties

1. Parent Company

The Company is the registered owner of a parcel of land located at Pulilan Bulacan, Philippines with an area of approximately 4,995 square meters and the rightful owner of a parcel of land at similar location with 8,300 square meters. It has also recently acquired another 5,000 square meters titled lot in front and another 5,000 square meters lot with tax declaration at the back of its Pulilan property.

ANI owns blast freezers, cold storage, filling and canning machineries and equipment located along the National Highway, within Barangay Dampol 2A, Pulilan, Bulacan and Balongis, Balulang, Cagayan de Oro City.

2. FCA

Its subsidiary, FCA, is the registered owner of a parcel of land located at Barangay Arenas, Arayat, Pampanga, Philippines with an area of approximately10,000 square meters. The aforementioned land is presently improved with seven (7) buildings, namely: (i) Office Building with a total floor area of 240 square meters; (ii) Production Building with a total floor area of 1,875 square meters; (iii) Mixing

Area/Warehouse with a total floor area of 155 square meters; (iv) Canteen with a total floor area of 87 square meters; (v) Generator House; (vi) Residential Building with a total floor area of 181 square meters; and (vii) Guardhouse with a total floor area of 37 square meters.

3. BCH

The other parcels of land which are not owned by ANI but are being utilized by its subsidiary, BCHC, and upon which ANI has real rights are the following:

1. Mabalacat Demo Farm (35 hectares)
2. Capas Vegetable Farm (53 hectares)
3. Bamban Aeta Village (50 hectares expandable to 10,000 hectares)
4. San Antonio, Zambales Farm (70 hectares)
5. Subic, Zambales Farm (7 hectares)
6. Indang, Cavite Farm (7 hectares)
7. Trece Martires Farm (37 hectares)
8. Lipa Batangas Farm (11 hectares)
9. Cagayan de Oro Farm (7 hectares)
10. Palawan Corn Plantation (300 hectares)
11. Palawan Pineapple Farm (51 hectares)
12. Ozamis Corn Plantation(300 hectares)

There are no pending litigations or arbitration proceedings where ANI or any of its subsidiaries or affiliates is a party and/or of which any of their property or the property used by them is the subject matter and no litigation or claim of material importance is known to the Directors pending or threatened against the Company property or the property used by the latter is the subject matter.

Item 3. Legal Proceedings

The Company is not aware of any legal proceedings of the nature required to be disclosed under Part I, paragraph (C) of Annex "C", as amended, of the SRC Rule 12 with respect to the Company and/or its subsidiaries.

While not material in nature, the Company instituted a criminal complaint for qualified theft against Ysa Bries entitled "***AgriNurture, Inc. vs. Ysa Bries***", docketed as I.S. No. XV-03INV-09I-08101, pending before the Office of the City Prosecutor, Quezon City. The complaint alleges that Ms. Bries, who was a former employee of the Company, unlawfully took cellular phone units and SIM cards belonging to the Company without the latter's consent, resulting in losses to the Company in the approximate amount of only Php396,643.49. The case is currently submitted for resolution.

Moreover, to the best of the Company's knowledge, there has been no occurrence during the past five (5) years up to the date of this Annual Report of any of the following events that are material to a evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;

- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining , barring, suspending or otherwise or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of the Company was held last 16 December 2009 wherein several matters were submitted to a vote of the stockholders. A copy of the SEC Form 17-C dated 16 December 2009 is attached here as **Annex "A"**.

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PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

The Company's 178,536,602 issued and outstanding common shares are listed and traded principally on the Second Board of the Philippine Stock Exchange (PSE).

On the other hand, the CHESS Depositary Interests (CDIs) relating to 178,536,692 common shares of the Company are listed on the National Stock Exchange of Australia.

The following is a summary of the trading prices at the PSE for each of the quarterly period beginning 25 May 2009, which is the listing date of the Company in said exchange.

	2009			
	Q1	**Q2**	**Q3**	**Q4**
High	n/a	Php25.00	Php18.50	Php34.50
Low	n/a	Php11.00	Php11.50	Php18.50

The following is a summary of trading prices of the CDIs at the National Stock Exchange of Australia (NSX) for each of the quarterly period beginning 19 January 2009, which is the listing date of the Company in said exchange.

	2009			
	Q1	**Q2**	**Q3**	**Q4**
High	AUD0.64	AUD0.64	AUD0.64	AUD0.64
Low	AUD0.64	AUD0.64	AUD0.64	AUD0.64

Holders

As of 31 December 2009, the Company has a total outstanding common stock of 191,868,445 common shares held by fifteen (15) individual and corporate stockholders on record.

Based on the Company's stock and transfer book, the top twenty (20) stockholders of the Company on record as of 31 December 2009 are as follows:

Name	No. Of Shares	% of Holdings
PCD Nominee Corp. (Filipino)	69,964,795	36.4650%
Antonio L. Tiu	58,408,935	30.4422%
Chung Ming Yang	25,066,290	13.0643%
Ming Hsiang Yang	18,777,179	9.7865%
PCD Nominee Corp. (Foreign)	6,319,398	3.2936%
Lai Teng Hsiang	4,500,000	2.3454%
James Tiu	3,000,000	1.5636%
Dennis Sia	2,300,001	1.1987%
Daniel Go	1,500,000	0.7818%
Southern Field Limited	1,031,843	0.5378%
Martin Subido	1,000,000	0.5212%
Leonor Briones	1	0.0000%
Alfonso Go	1	0.0000%
Cristino Lim	1	0.0000%
George Uy	1	0.0000%
TOTAL	**191,868,445**	**100.0000%**

The shareholdings of all the stockholders do not relate to an acquisition, business combination or other reorganization.

Dividends

The Company is authorized to declare and distribute dividends to the extent that it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed profits of a corporation that have not been earmarked for any corporate purposes. A corporation may pay dividends in cash, by distribution of property, or by issuance of shares. Dividends declared in the form of cash or additional Shares are subject to approval by the Company's Board of Directors. In addition to Board approval, dividends declared in the form of additional Share are also subject to the approval of the Company's shareholders representing at lease two-thirds (2/3) of the outstanding capital stock. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such Shares. SEC approval is required before any property or stock dividends can be distributed. While there is no need for SEC approval for distribution of cash dividends, the SEC must be notified within five (5) days from its declaration.

On 16 December 2009, the Board of Directors of the Company approved the declaration of cash dividend of Php0.01 per share to all outstanding shares of the Company as of record date 07 January 2010, payable on 19 January 2010. Aside from the foregoing, the Company has not declared any other dividends.

