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

2 0 I S 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

AgriNurture, Inc.

54 National Road, Dampol 2nd A, Pulilan, Bulacan 3005, Philippines

Telefax: (632)299.8305 ● www.ani.com.ph

Manila Office: (632) 879.3256 / (632) 879.3135 ● Fax (632) 879.3215

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS:

NOTICE is hereby given that the Annual Meeting of Stockholders of AgriNurture, Inc. (the "Company") will be held on 23 July 2010, Friday, at 2:30 in the afternoon at its principal office located at No. 54 National Road, Dampol II-A, Pulilan, Bulacan.

The agenda for the said meeting shall be as follows:

1. Call to Order;
2. Certification of Notice and Determination of Quorum;
3. Approval of the Minutes of the Annual Meeting of Stockholders held last 16 December 2009;
4. President's Report
5. Annual Report and Financial Statements for the year ended 31 December 2009;
6. Filing of application and such other necessary documents to the PSE and SEC for the follow-on offering of the Company's shares;
7. Filing of application and such other necessary documents to the PSE and SEC for the listing of 20 Million warrants relating to 20 Million common shares of the Company;
8. Possible Acquisition of Companies;
9. Expansion of Operations in the Asia Pacific Region
   a. Creation/establishment of a new business entity in Australia
   b. Delisting in the NSX and Possible listing in the ASX
10. Entering into Surety Agreements;
11. Conduct of Stock Rights Offering;
12. Declaration of Stock Dividends;
13. Ratification of Acts, Resolutions and Decisions of the Incumbent Board of Directors and Management;
14. Election of Directors;
15. Other Matters;
16. Adjournment.

The Organizational Meeting of the new Board of Directors will be held immediately after the Annual Stockholders' Meeting.

By resolution of the Board of Directors, the close of business on 07 May 2010 has been fixed as the record date for the determination of the stockholders entitled to notice of such meeting and any adjournment thereof, and to attend and vote thereat.

All stockholders who will not, are unable, or do not expect to attend the meeting in person are urged to fill in, date, sign and return the enclosed proxy to the Company, at its principal office at No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The proxy need not be a shareholder. A stockholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and must specify the proportion of votes each proxy is appointed to exercise. All proxies must be received on or before 13 July 2010. Proxies received after the said deadline will not be recorded. Corporate stockholders are requested to attach to the proxy instrument their respective Secretary's Certificates containing the Board Resolution vis-à-vis the authority of the proxy(ies). Validation of proxy(ies) shall be held on 18 July 2010 at 2:30 p.m. at the Company's principal office. **Management is not asking you for a proxy nor is it requesting you to send a proxy in its favor.**

For convenience in registering your attendance, please bring your Identification Card containing your picture and signature, and present the same at the registration desk. Registration shall start at 12:30 p.m.

Very truly yours,

KENNETH SABINO TAN
CFO/CIO/TREASURER/
COMPLIANCE OFFICER

We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the proxy form herein and submit the same to the Office of the Corporate Secretary at No. 54 Dampol II-A, National Road, Pulilan, Bulacan, Philippines. All proxies should be received on or before 17 July 2010 at 10:30 a.m. at the Office of the Corporate Secretary. For partnerships, corporations and associations, the proxies should be accompanied by a Secretary's Certificate on the appointment or designations of the proxy/representative and authorized signatories.

P R O X Y

I/WE hereby name and appoint ____ or in his/her absence, the Chairman of the meeting as my/our proxy at the Annual Stockholders' Meeting of AgriNurture, Inc. to be held at No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines on Wednesday, 23 July 2010 at 2:30 o'clock in the afternoon and at any postponement or adjournment thereof.

Place/Date : ____

Name of Shareholder : ____

Signature : ____

Number of Shares : ____

Witness : ____

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [**X**] Definitive Information Statement

2. Name of Registrant as specified in its charter: **AGRINURTURE, INC.**

3. Province, country or other jurisdiction of incorporation or organization:
   Metro Manila, Philippines

4. SEC Identification Number: **A199701848**

5. BIR Tax Identification Code: **200-302-092**

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

7. Registrant's telephone number, including area code: **+63-2-4665063**

8. Date, time and place of the meeting of security holders:

   Date: **23 July 2010**
   Time: **2:30 o'clock in the afternoon**
   Place: **No. 54 Dampol II-A, National Road, Pulilan, Bulacan**

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
   1 July 2010

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

11. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes.

    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.

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY

INFORMATION STATEMENT

GENERAL INFORMATION

1. Date, time and place of meeting of security holders

The annual stockholders meeting of AgriNurture, Inc. ("ANI" or the "Company") shall be held on:

Date: 23 July 2010
Time: 2:30 o'clock in the afternoon
Place: No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines

The complete mailing address of the principal office of ANI is No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines. The information statement is first to be sent or given to security holders approximately on 19 May 2010.

2. Dissenters' Right of Appraisal

Pursuant to Title X of the Corporation Code, a stockholder has the right to dissent and demand the payment of the fair value of shares: (i) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) in case of merger or consolidation.

With respect to any matter to be acted upon at the annual meeting which may give rise to the right of appraisal, in order that dissenting stockholders may exercise their appraisal right, such dissenting stockholders, within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action shall make a written demand on the Company for the value of their shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. The procedure to be followed in exercising the appraisal right shall be in accordance with Section 81 to 86 of the Corporation Code.

3. Interest of Certain Persons in Matters to be Acted Upon

No person who has been a director or officer of the Company at any time since the beginning of the last fiscal year, or any nominee for election as director, or associate of any of the foregoing persons, has any interest in, direct or indirect, or opposition to matters to be acted upon in the meeting, other than election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

CONTROL AND COMPENSATION INFORMATION

4. Voting Securities and Principal Shareholders Thereof

(a) The Company's total outstanding shares entitled to vote consist of 195,303,871 common shares, with each share entitled to one (1) vote.

(b) The record date for the determination of the stockholders entitled to vote at the meeting is fixed on 07 May 2010, at the close of business hours, which is at least Thirty (30) days before 23 July 2010, the date of the meeting.

(c) During the elections of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares standing in his own name in the Stock and Transfer Book of the Company at the time of the election. Pursuant to Section 24 of the Corporation Code, a stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. There are no stated conditions precedents to the exercise of cumulative rights.

The total number of votes that may be cast by a stockholder of a Company is computed as follows: *no. of shares held on record as of record date x 7 directors.* Candidates receiving the highest number of votes will be declared elected.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

d.1 Security Ownership of Certain Record and Beneficial Owners

As of 31 May 2010, 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	75,805,180	38.814%
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	29.9067%
Common	**CHUNG MING YANG** c/o AgriNurture, Inc. 30-A Washington Tower, The AsiaWorld City, Macapagal Avenue,	Chung Ming Yang is the beneficial owner ad record owner	Chinese ROC	25,066,290	12.8345%

	Paranaque City Stockholder				
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	9.6143%

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%

d.2 Security Ownership of Management

As of 31 May 2010, 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	29.9067%
Common	**Chung Ming Yang** Director and Chief Strategy Officer	25,066,290 (Direct)	Chinese ROC	12.8345%
Common	**Dennis Sia** Director and Chief Operations Officer	7,247,417 (Direct)	Filipino	3.7108%
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	**Flemming Hansen** Vice President for Sales	0	Danish	0%
Common	**Byron De Peralta** Vice President for Finance	0	Filipino	0%
Common	**Martin C. Subido** Corporate Secretary	1,471,154 (Direct)	Filipino	0.7533%
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 May 2010, is 92,194,800 common shares, equivalent to 47.2058% of the outstanding capital stock of the Company.

d.3 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.4 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.