Recent Issuance of Shares Constituting Exempt Transaction

The issuance of the following shares pursuant to the increase in the authorized capital stock of the Company as approved by the SEC on 21 January 2008 is exempt from registration as provided under Section 10(i), Chapter III of the Securities Regulation Code:

Name	No. of Shares Subscribed	Paid-Up
Antonio L. Tiu	28,044,690	28,044,690
Yang, Chung-Ming	14,227,748	14,227,748
Yang, Ming Hsiang	11,240,248	11,240,248
Dennis Sia	4,260,020	4,260,020

Name	No. of Shares Subscribed	Paid-Up
Kuo Jung Yuan	1,871,804	1,871,804
Tiu, Ken Kwen	7,836,496	7,836,496
Eduardo Si	1,231,179	1,231,179
Tiu, Ken Him	5,247,281	5,247,281
Martin Subido	471,154	471,154
Ma, Jen-I	812,476	812,476
Jaime L. Tiu	846,560	846,560
James L. Tiu	1,432,647	1,432,647
Tammy Lin	738,264	738,264
Daniel Go	738,264	738,264
Jacqueline Tiu	738,264	738,264
Anita Syvoco	1,082,753	1,082,753
Tiu, Peck	13,042	13,042
Tiu, Ken Lai	976,834	976,834
Tiu, Ken Swan	690,276	690,276
TOTAL	**82,500,00**	**82,500,00**

The issuance of the following shares is likewise exempt from registration as provided under Section 10(k), Chapter III of the Securities Regulation Code:

Name	No. of Shares Subscribed	Paid-Up
Marpet Dev't Corp.	400,000	400,000
Peter Lim	100,000	100,000
Hortencia Lim	100,000	100,000
Clifford Yim	3,000,000	3,000,000
Li Kuan	20,000	20,000
Chung Feng Yu	17,067	17,067
Lin Huang, Yu Chin	25,600	25,600
Anne Lorraine Buencamino	30,001	30,001
Henson Laurel	33,334	33,334
Sherwin Yao	135,000	135,000
Dunn Calubad	4,667	4,667
Rosa Sia	100,000	100,000
Concepcion Sison Escudero	28,000	28,000
Sennen Uy	20,000	20,000
May Rhodora Gallardo	1,000,000	1,000,000
Lai Teng Hsiang	4,500,000	4,500,000
TOTAL	**9,513,669**	**9,513,669**

On 18 September 2008, the Company filed SEC Form 10.1 with the SEC for purposes of notifying the latter of the foregoing exempt transactions.

Item 6. Management's Discussion and Analysis or Plan of Operation.

Overview

ANI started as a simple manufacturing and trading company of post-harvest facilities. In 2001, ANI shifted its business to exporting fresh fruits and processed juices. Through hard work and strict adherence to quality service and products, ANI was recognized by PhilExport as one of the Top 50 Exporters of the Philippines.

In 2007, ANI acquired ownership of FCA, one of the country's leading vegetable distributor. ANI likewise started an aggressive investment program in farming through its subsidiary, BCH. These acquisitions and aggressive investments were in line with ANI's vision of establishing a strong farm-to-plate platform.

Thus, ANI's financial condition and results of operations as reported in the audited financial statements for 2007, 2008 and 2009 should be taken into context with the Company's aggressive forward and backward integration that started in 2007. (See Annex B: Audited Financial Statements as of 31 December 2009)

The Company is one of the Philippines' largest traders, processors and producers of fresh agricultural products. In 2007, 2008 and 2009 the Company's net sales were P623.87 million, P777.97 million and P1,017.68 million, respectively, and net income for these periods were P6.7 million, P8.7 million and P45.8 million, respectively.

Summary Financial Information

Financial Statement Accounts (in Php '000 except per share figures)	AUDITED		
	As of 31 Dec. 2007	As of 31 Dec. 2008	As of 31 Dec. 2009
Income Statement Accounts			
Net Sales	623,874	777,965	1,017,682
Gross Profit	113,624	134,024	151,716
Operating Income	13,641	23,858	56,672
Net Income after Income Tax	6,666	8,738	35,690
Balance Sheet Accounts			
Total Current Assets	259,051	365,535	604,396
Total Assets	335,523	523,295	769,925
Total Current Liabilities	195,185	316,253	222,870
Total Liabilities	208,966	332,459	223,603
Total Stockholder's Equity	126,557	190,837	546,322
Total Liabilities and Stockholders' Equity	335,524	523,295	769,925

FACTORS AFFECTING RESULTS OF OPERATIONS

Demand and Pricing

The demand for ANI's products may be affected by fluctuations in prices, as determined by seasonality, weather, quality and farm productivity. While the Company deals in widely consumed agricultural products, especially fruits and vegetables, it may be argued that a large portion of these products represent discretionary purchases, demand for which is influenced by price movements.

The factors that affect domestic demand may likewise affect export demand. Moreover export markets tend to be stricter with regard to product quality, and any negative quality issues may mean serious sanctions being imposed on the seller. The Company has normally been able to pass all quality standards in its major export markets, but there is no assurance that this performance can be sustained in the future.

Price fluctuations may affect the Company's net margins. Normally most of the Company's costs are variable, with fixed costs comprising mainly of salaries and production and logistics assets. Severe reductions in overall prices may therefore adversely affect the Company's net income margins.

Changes in Consumer Tastes and Preferences

Consumer preferences may change due to a number of factors, including changes in economic conditions and income levels, shifts in demographic and social trends, changes in lifestyle, regulatory actions and negative publicity regarding product quality, any of which may affect consumers' perception of and willingness to purchase the Company's products.

Advertising and Promotions

The Company has begun relying on billboard, radio, participation in sport league, non-traditional ads, print and television (a cooking show) advertising to push its "Fresh Choice Always" brand. Advertising and promotions are important factors for consumer buying choices. Advertising affects consumer awareness of the Company's products by distinguishing it from other fresh produce, some of which are sold unbranded. Sales volumes and revenues may therefore be positively affected by the effectivity of the Company's branding and advertising campaigns.

Competition

The Company faces competition from other domestic producers, which sells both its own brand and foreign brands.

Taxes and Regulatory Environment

The Company's operations are subject to various taxes. Most of the revenues which are export and agri related is VAT free but subject to income tax. In 2006, the Government increased the VAT rate from 10% to 12%. In 2009, Corporate Income Tax was reduced to 30% from 32% the previous year. In general, the Company attempts to pass higher taxes to its consumers by raising the prices of its products in the event there is any additional tax to be announced, although the timing and size of such price rises can be influenced by factors such as inflation and other economic conditions in the Philippines. Price changes in reaction to changes in tax rates could affect the demand for the Company's products as well as the Company's profit margins, product pricing and net income.

DESCRIPTION OF REVENUE AND COST ITEMS

Net Sales

The Company generates its net sales primarily from the sale, to both the domestic and export markets, of fresh fruits and vegetables. The Company's net sales are net of VAT and discounts.

The following table presents the Company's net sales for the periods indicated:

Table 1: Net Sales

	For the year ended December 31,		
	2007	**2008**	**2009**
	(in '000)		
	₱	**₱**	**₱**
Philippines	469,069	580,149	793,769
Exports	154,805	197,816	223,913
Total	623,874	777,965	1,017,682

Cost of Sales

Cost of sales consists of:

- the cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- depreciation and amortization costs, which relate primarily to the depreciation of production equipment, vehicles, facilities and buildings;

- personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;

- repairs and maintenance costs relating to production equipment, facilities, vehicles and buildings;

- fuel and oil costs relating to the production and distribution process;

- communications, light and water expenses relating to the Company's distribution and production processes and facilities; and

- other costs of sales, which include miscellaneous expenses such as supplies, rental, insurance and freight expenses.

In 2007, 2008, and 2009, the Company's cost of sales was ₱510.2 million, ₱643.9million and ₱866 million, respectively.

Operating Expenses

The Company's operating expenses consist of selling expenses and administrative expenses. In 2007, 2008 and 2009, the Company's operating expenses were ₱100.9 million, ₱110.2 million and ₱95 million, respectively.

The Company's operating expenses include the following major items:

- delivery expenses

- salaries, wages and other employee benefits

- advertising and promotions expenses

- professional fees

- repairs and maintenance expenses

- taxes and licenses

- transportation and travel expenses

- depreciation and amortization

- other operating and administrative expenses.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are set out in Note 2 to the Company's financial statements included elsewhere in this Annual Report. The preparation of the Company's audited financial statements requires the Company's management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and the related notes. Actual results may differ from those estimates and assumptions. The Company has identified the following accounting policies as critical to an understanding of its financial condition and results of operations, as the application of these policies requires significant management assumptions and estimates that could result in the reporting of materially different amounts if different assumptions or estimates are used.

RESULTS OF OPERATIONS

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

The following comparison of the Company's results of operations is based on the Company's examined pro forma financial statements.

Net Sales

Net sales increased by 30.8% from ₱778.0 million in 2008 to ₱1,017.7 million in 2009, reflecting an increase in domestic sales outlets, additional clients and export expansion.

Cost of Sales

Cost of sales increased by 34.5% from ₱643.9 million in 2008 to ₱866.0 million in 2009. This increase was primarily the result of the increased volume of production parallel with the increase of sale.

Gross Profit and Gross Margin

As a result of the factors discussed above, gross profit increased by 13.2% from ₱134.0 million in 2008 to ₱151.7 million in 2009. The gross margin, however, decreased slightly from 17.2% in 2008 to 15% in 2009 mainly due to the overall increase in the volume of sales.

Operating Expenses

Operating expenses decreased by 13.8% from ₱110.2 million in 2008 to ₱95.0 million in 2009 due to operational efficiency initiated by the management. The table below sets forth the principal components of the operating expenses in the periods indicated:

	For the year ended December 31,	
	2008	**2009**
	(in thousands of ₱)	
Deliveries	37,405	30,661
Salaries, wages and other employee benefits	17,190	20,305
Advertising and promotions	9,694	6,988
Professional fees	6,494	4,799
Repairs and maintenance	6,260	1,484
Taxes and licenses	5,181	6,377
Transportation and travel	4,779	2,881
Depreciation and amortization	4,295	5,432
Communications, light and water	3,971	5,109
Bank charges	3,832	631
Representation and entertainment	1,813	1,303
SSS, Philhealth and Pag-ibig contributions	1,477	1,099
Security services	1,021	2,013
Office supplies	981	1,395
Rent	530	938
Commission	473	629
Insurance	283	184
Research and development costs	162	218
Retirement benefits cost	142	208
Separation pay	-	-
Miscellaneous	4,184	2,390
Total	110,166	95,044

Income from Operating Activities

As a result of the foregoing, income from operating activities increased by 137.2% from ₱23.9 million in 2008 to ₱56.7 million in 2009. Operating margin also significantly increased from 3.1% in 2008 to 5.6% in 2009.

Other Expenses

Other expenses increased by 57.0% from ₱10.4 million in 2008 to ₱16.3 million in 2009. This was primarily due to the increase in finance cost from short-term borrowings to augment working capital and increasing capital expenditures.

Provision for Income Tax

Provision for income tax decreased by 2.1% from ₱4.8 million in 2008 to ₱4.7 million in 2009, largely as a result of the Net Operating Loss Carry Over (NOLCO) applied in the current year in 2009.

Net Income

As a result of the foregoing, net income increased by 310.3% from ₱8.7 million in 2008 to ₱35.7 million in
2009.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

The following comparison of the Company's results of operations is based on the Company's examined pro forma financial statements.

A. 2008 Results of Operations

1. Net Sales

In 2008, there was a growth of 25% relative to shipments and deliveries in 2007. Net Sales of the Company for the period ending 31 December 2008 amounted to Php777.97 million.

The breakdown of the Company's sales for 2008 is presented in the table below.

Table 2: 2008 Sales Contribution of ANI and its Subsidiaries

Company	Sales Amount	% to Total Sales
ANI as Parent	P178,249,812	22.91%
FCA	331,535,620	42.62%
Fresh and Green Harvest	221,953,179	28.53%
Lucky Fruit	21,440,702	2.76%
IMEX	19,566,393	2.52%
Best Choice	26,136,059	3.36%
Total		
Less: Inter-Company Sales	(20,917,073)	-2.69%
Consolidated Sales	**P777,964,691**	**100.00%**

2. Gross Profit and Gross Profit Margin

The Company's gross profit breakdown for 2008 is presented in the table below.

Table 3: 2008 Gross Profit of ANI and its Subsidiaries

Company	Gross Margin Amount	% to Total Margins
ANI as Parent	P50,059,736	37.35%
FCA	43,857,312	32.72%
Fresh and Green Harvest	34,040,576	25.40%
Lucky Fruit	2,422,192	1.81%
IMEX	3,357,165	2.50%
Best Choice	286,804	0.21%
Consolidated Margins	**P134,023,785**	**100.00%**

3. Operating Expenses and Operating Income

ANI's operating expenses for the year 2008 amounted to Php110.17 million.

The major components of these expenses are presented below:

Table 4: 2008 Operating Expenses

Operating Expense Items	Amount (Php '000)	% of Total
Salaries, Wages, Fees, Allowance and Other Benefits	15,617,527	14.18%
Freight and trucking	24,200,000	21.97%
Transportation and travel	4,295,942	3.90%
Rental Expense	529,739	0.48%
Repairs and Maintenance	6,260,387	5.68%
Utilities and Communication	3,970,706	3.60%
Representation and Entertainment	1,812,885	1.65%
Taxes and Licenses	5,180,824	4.70%
Research and Development	162,358	0.15%
Advertising Expense	9,693,836	8.80%
Others	38,441,951	34.89%
Total Operating Expenses	110,166,155	100.00%

Aside from the usual operating expenses incurred by the Company for "Salaries", "Wages and Other Benefits", "Rent", and "Communication, Light and Water", most of ANI's operating expenses in 2008 were related to business development. Expenses related to increasing markets and sales include transportation and travels, representation and entertainment, advertising expenses, research and development, taxes and licenses, delivery costs and which collectively accounted for about 41.16% of the total operating expenses.

In 2008, ANI generated an operating income of approximately Php24 million. This translated to an operating margin of 3.07%, which was Php10.22 million higher than the operating margin in 2007.

The breakdown of the Company's operating expenses in 2008 is presented in the table below.

Table 5: 2008 Operating Expenses of ANI and its Subsidiaries

Company	Operating Expenses Amount	% to Total Operating Expenses
ANI as Parent	44,401,215	40.3%
FCA	31,657,784	28.74%
Fresh and Green Harvest	26,063,762	23.66%
Lucky Fruit	2,413,690	2.19%
IMEX	5,492,779	4.99%
Best Choice	127,274	0.12%
Consolidated OPEX	9,650	0.01%
	110,166,155	**100.00%**

4. Net Income

In 2008, ANI earned a total of Php8.7 million, or an improvement of approximately Php2.1 million from its net income in 2007.

B. 2008 Financial Condition, Liquidity, and Capital Resources

1. Assets

ANI's total assets in 2008 were posted at Php523.33 million. About 70% of the total assets consisted of current assets.

As of 31 December 2008, ANI reported Cash in the amount of Php8.4 million, which were primarily deposited in the following depositary banks: (i) ANI – Metropolitan Bank and Trust Co. (Metrobank), Bank of the Philippine Islands (BPI), Bank of Commerce (BOC), Land Bank of the Philippines (LBP), Mega International Commercial Bank Co. Ltd. (Mega-ICBC), Banco de Oro Universal Bank (BDO), Philippine National Bank (PNB), Rizal Commercial Banking Corp. (RCBC), and Philippine Business Bank (PBB); (ii) FCA – BDO, BPI, Mega-ICBC; (iii) FG – BDO; and (iv) LF – LBP, and BDO)

ANI's trade receivables, on the other hand, amounted to Php220 million, or an increase of almost 150% from the level in 2007, with a collection period of approximately 102 days. The trade receivables accounted to approximately 60% of ANI's current assets.