5. Directors and Executive Officers

a. Directors and Principal Officers of the Company

As of 31 May 2010, 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	72	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
Flemming Hansen	41	Danish	Vice President for Sales	2010 – present
Byron De Peralta	43	Filipino	Vice President for Finance	2010 – 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, 60, 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, Independent 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, 72, Filipino, Independent 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.

FLEMMING HANSEN, ***41, Danish, Vice President for Sales***. Mr. Hansen is currently the chairman of Onecom Resources Inc. Prior to joining the Company, he was the former president of Scanasia Overseas Inc. (2008) and a former director of Danasia (2006-2008). He took his bachelor's degree in Economics and Business Economy at the University of Aarhus, Denmark and Artillery Leutenant School in the Military at Varde Barrack, Denmark. He took his Offshore MBA Program at the Western University of Australia (2006) and MBA at Cranfielf School of Management in the United Kingdom.

BYRON L. DE PERALTA, ***Filipino, 43, Filipino, Vice President for Finance***. Prior to joining the Company, Mr. de Peralta was the CFO of the retail arm of the *Sterling Paper Group*, CFO of *Platinum Plans, Phils.,* Head of Investments at *Malayan Insurance Company*, Investment Officer of *Philippine*

Savings Bank and an Investment Analyst at *Sunlife of Canada, Phils..* He took his bachelor's degree in A.B. Political Science at the *University of the Philippines* and his Masters in Business Administration at the *Asian Institute of Management.*

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.

Term of Office – The directors are elected at each annual stockholders meeting by the stockholders entitled to vote. Each director holds office for a period of one (1) year or until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Since the Company's last annual meeting held on 16 December 2009, none of the directors elected therein by the stockholders has resigned or declined to stand for re-election to the board of directors because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices, and the required disclosures relevant to the existence thereof.

The nominees for election to the Board of Directors on 09 June 2010 are as follows:

1. Antonio L. Tiu
2. Yang Chung Ming
3. Dennis Sia
4. Cristino Lim
5. George Uy
6. Leonor Briones (Independent Director)
7. Alfonso Go (Independent Director)
8. Cesar M. Dela Cruz
9. Claro F. Certeza

All the nominees are Filipino citizens with the exception of Mr. Yang Chung Ming who is of Chinese ROC citizenship.

Independent Directors – The incumbent independent directors of the Company are as follows: (i) Leonor Briones, and (ii) Alfonso Go.

The incumbent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the Securities Regulation Code ("SRC").

In compliance with SEC Memorandum Circular No. 16 Series of 2002 (now Rule 38 of the SRC), which provides for the guidelines on the nomination and election of independent directors, a Nomination Committee has been created headed by Antonio L. Tiu with Cristino Lim and George Uy as members.

The Nomination Committee pre-screened the nominees for election as independent directors conformably pursuant to the criteria in the SEC Memorandum Circular and in the Manual on Corporate Governance. The final list of nominees as pre-screened by the Nomination Committee:

Nominee for Independent Director (a)	Person/Group Recommending Nomination (b)	Relation of (a) and (b)
Leonor Briones	Antonio L. Tiu	None
Alfonso Go	Antonio L. Tiu	None

In approving the nominations for independent directors, the Nominations Committee took into consideration the guidelines on the nomination of independent directors as prescribed in SRC Rule 38. The Certifications of Independent Directors of the above nominees are attached here as **Annexes "A-1"** and **"A-2"**, respectively.

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 Information Statement 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.

e. 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.

6. Compensation of Directors and Executive Officers

The following are the Company's top seven (7) 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
Flemming Hansen	Vice President for Sales
Byron De Peralta	Vice President for Finance
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 (Amounts in P'000)	Other Income (Amounts in P'000)
CEO and the four (4) most highly compensated officers named above	2007	Php3,060	573	NONE
	2008	Php2,160	180	NONE
	2009	Php2,649	220	NONE
	2010 (estimate)	Php4,925	410	NONE

Aggregate compensation paid to all other officers and directors as a group unnamed	2007	Php2,112	396	NONE
	2008	Php3,600	300	NONE
	2009	Php2,070	225	NONE
	2010 (estimate)	Php2,197	217	NONE

Since the date of their election, the directors have been receiving Php5,000.00 per meeting. Aside from the foregoing, 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

7. Independent Public Accountants

The Company, upon approval of the Board of Directors and the stockholders, appointed BDO Alba Romeo & Co. as its external auditor. The external auditor examined, verified and reported on the earnings and expenses of the Company.

Apart from the audit and audit-related fees in the amounts of Php1,210,000.00 for 2007, P1,830,000 for 2008, and Php2,217,600 for 2009, no other services were rendered or fees billed by the Company's auditors as of the years ended 31 December 2007, 2008 and 2009. BDO Alba Romeo does not have any direct or indirect interest in the Company.

Representatives of BDO Alba Romeo are expected to be present at the meeting, and they will have the opportunity to make a statement if the desire to do so. They are expected to be available to respond to appropriate questions. To the knowledge of the Management, BDO Alba Romeo is observing the required rotation of their assigned external auditors to the Company.

There has not been any disagreement between the Company and its independent accountant/external auditor, BDO Alba Romeo & Co., with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure.

BDO Alba Romeo & Co. has served the Company as its independent accountant/external auditor since 2006. In compliance with SRC Rule 68, paragraph 3(b)(iv), the Company intends to change its external auditor after the fifth (5^{th}) year of the current independent accountant/external auditor's engagement.

At the annual meeting of stockholders held last 16 December 2009, the stockholders of the Company already re-appointed BDO Alba Romeo & Co. as the Company's independent auditor/external auditor for the calendar year 2010.

8. Compensation Plans

Not Applicable. No action is to be taken during the annual meeting of stockholders with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

ISSUANCE AND EXCHANGE OF SECURITIES

9. Authorization or Issuance of Securities Other than for Exchange

(a) Title and amount of securities to be issued

Subject to the approval of the Securities and Exchange Commission ("SEC"), the Company intends to increase its authorized capital stock from Three Hundred Million Pesos (Php300,000,000.00) to One Billion Pesos (Php1,000,000,000.00) consisting of One Billion (1,000,000,000) Common Shares with a par value of Php1.00 per share.

Pursuant to the previous authority of the Company (i) to make a public offer of the registered shares within one (1) year from the date of listing with the Philippine Stock Exchange ("PSE"), or from 25 May 2009; and (ii) to list with the PSE Warrants in the amount of 20 Million relating to 20 Million common shares, with the concurrence of both the Board of Directors and stockholders of the Company [*per Joint Meeting of the Stockholders and Board of Directors held on 19 August 2008]*, ANI also intends file with the PSE (i) the application for follow-on offering of the remaining 104,696,129 unissued registered shares of stock or such other number of shares as may be deemed necessary and appropriate by the Board of Directors by third (3^{rd}) quarter of this year; and (ii) the application for listing of 20 Million warrants relating to 20 Million common shares.

(b) Description of securities

b.1. Common Shares

At present, the authorized capital stock of the Company is Three Hundred Million Pesos (Php300,000,000.00), Philippine Currency, consisting of Three Hundred Million (300,000,000) Common Shares with a par value of Php1.00 per share. On 16 December 2009, the stockholders of the Company approved the proposed increase of the authorized capital stock of the Company from Three Hundred Million Pesos (Php300,000,000.00) to One Billion Pesos (Php1,000,000,000.00) consisting of One Billion (1,000,000,000) Common Shares with a par value of Php1.00 per share. However, the Company has yet to file the aforesaid amendment with the Securities and Exchange Commission for approval.