Inventories were at reported at Php34.15 million, or an increased of 109%, with an average days inventory of 19 days. The inventories accounted to almost 9.4% of the current assets

In 2008, the Company posted a current ratio of 1.16 times, and a quick ratio of 1.05 times.

The Company acquired additional property and equipment amounting to approximately Php88 million in 2008.

2. Liabilities

ANI's total liabilities as of 31 December 2008 were Php332.46 million. This account consisted of trade and other payables amounting to Php89.73 million, or approximately 26.42% of the total liabilities. Obligations due to related parties amounted to Php14.65 million.

Average credit extended by suppliers to the Company was 50 days.

3. Stockholders' Equity

ANI's stockholders' equity as of the end of 31 December 2008 amounted to Php190.87 million.

On 31 January 2008, the SEC approved the increase in authorized capital stock of the Company from Php10.0 million to Php300.0 million and a decrease in the par value per share from Php100 to Php1 per share. In addition, the Company was also authorized to issue 9.90 million shares out of the increase in the authorized capital stock in favor of the existing shareholders.

Subsequent to the approval of the SEC on the increase of authorized capital stock of the Company, the subscribed and paid shares of common stocks in 2007 were accordingly issued to the stockholders.

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

Particulars	Number of Shares	Amount (Peso)
Issued and outstanding	167,905,135	167,905,135
Allotted to, and fully availed by, the Company's directors, employees and consultants under a Stock Purchase Plan	10,631,467	10,631,467

The Company's leverage for the year posted total liabilities to equity ratio of 1.74 times.

Net Sales

The Company's net sales increased by 24.7% from ₽623.9 million in 2007 to ₽778.0 million in 2008. This increase was primarily the result increase in the number of outlets for FCA and FG clients other than the increase in export sales brought about by the start of commercial operation of IMEX exporting processed and canned juices.

Cost of Sales

Cost of sales increased by 26.2% from ₽510.2 million in 2007 to ₽643.9 million in 2008. This increase is parallel to the increase in the volume of sales.

Gross Profit and Gross Margin

As a result of the factors discussed above, gross profit increased 18.0% from ₽113.6 million in 2007 to ₽134.0 million in 2008. Gross margin decreased slightly from 18.2% in 2007 to 17.2% in 2008 which is a general industry trend.

Operating Expenses

Operating expenses increased by 9.2% from ₽100.9 million in 2007 to ₽110.2 million in 2008. The table below sets forth the principal components of the operating expenses in the periods indicated:

	For the year ended December 31,	
	2007	2008
	(in thousands of ₱)	
Deliveries	19,540	37,405
Salaries, wages and other employee benefits	44,123	17,190
Advertising and promotions	4,274	9,694
Professional fees	1,159	6,494
Repairs and maintenance	2,573	6,260
Taxes and licenses	2,749	5,181
Transportation and travel	3,438	4,779
Depreciation and amortization	2,2237	4,295
Communications, light and water	2,292	3,971
Bank charges	874	3,832
Representation and entertainment	1,955	1,813
SSS, Philhealth and Pag-ibig contributions	2,209	1,477
Security services	648	1,021
Office supplies	1,035	981
Rent	1,511	530
Commission	1,829	473
Insurance	-	283
Research and development costs	-	162
Retirement benefits cost	128	142
Separation pay	3,651	-
Miscellaneous	4,630	4,184
Total	100,858	110,166

Income from Operating Activities

As a result of the foregoing, income from operating activities increased by 86.7% from ₱12.8 million in 2007 to ₱23.9 million in 2008. The Company's operating margin increased from 2.0% in 2007 to 3.1% in 2008.

Other Expenses

Other expenses increased substantially from ₱1.9 million in 2007 to ₱10.4 million in 2008. This was primarily due to the increase in finance costs. To meet the demand for more working capital and capital expenditures, the company resorted to short-term borrowings, thereby increasing interest payments.

Provision for Income Tax

Provision for income tax increased by 14% from ₱4.2 million in 2007 to ₱4.8 million in 2008. This increase was primarily due to the increase in net income before income taxes.

Net Income

As a result of the foregoing, net income increased by 29.9% from ₱6.7 million in 2007 to ₱8.7 million in 2008.

LIQUIDITY AND CAPITAL RESOURCES

During the years 2007, 2008 and 2009, the Company's cash flows from operations have been sufficient to provide sufficient cash for the Company's operations and capital expenditures. The Company did not pay dividends in each of in each of 2007, 2008 and 2009. The following table sets out the Company's cash flows in 2007, 2008 and 2009:

	For the year ended December 31,		
	2007	2008	2009
Net cash flows provided by/(used for) operating activities	(106,517)	(69,954)	(102,268)
Net cash flows provided by/(used for) investing activities	(24,272)	(112,620)	(13,920)
Net cash flows provided by/(used for) financing activities	137,571	179,907	259,977
Net increase (decrease) in cash and cash equivalents	6,783	(2,667)	143,789

Net Cash Flows from Operating Activities

Net cash used for operating activities in 2009 were ₱102.3 million. The Company's net income before income tax for this period was ₱40.4 million, and this amount was positively adjusted for, among other things, depreciation and amortization of the Company's plant, property and equipment of ₱5.4 million, adjustments for provisions for retirement benefits cost of ₱0.2 million, and further adjustments for interest expense of ₱20.3 million and a negative adjustment on interest income of ₱3.8 million coupled with adjustment from prior period of ₱0.37 million. While there are no adjustments for provision for doubtful accounts and inventory obsolescence (the Group did not provide for any allowance for doubtful accounts since the company believes that the entire amount is collectible within the normal credit period.), resulting in operating cash flows before working capital changes of ₱62.2 million. Aggregate working capital changes other items (including interest paid and received and income taxes paid) reduced this amount by ₱162.5 million, resulting in cash used for operations of ₱100.3 million. Income tax payment in the amount of ₱2.0 million is further added to this amount resulting to a net cash used in operating activities of ₱102.3 million.

Net cash flows used in operating activities in 2008 were ₱70.0 million. The Company's net income before income tax for this period was ₱13.5 million, and this amount was adjusted for, among other things, depreciation and amortization of the Company's plant, property and equipment of ₱4.3 million, adjustments for provisions for retirement benefits cost of ₱0.1 million, and further adjustments for goodwill and interest expense of ₱24.4 million and interest income of P0.04 million resulting in operating cash flows before working capital changes of ₱42.4 million. Aggregate working capital changes and other items (including interest paid and received, and income taxes paid) reduced this amount by ₱112.4 million, resulting in cash used in operations of ₱70.0 million.

Net cash flows used in operating activities in 2007 were ₱106.5 million. The Company's net income before income tax for this period was ₱10.9 million, and this amount was adjusted for, among other things, depreciation and amortization of the Company's plant, property and equipment of ₱2.2 million, adjustments for provisions for retirement benefits cost of ₱0.1 million, and further adjustments for interest expense of ₱2.9 million and interest income of ₱0.02 million with adjustments for unrealized foreign exchange gains of ₱0.3 million resulting in operating cash flows before working capital changes of ₱15.8 million. Aggregate working capital changes and other items (including interest paid and received and income taxes paid) reduced this amount by ₱122.3 million, resulting in cash used in operations of ₱106.5 million.