Out of the 300 Million authorized capital stock of the Company, 178,536,602 common shares are listed on the Second Board of the PSE. In a Notice of Approval dated 16 April 2010, the PSE informed the Company that the latter's application to list additional 16,767,269 common shares, with a par value of Php1.00 per share, was approved subject to the compliance with post-approval requirements. The Company intends to file with the PSE an application for the follow-on offering of the remaining 104,696,129 unissued registered shares of stock or such other number of shares as may be deemed necessary and appropriate by the Board of Directors by third (3^{rd}) quarter of this year under such terms and conditions as may be agreed upon by the Company and its underwriters.

All of the Common Shares in issue or to be issued have, or upon issue, will have identical rights and privileges. The Common Shares may be owned by any person regardless of citizenship or nationality, subject to the limits prescribed by Philippine laws on foreign ownership in certain types of domestic companies.

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. The Board of Directors may decide to declare dividends, whether in the form of cash, property or stock, from the unrestricted retained earnings of the Company at a time and percentage as the Board of Directors may deem proper and in accordance with pertinent laws.

The share from the unissued portion of the authorized capital stock of the Company are not subject to pre-emptive right of the stockholder and may be issued in quantities, at such time, and under such terms as the Board of Directors of the Company should determine.

Apart from the foregoing, there are no other material rights of common stockholders of the Company.

There are no existing provisions in the Amended Articles of Incorporation and Amended By-Laws of the Company, which may cause delay, deferment or in any manner prevent a change in control of the Company.

Neither the Company nor its shareholders, directors and officers, are party to any contract or arrangement which may result in the change in the control of the Company.

b.2. Warrants

At present, the Company has created 20,000,000 Warrants relating to 20,000,000 common shares with a par value of Php1.00 per share, of which, 6,500,000 Warrants relating to 6,500,000 common shares are issued and outstanding. These warrants are registered with the SEC. The Company intends to file with the PSE an application for listing of the 20 Million Warrants relating to 20 Million common shares.

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.

In determining the Exercise or Conversion Price of the Warrants, the Company considered the following factors:

1. Value-based formula: Based on ANI's projected earnings figures in their projected financial statements

2. ANI share estimated Price Earnings (P/E) Ratio of 7.84 for 2009

   a. 2009: Net Income = Php454,619,706 = 2.55 EPS
      Outstanding Shares 178,536,602
      Exercise Price of Php20 = P/E Ratio of 7.84

3. Use of Black Scholes model[1] to determine the price of the warrant

Black Scholes					
Input			**Output**		
				Calls	**Puts**
Strike Price	20		**Option value**	0	13.1612
Par Value	1		**Delta**	0.0001	-0.9999
Time to expiration (days)	1800		**Theta**	0	0.0027
Volatility (%)	30		**Vega**	0	
Annual interest rate (%)	7		**Rho**	0	-0.6984
			Gamma	0.0008	

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.

[1] The Black Scholes Model is one of the most important concepts in modern financial theory. It was developed in 1973 by Fisher Black, Robert Merton and Myron Scholes and is still widely used today, and regarded as one of the best ways of determining fair prices of options.

It is a model of price variation over time of financial instruments such as stocks that can, among other things, be used to determine the price of a European call option. The model assumes that the price of heavily traded assets follow a geometric Brownian motion with constant drift and volatility. When applied to a stock option, the model incorporates the constant price variation of the stock, the time value of money, the option's strike price and the time to the option's expiry.

The Black Scholes Model has become the standard method of pricing options. The Black Scholes formula calculates the price of a call option to be:

$$C = SN(d_1) - Xe^{-rT} N(d_2)$$

where

C = price of the call option
S = price of the underlying stock
X = option exercise price
r = risk-free interest rate
T = current time until expiration
N() = area under the normal curve
$d_1 = [\ln(S/X) + (r + \sigma^2/2) T] / \sigma T^{1/2}$
$d_2 = d_1 - \sigma T^{1/2}$

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

(c) Description of transaction in which the securities are to be issued

The issuance of the common shares shall be for cash and the approximate amount of consideration to be received by the Company will be determined by its Board of Directors and underwriters.

Portion of the aforesaid increase in the authorized capital stock might be used to issue shares pursuant to the Investment Agreement entered into by the Company with GEM Global Yield Fund Limited and GEM Investors Advisors, Inc. (collectively known as "GEM"). The Agreement grants the Company the option to require GEM Global Yield Fund Limited (the "Investor") to subscribe shares in the Company, subject to certain terms and conditions under the Agreement, for up to an aggregate value of Five Hundred Million Pesos (Php500,000,000.00)

(d) Reason for the proposed issuance

The purpose of the follow-on offering and issuance is to raise additional funds for the Company for future investments, acquisition and to fund business operations. No further authorization for the issuance of the common shares by a vote of security holders will be solicited prior to such issuance.

10. Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the registrant, or the issuance of authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

11. Financial and Other information

a. Audited Financial Statements

The Audited Financial Statement (prepared in accordance with SRC Rule 68, as amended, and Rule 68.1) and the Statement of Management's Responsibility as of 31 December 2009 are attached here as **Annex "B"**.

MANAGEMENT REPORT

b. History, Nature and Scope of the Business of ANI and its Subsidiaries

Incorporated on 04 February 1997, ANI started its business operations in the same year as an importer, trader and fabricator of post-harvest agricultural machineries intended to improve the productivity as well as increase the income of Filipino farmers. Formerly known as Mabuhay 2000 Enterprises, Inc., ANI was the first to bring into the Philippine market the Mega-Sun brand of grain dryers and thereafter established itself as one of the more reliable local supplier and manufacturer of conveyor systems and other rice mill equipment.

ANI eventually diversified into other various agro-commercial businesses, specifically focusing on the export trading of fresh Philippine Carabao Mangoes as its main revenue stream. Since then, ANI has become one of the Philippines' top fresh mango exporters to the world market. At present, ANI also supplies other home-grown fruits such as banana, pineapple and papaya to customers in Hong Kong, Mainland China, the Middle East and to the different European regions.

ANI has three (3) subsidiaries under its Fresh Foods group: First Class Agriculture (FCA), Fresh and Green (FG), and Lucky Fruit (LF).

FCA is engaged in the commercial distribution of fresh vegetables and fruits to the SM Supermarket chain. It supplies more than 100 varieties of vegetables and local fruits daily to sixteen (16) SM Supermarket stores located in the National Capital Region ("NCR") and other provinces in Luzon as well as to eleven (11) branches of Makro in the NCR. Meanwhile, FG is engaged in the commercial distribution of fresh vegetables and fruits to the SM Hypermarket chain. It currently supplies thirteen (13) SM Hypermarket stores. Lastly, LF is engaged in the wholesale trading and distribution of commercial crops through key trade channels such as hotels, restaurants, public wet markets and catering companies.

For its Processed Foods Group, ANI owns and controls two (2) companies: M2000 IMEX in Bulacan and Fruitilicious in Cagayan de Oro.

M2000 IMEX is the subsidiary engaged in the manufacturing and processing of branded and toll-manufactured canned fruit beverages and products such as Mango Nectar, Coco Juice, Coco Cream and Coco Milk. It is also ANI's facility for commercial vinegar fermentation and bottling, as well as veggie-balls production. Meanwhile, Fruitilicious serves the frozen and processed fruit requirements of food manufacturers and processors such as Nestle Ice Cream Division and Cenmaco, Inc. The plant of Fruitilicious, situated within the fruit-bountiful provinces of Bukidnon, Davao, Lanao del Norte and Agusan del Sur, also serves as ANI's logistics and sourcing hub for its Visayas and Mindanao operations.

To complete the full integration of ANI's operations, ANI owns and controls Best Choice Harvest (BCH). BCH is engaged in the management of farming activities in various provinces that serve the supply needs of ANI's distribution subsidiaries. BCH is also engaged in livestock integration and bio-fuel feedstock development. It is likewise involved in the introduction, field-testing, and commercialization of new and imported crop varieties that will provide higher yield and income for Filipino farmers.

In pursuit of its vision to become a world-class supplier of high-quality fresh and processed agricultural food products, ANI recast its business structure, from adopting a purely farm-to-market trading business model into utilizing a "farm-to-plate"-based concept supported by full forward and backward integrations. As a result, ANI's range of operations has consequently expanded, providing a strategic advantage hinged on the synergy of all business activities, from farming, packing, trading, distribution, processing, canning, and up to sales. This unique and competitive agri-business model has put ANI in the best position to promote private sector participation in agriculture as both a viable business opportunity and as an effective tool for nation-building.

c. Management's Discussion and Analysis of Financial Condition and Result of Operations

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 P623.4 million, P778.0 million and P1,034.5 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**			**UNAUDITED**	
	As of 31 Dec. 2007	**As of 31 Dec. 2008**	**As of 31 Dec. 2009**	**As of 31 Mar 2009**	**As of 31 Mar 2010**
Income Statement Accounts					
Net Sales	623,874	777,965	1,017,682	168,414,107	261,401,108
Gross Profit	113,624	134,024	151,716	29,542,042	43,019,098
Operating Income	13,641	23,858	56,672	2,516,096	7,915,093
Net Income after Income Tax	6,666	8,738	35,690	(485,915)	4,488,119
Balance Sheet Accounts					
Total Current Assets	259,051	365,535	604,396	354,042,940	610,355,226
Total Assets	335,523	523,295	769,925	529,494,129	777,709,950
Total Current Liabilities	195,185	316,253	222,870	247,815,597	228,050,131
Total Liabilities	208,966	332,459	223,603	264,056,253	228,818,346
Total Stockholder's Equity	126,557	190,837	546,322	265,437,876	548,891,604
Total Liabilities and Stockholders' Equity	335,524	523,295	769,925	529,494,129	777,709,950

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 is 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 the Company makes 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,			For the three months ended March 31,	
	2007	2008	2009	2009	2010
	(in '000)				
	₱	₱	₱	₱	₱
Philippines	469,069	580,149	793,769	112,906	203,327
Exports	154,805	197,816	223,913	55,508	58,073
Total	623,874	777,965	1,017,682	168,414	261,400

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

Three Months Ended March 31, 2010 Compared to the Three Months Ended March 31, 2009

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 55.21% from ₱168.414 million in the first three months of 2009 to ₱261,4 million in the same period in 2010, reflecting increased volume of sales. The primary reasons for the increased volume of sales was due to the changing item per item demands normally experienced - business trends during the period. Aside from the increase in number of outlets, the company started an aggressive investment program in farming through its subsidiary, BCHI. Sales are expected to pick up starting on the second quarter of the year

Cost of Sales

Cost of sales increased by 57.25% from ₱138.872 million in the first three months of 2009 to ₱218.382 million in the same period in 2010. This increase was primarily the result of higher sales volumes in consonance with the increase in sales.

Gross Profit and Gross Margin

As a result of an 55.21% increase in net sales and a slightly smaller increase in cost of sales, gross profit increased by 45.62% from ₱29.542 million in the first three months of 2009 to ₱43.019 million in the same period in 2010. Gross margin increased slightly from 17.54% in the first three months of 2009 to 16.46% in the same period in 2010

Operating Expenses

Operating expenses increased by 30% from ₱27.026 million in the first three months of 2009 to ₱35.104 million in the same period in 2010. The table below sets forth the principal components of the operating expenses in the periods indicated:

	For the three months ended March 31,	
	2009	**2010**
	(in millions of ₱)	
Selling..	17,459	17,609
Administrative..	9,567	17,495
Total..	27,026	35,104

Selling Expenses. Selling expenses increased by 0.86% from ₱17.459 million in the first three months of 2009 to ₱17.609 million in the same period in 2010. There is a slight increase primarily due constant selling expenditures established.

Administrative Expenses. Administrative expenses increased by 82.9% from ₱9.567 million in the first three months of 2009 to ₱17.495 million in the same period in 2010. This increase was mainly due to increase in salaries and wages of administrative personnel, professional fees, depreciation, repairs and maintenance and office supplies.

Income from Operating Activities

As a result of the foregoing, income from operating activities increased by 215% from ₱2.516 million in the first three months of 2009 to ₱7.915 million in the same period in 2010. Operating margin increased from 1.49% in the first three months of 2009 to 3% in the same period in 2010.

Other Income (Charges)

Other charges decreased from ₱3.002 million in the first three months of 2009 to ₱1.503 million in the same period in 2010. The decrease was primarily the result of lesser finance cost incurred during the current period.

Provision for Income Tax

Provision for income tax increased by 100 % from none in the first three months of 2009 to ₱1.923 million in the same period in 2010, as a result of an increase in net income before tax from ₱(0.486) million in the first nine months of 2009 to ₱6.412 million in the same period in 2010. Listing fees affected the overall operational results and net income for the year 2009.

Net Income

As a result of the foregoing, net income increased from ₱(0.486)million in the first three months of 2009 to ₱4.488 million in the same period in 2010.

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%

Operating Expense Items	Amount (Php '000)	% of Total
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 and for the first three (3) months of 2009 and 2010:

	For the year ended December 31,			For the three months ended March 31,	
	2007	2008	2009	2009	2010
	(in thousands of ₱)				
Net cash flows provided by/(used for) operating activities	(106,517)	(69,954)	(102,268)	2,576	(77,654)
Net cash flows provided by/(used for) investing activities	(24,272)	(112,620)	(13,920)	(19,183)	(4,061)
Net cash flows provided by/(used for) financing activities	137,571	179,907	259,977	39,923	19,110
Net increase (decrease) in cash and cash equivalents	6,783	(2,667)	143,789	23,316	(62,604)

Net Cash Flows from Operating Activities

Net cash used by operating activities were ₱77.654 million in the first three months of 2010. The Company's net income before income tax for this period was ₱6.412 million, and this amount was positively adjusted for, among other things, depreciation and amortization of the Company's property, plant and equipment of ₱2.235 million, provision for retirement benefit cost of ₱0.035, interest expense of ₱1.503 million resulting in operating cash flows before working capital changes of ₱10.185 million. Aggregate changes in working capital decreased this amount to ₱76.150 million, resulting in cash used by operating activities of ₱77.654 million.

Net cash generated from operating activities were ₱2.576 million in the first three months of 2009. The Company's net loss before income tax for this period was ₱0.486 million, and this amount was positively adjusted for, among other things, depreciation and amortization of the Company's property, plant and equipment of ₱1.492 million, provision for retirement benefit cost of ₱0.035, interest expense of ₱3.045 million and decreased by interest income of ₱0.043 resulting in operating cash flows before working capital changes of ₱4.043 million. Aggregate changes in working capital decreased this amount to ₱5.578. million, resulting in cash provided by operating activities of ₱2.576 million.

Net cash used by operating activities were ₱2.009 million in the first three months of 2008. The Company's net income before income tax for this period was ₱18.908 million, and this amount was positively adjusted for, among other things, depreciation and amortization of the Company's property, plant and equipment of ₱1.252 million, provision for retirement benefit cost of ₱0.012, interest expense of ₱2.924 million. Also, decreased by goodwill of ₱0.007 million, unrealized foreign exchange gain of ₱0.026 million and interest income of .₱0.009 million that resulted in operating cash flows before working capital changes of ₱23.053 million. Aggregate changes in working capital increased this amount to ₱6.99 million, resulting in cash provided by operating activities of ₱2.009 million.