Net Cash Flows Used in Investing Activities

Net cash used for investing activities was ₱13.9 million in 2009. This primarily reflects investments in property, plant and equipment of ₱17.8 million. Net cash flows used in investing activities were ₱112.6 million in 2008. This primarily reflects additions to property and equipment of ₱92.3 million as well as additional investments in a subsidiary of P17.1 million. Net cash flows used in investing activities were ₱24.3 million in 2007. This primarily reflects additions to property and equipment of ₱23.5 million.

Cash Flows Provided by (Used in) Financing Activities

Net cash provided by financing activities were ₱260.0 million, ₱179.9 million and ₱137.6 million in 2009, 2008 and 2007 respectively. This primarily reflects proceeds and repayment of loans and short-term borrowings together with the receipts from the issuance of share capital and deposits for future subscriptions. No cash dividends were paid in any of these periods.

Capital Resources

As of 31 December 2009, the Company had cash and cash equivalents of ₱152.2 million. As of the same date, the Company had outstanding current liabilities of ₱222.9 million.

As of 31 December 2009, the Company had total outstanding long-term debt of ₱0.7 million, in the form of pension liabilities. As of 31 December 2009, the Company had current assets of ₱604.4 million and current liabilities of ₱222.9 million. As of the same date, the Company's working capital (current assets minus current liabilities) was ₱381.5 million. The Company believes that its working capital is sufficient enough for its current requirements.

In the ordinary course of business, the Company makes certain purchase commitments for the procurement of raw materials. As of 31 December 2009 the Company's outstanding purchase commitments were approximately ₱10 million. A significant portion of these purchase commitments is payable within one year. The Company also advanced some amounts in the form of prepayments and deposits to supplier that guarantees purchase obligations.

Capital Expenditures

The Company has made significant capital expenditures for property and equipment to improve operations, reduce costs and maintain performance of major equipment.

The table below set out the Company's capital expenditures for property and equipment in 2007, 2008 and 2009. The Company has historically sourced funding for its capital expenditures from bank loan and internally-generated funds.

Year ended December 31,	Expenditure (in thousands)
2007	₱23,533
2008	₱92,338
2009	₱17,813

The Company's budgeted capital expenditures are based on management's estimates and have not been appraised by an independent organization. In addition, the Company's capital expenditures are subject to various factors, including new product introductions, tolling arrangements and perceived surges in sales volumes of various products. There can be no assurance that the Company will implement its capital expenditure plans as intended at or below estimated costs.

Off-Balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements. The Company has not, however entered into any derivative transactions to manage its exposures to currency exchange rates, interest rates and fuel oil prices.

KEY PERFORMANCE INDICATORS

Following below are the major performance measures that the Company uses. The Company employs analyses using comparisons and measurements based on the financial data for current periods against the same period of the previous year.

	Year ended December 31,	
	2009	**2008**
Liquidity:		
Current ratio	2.71	1.16
Solvency:		
Debt-to-equity ratio	0.41	1.74
Profitability:		
Return on average stockholders' equity of the Company	0.10	0.06
Operating efficiency:		
Revenue growth	0.31	0.25

The manner in which the Company calculates its key performance indicators is set out in the table below:

Key Performance Indicator	Formula
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt-equity ratio	$\frac{\text{Total Liabilities (Current + non-current)}}{\text{Stockholder's Equity}}$
Return on average stockholders' equity	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity of the Company}}$
Average Stockholders' Equity of the Company	$\frac{\text{Stockholder's Equity, Beg. + Ending}}{2}$
Volume growth	$\left[\frac{Current\ period\ Sales\ Volume}{Prior\ period\ Sales\ Volume}\right] - 1$
Revenue growth	$\left[\frac{Current\ period\ Net\ Sales}{Prior\ period\ Net\ Sales}\right] - 1$

Item 7. Financial Statements

A copy of the Company's Audited Financial Statements for the year ended 31 December 2009 is attached here as **Annex "B"**.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

The Company's accounting policies adopted are consistent with those of the previous fiscal year. There are no disagreements with the accountants on accounting and financial disclosures.

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PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a. Directors and Principal Officers of the Company

As of 31 December 2009, the following are the directors and principal officers of the Company:

Name	Age	Citizenship	Positions Held	Term of Office
Antonio L. Tiu	34	Filipino	Chairman, President & CEO	2004 – present
Chung Ming Yang	35	Chinese ROC	Director, Chief Strategy Officer	1997 – present
Dennis Sia	33	Filipino	Director, Chief Operations Officer	2006 – present
Cristino Lim	64	Filipino	Director	2008 – present
George Uy	60	Filipino	Director	2008 – present
Leonor Briones	69	Filipino	Independent Director, Head of Nomination and Compensation Committee	2008 – present
Alfonso Go	71	Filipino	Independent Director, Head of Audit Committee	2008 – present
Kenneth S. Tan	36	Filipino	Chief Finance Officer, Chief Information Officer, Treasurer, Compliance Officer	2009 – present
Martin C. Subido	33	Filipino	Corporate Secretary	2004 – present
Rafaelito Soliza	48	Filipino	Chief Accountant	2009 – present
Pearlie Bendicion	29	Filipino	Alternate Information Officer	2009 – present

ANTONIO L. TIU, 34, Filipino, Chairman/CEO. Mr. Tiu is the current Chairman and Chief Executive Officer (CEO) of the Company. He also holds the following positions in the subsidiaries of the Company: (i) Chairman and President of First Class Agriculture Corporation; (ii) Chairman and President of Fresh & Green Harvest Agricultural Company Inc.; (iii) Chairman and President of Best Choice Harvest Agricultural Corp.; (iv) Chairman of Lucky Fruit & Vegetable Products Inc.; (v) Chairman and President of M2000 IMEX Company Inc.; and (vi) Chairman and CEO of Fruitilicious Company Inc. At present, he is also the President /CEO of Sunchamp Real Estate Development Co., a developer of housing projects in Olongapo City and SBMA. Prior to that, he was a part-time lecturer in International Finance at DLSU Graduate School from 1999 to 2001. Mr. Tiu has a Masters degree in Commerce specializing in International Finance from University of New South Wales, Sydney Australia and BS Commerce major in Management from De La Salle University, Manila. He is currently a candidate for a Doctorate degree in Public Administration at the University of the Philippines.

DENNIS S. SIA, 33, Filipino, Director, COO. Mr. Sia is currently the Chief Operating Officer (COO) of the Company. He also holds the following positions in the subsidiaries of the Company: (i) Director and Vice President of First Class Agriculture Corporation; (ii) Director and Vice President of Fresh & Green Harvest Agricultural Company Inc.; (iii) Director and Vice President of Best Choice Harvest Agricultural Corp.; (iv) Director and President of Lucky Fruit & Vegetable Products Inc.; (v) Director and Treasurer of M2000 IMEX Company Inc.; and (vi) Director and COO of Fruitilicious Company Inc. He previously served as Assistant Vice President for Sales and Marketing of M2000 IMEX in 2004 to 2005. He has a degree in BS Commerce Major in Business Management from De La Salle University, Manila.

YANG, CHUNG MING, 35, Chinese R.O.C., Director, Chief Strategy Officer. Mr. Yang is the General Manager of Grateful Strategic Marketing Consultants Co., Ltd, and Tong Shen Enterprises, which are both Taiwan based firms. He has a degree in B.S. Computer Science from Chiang Kai Shek College, Philippines and has a Masters degree in Business Administration from the National Cheng-chi University in Taiwan.