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 ₱4.061 million in the first three months of 2010. This reflects investments in property, plant and equipment and other non-current assets. 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 generated from financing activities were ₱19.110 million in the first three months of 2010. This primarily reflects proceeds from borrowings and payment of cash dividends. 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 March 31, 2010, the Company had cash and cash equivalents of ₱89.582 million. As of the same date, the Company had outstanding short-term debt of ₱189.687 million.

As of March 31, 2010, the Company had total outstanding long-term debt of ₱0.768 million, representing the balance of a net pension liability. As of March 31, 2010, the Company had current assets of ₱610.355 million and current liabilities of ₱228.050 million. As of the same date, the Company's working capital (current assets minus current liabilities) was ₱382.305 million. The Company believes that its working capital is sufficient for its present requirements.

In the ordinary course of business, the Company makes certain purchase commitments for the procurement of raw materials. As of March 31, 2010 the Company's outstanding purchase commitments were estimated to be approximately ₱10 million. A significant portion of these purchase commitments is payable within one year. The Company expects to finance these commitments through cash flows from its operations and short-term borrowings.

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

Adoption of PFRS/PAS

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

Accounting Standard, Interpretations and Amendment Effective in 2008

The Company adopted the following relevant standard, amendment and interpretations to existing standards, which are effective for annual periods beginning on or after 01 January 2008:

Philippine Interpretation IFRIC 11, *PFRS 2 – Group and Treasury Share Transactions*

This interpretation was effective on 01 January 2008. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instrument of the parent. The Group currently does not have any stock option plan and therefore, this interpretation did not have any impact to its interim financial statements.

Philippine Interpretation IFRIC 12, *Service Concession Agreements*

This interpretation was issued in November 2006 and became effective for annual periods beginning on or after 01 January 2008. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession agreements. The Group does not have any service concession arrangements and hence this interpretation does not have any impact to the Group.

Philippine Interpretation IFRIC 14, PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*

This interpretation was issued in July 2007 and became effective for annual periods beginning on or after 01 January 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. This interpretation did not have any impact on the financial position of the Group, as it does not have any pension asset.

d. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

d.1. 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				**2010**
	Q1	**Q2**	**Q3**	**Q4**	**Q1**
High	n/a	Php25.00	Php18.50	Php34.50	Php27.50
Low	n/a	Php11.00	Php11.50	Php18.50	Php15.75

As of 31 May 2010, the shares of the Company are being traded at the PSE at the average trading price of Php 18.98 per share.

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				2010
	Q1	Q2	Q3	Q4	Q1
High	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64
Low	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64

d.2. Holders

As of 31 May 2010, the Company has a total outstanding common stock of 195,303,871 common shares held by twenty two (22) 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 May 2010 are as follows:

Name	No. Of Shares	% of Holdings
PCD Nominee Corp. (Filipino)	75,805,180	38.814%
Antonio L. Tiu	58,408,935	29.9067%
Chung Ming Yang	25,066,290	12.8345%
Ming Hsiang Yang	18,777,179	9.6143%
PCD Nominee Corp. (Foreign)	7,985,885	4.0889%
James Tiu	3,000,000	1.5361%
Dennis Sia	2,300,001	1.1777%
Daniel Go	1,500,000	0.7680%
Southern Field Limited	1,402,094	0.7179%
Ann Buencamino	600,000	0.3072%
Frederick Sia	208,203	0.1066%
Jose Enrique Songco, Jr.	200,000	0.1024%
Jose Mariano Crisostomo	30,000	0.0153%
Ferdinand Raymund Bacolot	20,000	0.0102%
M.J. Soriano Trading, Inc	100	0.0001%
Leonor Briones	1	0.0000%
Alfonso Go	1	0.0000%
Cristino Lim	1	0.0000%
George Uy	1	0.0000%
TOTAL	**195,303,871**	**100.0000%**

The PCD Nominee Corporation (Filipino and Foreign) represents approximately 1,460 stockholders.

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%

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

d.3. 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.

d.4. 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
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.

d.5.Discussion on Compliance with Leading Practice on 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.

In compliance with SEC Memorandum Circular No. 6, Series of 2009, on April 14, 2010, the Company submitted its Revised Manual on Corporate Governance.

e. Interim Period Reports

The First Quarter Report for the period ending 31 March 2010 is attached hereto as **Annex "C"**.

12. Mergers, Consolidations, Acquisitions and Similar Matters

At present, ANI has no definitive plans to merge and consolidate with another company or to sell or transfer any substantial part of its assets and to liquidate or dissolve the Company.

On 20 April 2010, the Board of Directors of the Company passed a resolution authorizing its President and Chief Executive Officer, Antonio L. Tiu, to negotiate with companies and/or other entities engaged in the business similar and/or related to that of the Company for possible acquisition under such terms and conditions and for such amount as may be in the best interest of the Corporation. The authority given by the Board of Directors to Antonio L. Tiu is limited only to negotiations with companies and/or other entities engaged in the business similar and/or related to that of the Company to explore the possibility of acquiring the same. The results of the negotiations are still subject to the approval of the Board of Directors and stockholders. There are no definite and binding agreements with any company and/or other business entity yet. Therefore, this will not yet trigger the appraisal right provided by the Corporation Code to the Company's stockholders.

13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the meeting with respect to the acquisition or disposition of any property by the Company.

14. Restatement of Accounts

The Company's accounting policies adopted are consistent with those of the previous fiscal year.

OTHER MATTERS

15. Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting

The following reports, copies of which will be duly furnished to stockholders without charge, will be submitted for stockholders approval and/or ratification at the Annual Meeting of Stockholders on 09 June 2010:

a. The Audited Financial Statements for the year ending 31 December 2009;
b. Annual Report for the year ending 31 December 2009
c. Minutes of the previous Annual Meeting of Stockholders;

Approval of the Annual Report and the Audited Financial Statements for the year ending 31 December 2009 constitutes ratification by the stockholders of the Company's performance for 2009.

The matters approved and acted upon by the Board of Directors of the Company after the shareholders meeting on 16 December 2009 which are to be ratified by the stockholders are the following:

Nature of Meeting	Date	Matters Approved
Special Meeting of the Board of Directors	20 April 2010	1. Expansion of Operations in the Asia Pacific Region a. Creation/Establishment of New Business Entity in Australia b. Delisting in the NSX c. Possible listing in the ASX of the New Australian Business Entity to be Established by the Company

		2. Possible acquisition of companies and/or other entities engaged in the business similar and/or related to that of the Company
Meeting of the Board of Directors	7 June 2010	1. Authority to enter into Surety Agreement with banks, financial institutions, entities, corporations or individuals to cover the loan and/or subsequent renewals/extensions and any additional loan of any of the subsidiaries of the Corporation 2. Authority to conduct a stock rights offering under such terms and conditions as may be determined by the Board of Directors to be in the best interest of the Corporation 3. Authority to distribute the unrestricted retained earnings of the Corporation in the form of stock dividends under such terms and conditions as may be determined by the Board of Directors to be in the best interest of the Corporation

16. Matters Not Required to be Submitted

Aside from the matters mentioned in Item 15 above, there are no other act of management and the Board of Directors in the preceding year that needs the approval of the stockholders.

Ratification of acts of management and of the Board of Directors referred to in the Notice of Annual Meeting refers only to acts done in the ordinary course of business and operation of the Company and/or pursuant to the previous authority given by the stockholders, some of which have been duly disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange in accordance with law. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure undertaken at every annual meeting of stockholders of the Company.

Nature of Meeting	Date	Matters Approved
Meeting of the Board of Directors	16 February 2010	1. Approval of the Filing of the Application for Additional Listing of Shares of Stock of the Company on the Philippine Stock Exchange (Private Placement Listing). 2. Authority to deal with Mega-ICBC – Manila Branch in connection with the Company's Import and Export Trade transactions. 3. Authority to transact with BDO Universal Bank or any of its branches, subsidiaries and affiliates for the obtainment of loan facilities and availment of the banking products and services. 4. Authority to transact and apply with the Bureau of Customs for the renewal of the Company's license as importer of goods.

Meeting of the Board of Directors	30 March 2010	Approval of Change of Business/Office Address of the Company from #35 Gasan Street, Masambong, SFDM, Quezon City to 30-A Washington Tower, The AsiaWorld City, Macapagal Avenue, Paranaque City
Meeting of the Board of Directors	14 April 2010	1. Postponement of the Annual Meeting of Stockholders originally set on 3rd Monday of May in the amended By-Laws to a later date due to incoming national elections (from 17 May 2010 to 09 June 2010) 2. Approval of filing of application and submission of such other necessary documents to the PSE and SEC for (i) the follow-on offering of the Company; and (ii) listing of 20 Million Warrants relating to 20 Million common shares. 3. Authority to file Updated/Amended Registration Statement and Prospectus, if necessary, for the follow-on offering and listing of warrants on the PSE 4. Approval of the Amended Manual on Corporate Governance
Special Meeting of the Board of Directors	20 April 2010	1. Setting of Record Date and Time and Date of Annual Meeting of Stockholders on 09 June 2010 2. Authority of the Company's Stock and Transfer Agent, Securities Transfer Services, Inc., to act as transfer agent with respect to the Company warrants. 3. Appointment of New Officers a. Flemming Hansen – VP for Sales b. Byron de Peralta – VP for Finance

17. Amendment of Charter, By-Laws or Other Documents

Not Applicable.

18. Other Proposed Action

Not Applicable.

19. Voting Procedures

(a) For the approval or ratification of the reports and acts of the Board of Directors and Management in Items No. 15 and 16, respectively, the vote of stockholders present in person or by proxy representing at least (1) two thirds of the total outstanding capital stock entitled to vote or (2) a majority of the total outstanding capital stock entitled to vote shall be required as the case may be.

During the election of directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of at least a majority of the total outstanding capital stock. Unless a poll is demanded either before or on the declaration of the result of the vote on a show of hands, the election shall be done by a show of hands. Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the By-Laws, in his own name on the stock books of the Company, or where the By-Laws is silent, at the time of election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected; Provided, however, that no delinquent stock shall be voted. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders called for an election may adjourn from day to day or from time to time but not *sine die* or indefinitely if, for no reason, no election is held, or if there be not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock.

(b) The votes shall be duly taken and counted by the Corporate Secretary.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on 28 June 2010.

By: Pearlie Bendicion

PEARLIE SY BENDICION
Alternate Chief Information Officer

CERTIFICATION OF INDEPENDENT DIRECTORS

I, Prof. Leonor Briones, Filipino, of legal age and resident of 10 Wagner St., Ideal Subdivision, Fairview, Quezon City, after having been duly sworn in accordance with law do hereby declares that:

1. I am an independent director of AgriNurture Inc.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Services
National College of Public Administration and Governance, University of the Philippines	Senior Faculty	1961 to present
Social Watch Philippines (a civil society organization, I am not affiliated with any private/business company)	Lead Convenor	1996 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AgriNurture Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code
5. I shall inform the corporate secretary of AgriNurture Inc. of any changes in the abovementioned information within five days from its occurrence

Done, this MAY 13 2010 day of April 2010, at MANILA City.

Affiant

SUBSCRIBED AND SWORN to before me this MAY 13 2010 of ______ at MANILA ______, affiant personally appeared before me and exhibited to me his/her (Government Issued ID) valid until ______, bearing his/her photograph and signature, issued by the ______.

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Book No. XLIV
Series No. 2010

ATTY. DELFIN R. ASCAOILI JR.
NOTARY PUBLIC
PTR NO. 9236238. 01/7/2010 MLA.
IBP NO. 794114-01/7/2010 MLA.
ROLL NO. 24655/TIN NO. 144-519-086

CERTIFICATION OF INDEPENDENT DIRECTORS

I, Alfonso Go, Filipino, of legal age and resident of 2304 AIC Gold Tower E. Ortigas Street, Ortigas Center after having been duly sworn in accordance with law do hereby declares that:

1. I am an independent director of AgriNurture Inc.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Services
Integrated Bar of the Philippines	Member	
Philippine Institute of Certified Public Accountants (PICPA)	Member	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AgriNurture Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code
5. I shall inform the corporate secretary of AgriNurture Inc. of any changes in the abovementioned information within five days from its occurrence

Done this APR 28 2010 day of ______ at QUEZON CITY.

Affiant

SUBSCRIBED AND SWORN to before me APR 28 2010 of ______ at ______, affiant personally appeared before me and exhibited tome his/her (Government Issued ID) valid until ______, bearing his/her photograph and signature, issued by the ______."

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Book No. 24
Series No. 10

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

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
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Book No. 96
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
Fax: +(632) 844 2045
www.bdo.net.ph

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						
					Retained Earnings (Deficit)			
	Notes	**Share Capital (Issued and Outstanding)**	**Share Premium**	**Deposits for Future Stock Subscriptions**	**Appropriated**	**Unappropriated**	**Minority Interest**	**Total Equity**
Balances at January 1, 2007		P10,000,000	P-	P-	P-	(P739,691)	P778	P9,261,087
Acquisition of equity interest of FCAC		-	-	-	-	-	14,731,418	14,731,418
Deposits for future stock subscriptions		-	-	P95,898,440	-			95,898,440
Net income for the period		-	-	-	-	4,302,533	2,363,689	6,666,222
Balances at December 31, 2007		10,000,000	-	95,898,440	-	3,562,842	17,095,885	126,557,167
Balances at January 1, 2008		10,000,000.00	-	95,898,440	-	3,562,842	17,095,885	126,557,167
Issuance of common shares		72,638,162	-	-	-	-		72,638,162
Transfer of deposits for future stocks	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 5^{th} year from issuance and listing, and a strike price of P20 per share at the time of exercise and a conversion ratio of 1 warrant to 1 common share.

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

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

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

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

Appropriation of retained earnings of FCAC

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

NOTE 11 – COST OF SALES

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

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

Note 12 – OPERATING EXPENSES

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

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

Note 13 – LEASES

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

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

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

Note 14 – RETIREMENT BENEFITS

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

Movement in the net pension liability recognized in the consolidated statement of financial position is as follows:

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

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

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

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

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

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

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

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

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

NOTE 15 – OTHER INCOME (EXPENSES), NET

The breakdown of the account is as follows:

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

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

NOTE 16 – RELATED PARTY TRANSACTIONS

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

a. Credit Accommodations of Parent Company and FCAC

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

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

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

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

As of 2008, FCAC has entered into several loan agreements with BDO, resulting to the recognition of an outstanding liability amounting to P30,000,000 and P80,000,000 as of December 31, 2009 and 2008, respectively. These loans are secured by the assignment of receivables of FCAC and the suretyship agreement mentioned above.

b. Due from and to Officers and Employees

As of December 31, 2009, due from and to officers and employees amounts to P9,747,156 and P3,182,227, respectively; while as of December 31, 2008, due from and to officers and employees amounted to P75,173 and P16,115,327, respectively. These represent advances made in carrying out the day-to-day operations of the Group and are subject to liquidation upon utilization.

c. Due from and to Stockholders

Due from and to stockholders are interest-free and settlement can be made through cash payment, offsetting or assignment of stockholders' assets to the Group. As of December 31, 2009, due from and to stockholders amounts to P21,285,802 and nil, respectively; while as of December 31, 2008, due from and to stockholders amounted P5,882,925 and P14,652,684, respectively. The Group has not recorded any impairment of receivables from stockholders as of December 31, 2009 and 2008. The assessment is undertaken through examining the financial position of the stockholders.

d. Compensation of key management personnel

Compensation of key management personnel of the Group amounted to P3,045,000, P1,260,000 and P6,450,000 for the years ended December 31, 2009, 2008 and 2007.