CRISTINO T.C. LIM, 64, Filipino, Director. Mr. Lim is the President of Neco Chemicals Philippines, Inc. He is currently the Vice President of the Filipino Chinese Chamber of Commerce., Inc. and of the Chinese Filipino Business Club.

GEORGE Y. UY, 48, Filipino, Director. Mr. Uy started his career with the United Laboratories and Squibb between 1969 and 1970. Together with professors from the Ateneo de Manila University, the University of the Philippines and the Manuel L. Quezon University, he founded the Optima Scientific Consultants, Inc. which is engaged in the design of pollution abatement systems and facilities in the textile, pulp and paper, distilling and steel industries.

Mr. Uy was one of the first proponents in the Philippines of the polypropylene woven bag plant using equipment from Europe, and a meat processing plant that uses equipment from Germany. It was the first meat processing factory with a license to export to Japan from the Philippines granted by the Japanese Ministry of Agriculture. In 1988, he joined forces with another businessman entrepreneur friend who was also involved in businesses in the Philippines and in China. The company is engaged in mass transport, telecommunications, and at one time as indentor of steel products. Currently he is also engaged in the biofuel program in the Philippines. He obtained his Bachelor's degree in 1970 and Masters degree in Chemistry in 1976 from the Ateneo de Manila University

LEONOR BRIONES, 69, Filipino, Director. Prof. Briones is a Director for Policy and Executive Development, National College of Public Administration and Governance, University of the Philippines System, Diliman. She is also a Professor and Faculty Member, Graduate Level in the same university. Prof. Briones was also the Treasurer of the Philippines, Bureau of Treasury from August 1998 to February 2001 and was concurrently the Presidential Adviser for Social Development, with Cabinet Rank, Office of the President.

***ALFONSO GO, 71, Filipino, Director*. ** Atty. Go was born on 05 May 1938 in Manila, Philippines. He graduated from the University of the East in 1964 with a degree in Bachelor of Laws. Currently, he is a member of the Integrated Bar of the Philippines and the Philippine Institute of Certified Public Accountants. He is a practicing lawyer, accountant and director of the Company.

KENNETH S. TAN, 36, Chief Financial Officer/Chief Information Officer/Treasurer/Compliance Officer, Mr. Tan was born on 26 December 1972. Prior to joining the Company as its Chief Financial Officer/Chief Information Officer/Treasurer, he was previously connected with Citibank and Manulife Financial. He was also a part-time lecturer in Economics for one of the international business schools in Manila. He earned his Bachelor of Arts degree in Development Studies from the Ateneo De Manila University.

MARTIN C. SUBIDO, 33, Filipino, Corporate Secretary. Atty. Martin Subido is a Certified Public Accountant and a member of the Integrated Bar of the Philippines. He graduated with a BS Accountancy degree from De La Salle University and obtained his *Juris Doctor* degree, with honours, from the School of Law of Ateneo de Manila University. He was a Senior Associate of the Villaraza & Angangco Law Offices before becoming the Managing Partner of The Law Firm of Subido Pagente Certeza Mendoza & Binay.

RAFAELITO M. SOLIZA, 48, Filipino, Chief Accountant. Mr. Soliza is a Sustaining Life member of the Philippine Institute of Certified Public Accountants (PICPA). He graduated from the University of the East in 1982 with a degree in Bachelor of Science in Business Administration – Major in Accounting. He was a former employee of the Philippine Long Distance Telephone Company and a practicing Certified Public Accountant before joining the Company on 11 February 2009.

PEARLIE S. BENDICION, 29, Filipino, Alternate Chief Information Officer. Ms. Bendicion was born on 07 October 1980. She graduated with an AB Legal Management degree from the University of Santo Tomas, *Magna Cum Laude.* She was the Accounting Head in their family business, Pagoda Knitting & Garments Mfg. Corporation, before joining the Company.

b. Significant Employees

No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

c. Family Relationships

There are no family relationships between and among the directors and officers of ANI. The directors owning nominal shares in the subsidiaries of ANI, on the other hand, have the following family relationships: (i) Antonio Tiu and James Tiu are siblings; (ii) Dennis Sia and Nanchi Lin Sia are husband and wife; (iii) Tammy Lin is the brother of Nanchi Lin Sia.

The family relationships among the shareholders of ANI, on the other hand, are as follows: (i) Antonio Tiu, James Tiu and Jaime Tiu are siblings; (ii) Antonio Tiu and Lee Ya Chuan are husband and wife; (iii) Lee Pei Feng is the mother of Antonio Tiu, James Tiu and Jaime Tiu; (iv) Tiu Ken Kwen, Tiu Ken Him, Tiu Ken Lai and Tiu Ken Swan are the uncles of Antonio Tiu, James Tiu and Jaime Tiu; (v) Tiu Peck is the grandfather of Antonio Tiu, James Tiu and Jaime Tiu; (vi) Nansi Li is the cousin of Antonio Tiu, James Tiu and Jaime Tiu; (vii) Dennis Sia is the brother-in-law of Tammy Lin; (viii) Yang Ming Hsiang and Yang Chung Ming are father and son; and (ix) Ann Buencamino and James Tiu are husband and wife. Jacqueline Tiu is not related to any of the aforementioned members of the Tiu family.

d. Involvement in Certain Legal Proceedings

The Company is not aware of any legal proceedings of the nature required to be disclosed under Part I, paragraph (C) of Annex "C", as amended, of the SRC Rule 12 with respect to the Company and/or its subsidiaries.

While not material in nature, the Company instituted a criminal complaint for qualified theft against Ysa Bries entitled "***AgriNurture, Inc. vs. Ysa Bries***", docketed as I.S. No. XV-03INV-09I-08101, pending before the Office of the City Prosecutor, Quezon City. The complaint alleges that Ms. Bries, who was a former employee of the Company, unlawfully took cellular phone units and SIM cards belonging to the Company without the latter's consent, resulting in losses to the Company in the approximate amount of only Php396,643.49. The case is currently submitted for resolution.

Moreover, to the best of the Company's knowledge, there has been no occurrence during the past five (5) years up to the date of this Annual Report of any of the following events that are material to a evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;

- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining , barring, suspending or otherwise or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body , or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

The following are the Company's top five (5) most highly compensated executive officers:

Name of Officer	Position/ Title
Antonio L. Tiu	President/CEO
Dennis Sia	Chief Operating Officer
Kenneth S. Tan	CFO/CIO/Treasurer/Compliance Officer
Eduardo Si	Liaison Officer (Greater China)
Rafaelito Soliza	Chief Accountant

The following summarizes the executive compensation received by the CEO and the top four (4) most highly compensated officers of the Company for 2007, 2008, and 2009. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

	Year	Salaries (Amounts in P'000)	Bonuses/Other Income (Amounts in P'000)
CEO and the four (4) most highly compensated officers named above	2007	Php3,060	Php573
	2008	Php2,160	Php180
	2009	Php2,649	Php220
	2010 (estimate)	Php4,925	Php410
Aggregate compensation paid to all other officers and directors as a group unnamed	2007	Php2,112	Php396
	2008	Php3,600	Php300
	2009	Php2,070	Php225
	2010 (estimate)	Php2,197	Php217

Since the date of their election, except *per* diems, the directors have served without compensation. The directors did not also receive any amount or form of compensation for committee participation or special assignments. Under Section 8, Article III of the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable *per* diem allowance for their attendance at each meeting of the Board. Also provided therein is the compensation of directors, which shall not be more than 10% of the net income before income tax of the Company during the preceding year, which shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting. As of this date, no standard or other arrangements have been made in respect of director's compensation.

On 19 May 2009, the following directors and officers have been issued Warrants:

	Number of Warrants
Antonio L. Tiu *Chief Executive Officer*	2,450,000
Dennis Sia *Chief Operating Officer*	850,000
Yang Chung Ming *Chief Strategy Officer*	750,000
All other officers and directors as a group	1,350,000
TOTAL	**5,400,000**

These Warrants are subject to the following terms and conditions: (i) the Warrants are European Call Options with an Expiry Date, *i.e.,* life of the Warrant, 5 years after listing; (ii) the issue price of the Warrant is Php0.00; (iii) the strike price of the Warrant is Php20.00 per share; the conversion ratio is one (1) Warrant to one (1) Common Share.

The holders of the Warrants has the right but not the obligation to exercise his/her right to conversion and delivery of the underlying common share/s after five (5) years from the date of issuance of the Warrant/s (the "Exercise Period"), at a Strike Price of Php20.00 per share at the time of exercise.

The holders of the Warrants can exercise the Warrant by filing a request form in the office of the Company. Exercise of the Warrant requires filling-out, disclosing and presenting the following information and documents:

- Duly accomplished Notice of Conversion form
- Warrant certificate or the electronic equivalent
- Payment of the strike price of Php20.00 per share
- 2 valid identification cards

Item 11. Security Ownership of Certain Beneficial Owners and Management

a. Security Ownership of Certain Record and Beneficial Owners

As of 31 December 2009, the following are the record and/or beneficial owners of more than five percent (5%) of the Company's total issued common shares based on the stock and transfer book of the Company:

Title Of Class	Name, Address Of Record Owner And Relationship With Issuer	Name Of Beneficial Owner And Relationship With Record Owner (Direct)	Citizenship	No. Of Shares Held	Percentage
Common	**PCD Nominee Corp.** G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City Stockholder	PCD Nominee Corp. is the record owner	Filipino	69,964,795	36.4650%
Common	**ANTONIO L. TIU** 24 Green Street, Capitol Hills Golf, Ayala Heights Subdivision, Old Balara, Quezon City Stockholder	Antonio L. Tiu is the beneficial owner and record owner	Filipino	58,408,935	30.4422%
Common	**CHUNG MING YANG**	Chung Ming Yang is the	Chinese	25,066,290	13.0643%

	c/o AgriNurture, Inc. 30-A Washington Tower, The AsiaWorld City, Macapagal Avenue, Paranaque City Stockholder	beneficial owner ad record owner	ROC		
Common	**MING HSIANG YANG** c/o AgriNurture, Inc. 30-A Washington Tower, The AsiaWorld City, Macapagal Avenue, Paranaque City Stockholder	Ming Hsiang Yang is the beneficial owner and record owner	Chinese ROC	18,777,179	9.8765%

The following stockholders own more than 5% of the outstanding capital stock under the PCD Nominee Corp.:

Name of Stockholder	Citizenship	No. of Shares Held	Percentage
Tiu Ken Kwen	Filipino	14,718,249	8.24383%
Tiu Ken Him	Filipino	10,536,210	5.90143%

b. Security Ownership of Management

As of 31 December 2009, the following are the security ownership of the directors and principal officers of the Company:

Title Of Class	Name Of Beneficial Owner; Relationship With Issuer	Amount And Nature Of Beneficial Ownership (Direct & Indirect)	Citizenship	Percentage
Common	**Antonio L. Tiu** Chairman, President & CEO	58,408,935 (Direct)	Filipino	30.4422%
Common	**Chung Ming Yang** Director and Chief Strategy Officer	25,066,290 (Direct)	Chinese ROC	13.0643%
Common	**Dennis Sia** Director and Chief Operations Officer	7,247,417 (Direct)	Filipino	3.7773%
Common	**Cristino Lim** Director	1 (Direct)	Filipino	Less than 1%
Common	**George Uy** Director	1 (Direct)	Filipino	Less than 1%
Common	**Leonor Briones** Independent Director, Head of Nomination & Compensation Committee	1 (Direct)	Filipino	Less than 1%
Common	**Alfonso Go** Independent Director, Head of Audit Committee	1 (Direct)	Filipino	Less than 1%
Common	**Kenneth S. Tan** Chief Finance Officer, Chief Information Officer, Treasurer and Compliance Officer	0	Filipino	0%
Common	**Martin C. Subido** Corporate Secretary	1,471,154 (Direct)	Filipino	0.7668%
Common	**Rafaelito Soliza** Chief Accountant	0	Filipino	0%
Common	**Pearlie Bendicion** Alternate Information Officer	1,000	Filipino	Less than 1%

The total security ownership of the directors and principal officers of the Company as a group, as of 31 December 2009, is 92,194,800 common shares equivalent to 48.0510% of the outstanding capital stock of the Company.

c. Voting Trust Holders of 5% or More

There are no persons holding 5% or more of a class under a voting trust or similar arrangement.

d. Changes in Control

The Company is not aware of any change in control or any arrangement which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

See Note 6 (Related Party Transactions) of the Notes to the 2009 Audited Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

To measure or determine the level of compliance of the Board of Directors and top-level management with its Manual on Corporate Governance (the "Manual"), the Company shall establish an evaluation system composed of the following:

- Self-assessment system to be done by Management;
- Yearly certification of the Compliance Officer on the extent of the Company's compliance to the Manual;
- Regular committee report to the Board of Directors; and
- Independent audit mechanism wherein an audit committee, composed of three (3) members of the Board, regularly meets to discuss and evaluate the financial statements before submission to the Board, reviews results of internal and external audits to ensure compliance with accounting standards, tax, legal and other regulatory requirements.

To ensure compliance with the adopted practices and principles on good corporate governance, the Company has designated the Corporate Secretary as Compliance Officer. The Compliance Officer shall: (i) monitor compliance with the provisions and requirements of the Manual; (ii) perform evaluation to examine the Company's level of compliance; and (iii) determine violations of the Manual and recommend penalties for violations thereof for further review and approval by the Board of Directors.

Aside from this, the Company has an established plan of compliance which forms part of the Manual. The plan enumerates the following means to ensure full compliance:

- Establishing the specific duties, responsibilities and functions of the Board of Directors;
- Constituting committees by the Board and identifying each committee's functions;
- Establishing the role of the Corporate Secretary;
- Establishing the role of the external and internal auditors; and
- Instituting penalties in case of violation of any of the provisions of the Manual.

To date, there has been no deviation from the Company's Manual.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

The following are the reports on SEC Form 17-C, as amended, which were filed during the last six (6) month period covered by this Report:

a. SEC Form 17-C dated 06 August 2009

The Company disclosed the resignation of the following officers effective 31 July 2009:

Daniel Go	:	Chief Finance Officer
Anne Buencamino	:	Treasurer/Comptroller
Alexander Gilles	:	Chief Information Officer

b. SEC Form 17-C dated 10 August 2009

The Company disclosed the election/appointment of the following officers:

Chief Finance Officer/ Treasurer/ Chief Information Officer (CIO)	:	Kenneth Sabino Sy Tan
Alternate CIO	:	Pearlie Bendicion

c. SEC Form 17-C dated 07 October 2009

The Company executed an Investment Agreement with GEM Global Yield Fund Limited and GEM Investment Advisors, Inc. (collectively referred to as the "Investor") whereby the Company was granted the right to require the Investor to subscribe to an aggregate of Php500 Million in the Company.