NOTE 17 – INCOME TAXES

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

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

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

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

c.) New Tax Laws

Republic Act (RA) No. 9337

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

i. Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;
ii. Revised invoicing and reporting requirements for VAT;
iii. Expanded scope of transactions subject to VAT; and
iv. Provided thresholds and limitations on the amounts of VAT credits that can be claimed.

Revenue Regulation (RR) No. 12-2007

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

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

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

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

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

NOTE 18 – EARNINGS PER SHARE

Basic EPS is computed as follows:

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

NOTE 19 – FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

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

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

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

NOTE 20 – BUSINESS SEGMENTS

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

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

Segment Assets and Liabilities

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

Inter-segment Transactions

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

NOTE 20 – BUSINESS SEGMENTS – *continued*

Business Segment Data

The following table presents revenue and expense information and certain asset and liability information regarding business segments for the years ended December 31, 2009, 2008 and 2006:

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

NOTE 21 – BUSINESS ACQUISITIONS

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

Acquirer	Acquiree	Date Acquired	% of Ownership
Parent Company	FCAC	January 1, 2007	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.

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 Month 3 1 Day
Fiscal Year

1 7 - Q
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 – Q

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

1. For the quarterly period ended **March 31, 2010**

2. SEC Identification Number **0199701848**

3. BIR Tax Identification Code **200-302-092-000**

4. Name of Issuer as specified in its charter **AGRINURTURE, INC. AND SUBSIDIARIES**

5. **METRO MANILA, PHILIPPINES (NCR)**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

7. **NO. 54 NATIONAL ROAD, DAMPOL II-A, PULILAN, BULACAN PHILIPPINES** **3005**
   Address of issuer's principal office Postal Code

8. Issuer's telephone number, area code **(02) 638-1549**

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	195,303,871 (Authorized 300,000,000 shares @P1.00 par value)

11. The registrant's securities are listed in the Philippine Stock Exchange (PSE) and the National Stock Exchange of Australia (NSX).

    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.

Part I FINANCIAL INFORMATION

OPERATIONAL AND FINANCIAL INFORMATION

Item 1. Financial Statements

Pls. See Exhibits A

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

REVENUE AND EXPENSES

Gross receipts generated for the 1st quarter ended March 31, 2010 amounted to **P261.4 M** while for the same quarter last year, **P168.414 M** was recorded. Of the total receipts, P58.073 M came from Export sales, while the Fresh Group contributed P182.987 M and the rest came from Local sales-Processed Foods and the Farming Group. Parallel to the augmentation in sales are the increase of direct costs to P218.382 M in the current quarter compared to the last year's quarter of P138.872 M. Operating expenses was likewise raised to P36.608 M compared to the same quarter last year's P27.03 M. The company anticipated a higher operating income during this period having experienced varying upward demands on agricultural produce at the initial quarter of the year.

RESULTS OF OPERATIONS

Quarterly Ended March 31, 2010 Compared to Quarterly Ended March 31, 2009

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

Net Sales

Net sales increased by 55.21% from P168.414 million in 2009 to P261.4 million in 2010, reflecting an increase in domestic sales outlets, additional clients and export expansion.

Summarized are comparative revenue, cost and expenses for the period:

Particulars	NOTES	2010	2009	2008
Sales		261,401,108	168,414,107	185,496,170
Cost of Sales	12	218,381,917	138,872,065	143,276,607
Gross Profits		43,019,191	29,542,042	42,219,563
Operating Expenses	13	35,104,098	27,025,946	31,091,534
Operating Income		7,915,093	2,516,096	11,128,029

The increase in sales in the current quarter compared to the previous year's quarter is mainly due to the changing item per item demands normally experienced - business trends during the period. Aside from the increase in number of outlets, the company started an aggressive investment program in farming through its subsidiary, BCHI. Sales are expected to pick up starting on the second quarter of the year.

DIRECT COST

For the 1st quarter of 2010, direct costs amounted to P218.382 million and P138.872 million for the same period last year where increase is parallel to the increase in sales. The demand for ANI's products may be affected by the 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.

Cost of sales increased by 57.25% from P138.872 million in 2009 to P218.382 million in 2010. This increase was primarily the results of the increase volume of production consonance with the increase in sales.

Cost of sales consists of:

- the cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- the cost of taxes and licenses;
- 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.

OPERATING EXPENDITURES

The Group incurred normal operating expenses in relation to the volume of sales and the corresponding revenue generated. (See details). Normally most of the Company's cost are variable, with fixed costs comprising mainly of salaries and production and logistics assets. The company has begun relying on billboard, radio, participation in sports league, non-traditional ads, print and television (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.

The Company's operating expenses for the first quarter of 2008, 2009 and 2010 consist of selling and administrative expenses amounted to P31.092M, P27.026M and P35.104M 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.

Operating Expenses		First quarter		
	note	3/31/2010	3/31/2009	3/31/2008
Deliveries		4,788,044	7,507,885	7,875,557
Contracted Services		-	3,957,397	4,153,285
Salaries, wages and other employee benefits		9,772,841	3,296,872	7,666,272
Advertising and promotions		7,902,728	1,229,738	2,490,078
Professional fees		1,385,238	522,834	1,250,200
Depreciation and amortization		2,234,922	1,491,610	1,251,939
Transportation and travel		757,618	318,127	976,272
Maintenance and upkeep		1,070,125	1,500,000	
Repairs and maintenance		1,870,520	504,412	749,473
Communication, light and water		361,766	1,312,761	750,217
Taxes and licenses		653,389	475,000	498,899
Bank charges		-	32,156	
Representation and entertainment		1,306,420	380,548	426,384
Brokerage and handling fees		240,499	33,337	231,604
SSS, Philhealth and Pagibig contributions		554,931	467,067	494,237
Office Supplies		1,207,697	187,837	162,835
Security services		492,921	312,958	162,000
Rent		30,100	99,075	330,925
Retirement benefit cost		35,000	34,971	11,657
Miscellaneous		439,339	3,361,359	1,609,700
Total Operating Expenses		35,104,098	27,025,946	31,091,534

Top Four (4) Key Performance Indicators

1. Sales Efficiency Ratio

   Measures the percentage of the total volume of sales over the total number of outlets.

2. Gross Profit Ratio

   Measures the margin per peso of sales that will absorb operating expenses.

3. Operating Ratio

   Reflects the portion of sales used for the operating costs and it is computed as cost of goods sold plus operating expenses over net sales.

4. Operating Margin

   Measures the ratio of net operating income to net sales and it is computed as net operating income over net sales.

Discussion and Analysis of Material Events and Uncertainties

The company has no knowledge and not aware of any material event/s and uncertainties known to the management that would address the past and would have an impact on the future operations of the following:

a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on our liquidity
b) Any events that will trigger direct of contingent financial obligation that is material to the company, including any default or acceleration of obligation.
c) All material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the period.
d) Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
f) Any significant elements of income/loss did not arise from our continuing operation.
g) Any seasonal aspects that had a material effect on financial condition or results of operations.

PLAN OF OPERATIONS

Management Plans

ANI as a Parent

The Company was incorporated on February 4, 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 February 8, 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 January 19, 2009, ANI was listed at the National Stock Exchange (NSX) of Australia. On May 25, 2009, ANI was listed by way of introduction at the PSE. On April 20, 2010 the board approved the delisting of ANI from NSX and prepare for listing at ASX.