Under the Agreement, the Company shall also issue to the Investor one or more warrant/s to subscribe to up to 30 Million shares in the Company.

d. SEC Form 17-C dated 16 November 2009

d.1. Memorandum of Understanding

AgriNurture, Inc. (the "Company") executed a Memorandum of Understanding ("MOU"), wherein it expressed its intention to jointly develop with Far East Agricultural Holding Corporation ("FEAHC"), and Philippine Agricultural Development and Commercial Corporation ("PADCC"), the entity designated by the Philippine Department of Agriculture to lead the facilitation of investments in farmlands and idle lands in the Philippines for agribusiness ventures, several parcels of land (with focus on farmlands and idle lands in Mindanao) for long term use as banana, pineapple, rice or corn plantations as well as the construction of processing facilities therein. The harvests from the contemplated project shall be principally for export, with priority given to countries in the Middle East region.

d.2. SEC Approval of the Amendment of Article VII of the Articles of Incorporation of the Company

The Company recently obtained the approval of the Securities and Exchange Commission - Company Registration and Monitoring Department on the amendment of Article VII of its Articles of Incorporation. The amendment reiterates the waiver of the shareholders' pre-emptive right to subscribe to all issues or disposition of shares of any class of the Company as previously disclosed in the Company's Prospectus.

e. SEC Form 17-C dated 16 December 2009

e.1. Annual Meeting of Stockholders

The Company held its Annual Meeting of Stockholders during which the stockholders: (i) approved the minutes of the 2008 Annual Meeting of Stockholders; (ii) approved the proposed amendments to the Articles of Incorporation and By-laws of the Company; (iii) ratified and approved all the acts, resolutions, and decisions of the Board of Directors and the Management since the 2008 Annual Meeting of Stockholders; (iv) re-appointed BDO Alba Romeo & Co. as the Company's independent auditor/external auditor for the calendar year 2010; (v) re-appointed The Law Firm of Subido Pagente Certeza Mendoza & Binay as the Company's legal counsel for the calendar year 2010; (vi) per directive of the SEC, ratified the approved amendment to Article VII of the Articles of Incorporation of the Company; and (vii) elected the members of the Board of Directors, namely:

1. Antonio L. Tiu
2. Chung Ming Yang
3. Dennis Sia
4. George Uy
5. Cristino Lim
6. Leonor Briones (independent director)
7. Alfonso Go (independent direcetor)

e.2 Organizational Meeting of the Board of Directors

At the Organizational Meeting of the Board of Directors of the Company, the following matters were resolved:

1. Election of Officers

Chairman of the Board/President/CEO:	Antonio L. Tiu
Chief Operating Officer:	Dennis Sia
Chief Finance Officer and Treasurer:	Kenneth S. Tan
Corporate Secretary:	Martin C. Subido
Chief Accountant:	Rafaelito Soliza
Chief Information Officer and Compliance Officer:	Kenneth S. Tan
Alternate Information Officer:	Pearlie Bendicion, Sherlyn Ng

2. Election of the members of the various committees of the Board of Directors:

Executive Committee:	Antonio L. Tiu Alfonso Go Dennis Sia
Compensation and Nomination Committee:	Antonio L. Tiu (Chairman) Cristino Lim George Uy
Audit Committee:	Alfonso Go (Chairman/Independent Director) Dennis Sia Leonor Briones
Corporate Governance Compliance Committee:	Leonor Briones (Chairman/Independent Director) Antonio L. Tiu Alfonso Go

3. Declaration of Cash Dividends

The Board of Directors of the Company approved the declaration of cash dividend of Php0.01 per share to all outstanding shares of the Company as of record date 07 January 2010, payable on 19 January 2010.

f. **SEC Form 17-C dated 23 December 2009**

GEM Global Yield Fund Limited and Southern Field Limited have subscribed to 9,300,000 and 4,031,843 primary common shares of the Company, respectively, at Php24.015 per share hereby infusing fresh capital to the Company.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 30 April 2010.

By:

ANTONIO L. TIU
President and Chief Executive Officer

DENNIS SIA
Chief Operating Officer

KENNETH S. TAN
CFO/CIO/Treasurer/Compliance Officer

RAFAELITO SOLIZA
Chief Accountant

MARTIN C. SUBIDO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 30th day of April 2010 affiant(s) exhibiting to me his/their Competent Evidence of Identity, as follows:

NAMES	GOV'T ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE
Antonio L. Tiu	PP No. XX1478710	25 June 2008	Manila
Dennis Sia	DL No. N04-94-308804	25 November 2008	Quezon City
Kenneth S, Tan	DL No. N04-90-144089	17 December 2007	Quezon City
Rafaelito Soliza	DL No. N01-83-089322	04 January 2010	Quezon City
Martin C. Subido	DL No. N03-93-142431	16 May 2009	Quezon City

Doc. No. 21;
Page No. 5;
Book No. 1;
Series of 2010.

ATTY. MA. ROSA MYSTICA J. MENDOZA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2011
ROLL NO. 46587
IBP No. 793996-01/07/10-MAKATI CITY
PTR No. 2093831-01/07/10-MAKATI CITY
NOTARIAL COMMISSION NO. M-353
TIN NO. 216-199-304-000

AgriNurture Inc.
35 Gasan St., Masambong SFDM, Q.C., Philippines 1115
Tel: (632) 413-6677 (632) 413-5566 Fax: (632)-413-8899

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AGRINURTURE, INC, & SUBSIDIARIES** is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2009 and 2008. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. The management likewise discloses to the Company's external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the Company.

ALBA ROMEO & CO, the independent auditor appointed by the Stockholders, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing and expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

ANTONIO TIU
Chairman of the Board/CEO

KENNETH SABINO TAN
Chief Financial Officer

MAR 2 6 2010 QUEZON CITY

BEFORE ME, this __ day of ________ 20__, in ____________ personally appeared the following parties with their respective Community Tax Certificates and competent evidence of their identity bearing their photograph and signature, to wit:

NAME	CTC NO.	PLACE/ DATE OF ISSUE	GOV'T ISSUED ID	ISSUING AGENCY/ PLACE and DATE OF ISSUE
ANTONIO TIU	23755283	1-13-2010 Pulilan	Passport XX1478710	DFA 6-25-2008
KENNETH TAN			DL N04-90-144089	DOTC LTO 12-17-2007

Doc. No. 56
Page No. 1
Book No. 94
Series of 2010

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
NOTARIAL COMMISSION NO. NP-052
COMMISSION EXPIRES DEC 31, 2011
PTR NO. 3176482; 1/04/2010; Q.C.
IBP NO. 774185; 1/12/2010; Q.C.
ROLL OF ATTORNEY NO. 25103

Tel: +(632) 844 2016
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7/F Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
Branches: Bacolod/Cagayan de Oro/Cebu

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						
		Share Capital		Deposits for	Retained Earnings			
		(Issued and	Share	Future Stock	(Deficit)		Minority	Total
	Notes	**Outstanding)**	**Premium**	**Subscriptions**	**Appropriated**	**Unappropriated**	**Interest**	**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	9	95,898,440	-	(95,898,440)	-	-	-	-
subscriptions to share capital								-
Acquisition of remaining		-	-	-	-	-	(17,095,885)	(17,095,885)
equity interest of FCAC								-
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.
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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 5th year from issuance and listing, and a strike price of P20 per share at the time of exercise and a conversion ratio of 1 warrant to 1 common share.

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

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	60%
FCAC	FG and BCHAC	January 1, 2007	100%
Parent Company	FCAC	January 1, 2008	40%
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

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.