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. Local sales was slowly passed on to fresh distribution group.

Particulars	ANI Parent Revenues 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 countries 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 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 subsidiaries under its Fresh Distribution Group:

- First Class Agriculture Corporation (FCAC), 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. FCAC. FCAC earned revenues of **Php402.7Mn** in 2009, **Php331.5Mn** in 2008 and **Php282.4MN** in 2007; and Net Income of Php17.5Mn in 2009, Php4.9Mn in 2008 and Php4.8Mn in 2007.

- Fresh and Green Harvest Agricultural Corp. (FG) is a wholly-owned subsidiary of FCAC. Fresh and Green Harvest (F&G) 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 20 branches in NCR. FGHAC earned revenues of **Php301.3Mn** in 2009, **Php221.9Mn** in 2008 and **Php184.5Mn** in 2007; and Net Income of Php12.8 in 2009, Php4.0 in 2008 and Php1.1 in 2007.

- Lucky Fruit and 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 the Visayas region. Lucky Fruits earned revenues of **Php20.9Mn** in 2009, **Php21.4Mn** in 2008 and **Php17.8Mn** in 2007; and Net Income of Php.937Mn in 2009, Php.089Mn in 2008 and Php.065Mn in 2007.

Fresh produce is sourced through the centralized purchasing office under the office of the Chief Procurement Officer which operates and maintains nationwide buying stations and handles importation. Under the Chief Procurement Officer, the purchasing group is 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 subsidiaries, as follows:

- M2000 Imex Co., Inc. 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 ready to cook and pre-cooked Philippine vegetable dishes. M2000's products are produced for export, with its largest markets being North America (30%), the Middle East (30%), Asia (25%), 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.

  The current manufacturing arm also act as the R&D unit for the fresh distribution group in terms of identifying shelf life extension techniques and value added processed for ready to cook and ready to eat items.

  M2000 earned revenues of **Php22.2Mn** in 2009, **Php19.6Mn** in 2008; Net Income of **Php1.95Mn** in 2009, Php(1.4Mn) in 2008.

- Fruitilicious Inc. 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. It operates a 7 hectare farmland and also operates a cold storage.

Farming Group

The group's farming activities are handled through Best Choice Agricultural Corporation (BCH), a wholly owned- subsidiary of FCAC, 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.

BCAC 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) demo, training, sales of farm equipment and inputs, production of high value crops under green houses. In partnership with GuangDong Academy of Agriculture and Science for research and development. The Demo Farm also is equipped with tissue culture laboratory, vermin culture and organic fertilizer production and mushroom project.
2. Capas Vegetable Farm (53 hectares) production of pinakbet vegetables and mango orchard.
3. Bamban Aeta Village (50 hectares expandable to 10,000 hectares) production of rootcrops and jathropa
4. San Antonio, Zambales Farm (70 hectares) production of watermelon and few vegetable items.
5. Subic, Zambales Farm (7 hectares) production of bamboo, coconut, and mango.
6. Indang, Cavite Farm (7 hectares) production of salad vegetables.
7. Trece Martires Farm (37 hectares) production of papaya, rootcrops, and vegetables.
8. Lipa Batangas Farm (11 hectares) production of leafy vegetables.
9. Cagayan de Oro Farm (7 hectares) production of rootcrops.
10. Palawan Corn Plantation (300 hectares) production of corn.
11. Palawan Pineapple Farm (51 hectares) production of pineapple.
12. Ozamis Corn Plantation (300 hectares) – production of corn.
13. Nueva Ecija Rice Plantation (500 hectares) In partnership with Bei Da Huang Philippines Inc.

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 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 Co.) 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.

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 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 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 multilingual 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.

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. Being 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; iii) technological and production capability to develop not only fresh, but also, processed fruit & 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 souther 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 Far East Agricultural Co. Holding of 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 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 the 2nd half of 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 representative office 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 representative office is expected to have better access and supply management in anticipation of ANI adding the dairy products into its distribution system within the 2nd half of 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.

To further strengthen the "farm to plate" model and the vision to be a fully integration fruits and vegetables company, ANI is set to acquire a coconut factory in Southern Luzon and a banana factory in Mindanao by 2nd quarter of 2010. The acquisition is expected to generate additional revenue, income, and at the same time outlet for class B fruits that ANI farms will generate.

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 Stuff for 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 11am with a target audience belonging to females of Class A and B. Also in March, 2010, FCA undertook sponsorship of a basketball team at PBL with the aim of promoting sports at the same time awareness of the FCA brand among young generation.

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 5pm. The FCA jingle was launched to prepare in preparation for the launch of the Veggie Cart concept that which 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 subdiaries 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 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 BOI while M2000 Imex is filing an application for 4 year tax holiday owing to its expansion. AgriNurture, on the other hand, is identifying potential locations to transfer to in an appropriate Export Processing Zone to avail of an incentives that will allow the company to pay a tax rate of only 5% instead of its current rate of 30%.

EMPLOYEES

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

	Number of Employees			
Category	**For the year ended Dec. 31, 2007**	**For the year ended Dec. 31, 2008**	**For the year ended Dec. 31, 2009**	**As of March 31, 2010**
Executives (Officers and Managers)	20	30	40	50
Project employees and Consultants	1	3	4	5
All other employees	600	685	680	675
Total	621	718	724	730

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	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 all of the Company's 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.

SIGNATURES

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

Issuer	**AGRINURTURE, INC. AND SUBSIDIARIES**
Signature and Title	**MR. ANTONIO L. TIU** Chief Executive Officer
Date	May 2010
Signature and Title	**MR. KENNETH S. TAN** Chief Financial Officer
Date	May 2010

Agrinurture, Inc. and Subsidiaries

#35 Gasan St., Masambong SFDM, Quezon City. (02) 413-5566

EXHIBITS

INTERIM FINANCIAL STATEMENTS

AGRINURTURE INC (Formerly Mabuhay 2000 Enterprises, Inc.)
CONSOLIDATED INTERIM BALANCE SHEET
March 31, 2010

With comparative figures for 2009 and 2008 and December 31, 2009
In Philippine Pesos

	Note	1st qtr 2010	1st qtr 09	2008	12/31/2009
ASSETS					
Current Assets					
Cash		89,581,912	31,714,359	13,165,570	152,186,392
Trade and other receivables	4	283,616,373	129,533,422	70,111,680	239,196,808
Note receivable	5	58,000,000	58,000,000	50,000,000	58,000,000
Subscription receivable		-	-	61,166,696	
Due from stockholders, officers and employees	16	51,198,665	192,872	70,714,032	50,699,965
Advances to projects		70,798,189	96,329,914	25,670,914	53,412,422
Inventories	6	41,404,383	31,109,916	18,570,041	37,749,478
Prepayments and other current assets		15,755,703	7,162,457	3,495,165	13,151,138
Total Current Assets		610,355,226	354,042,940	312,894,098	604,396,203
Non-current Assets					
Investments					
Property, plant and equipment, net	7	147,386,665	147,088,570	59,081,385	145,761,509
Deferred tax assets	17	225,777	945,608	138,234	225,777
Goodwill	22	19,509,913	19,509,913	30,111,221	19,509,913
Other non-current assets		232,368	7,907,098	3,887,044	31,501
Total Non-current Assets		167,354,724	175,451,189	93,217,884	165,528,700
Total assets		777,709,950	529,494,129	406,111,982	769,924,903
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	8	29,118,158	56,451,522	31,397,261	50,398,309
Current portion of long-term notes payable	9	189,687,479	176,077,640	142,000,511	166,734,989
Due to stockholders, officers and employees	16	4,752,991	14,652,684	31,205,229	3,182,227
Income tax payable		4,477,472	633,751	1,444,601	2,553,993.00
Other current liabilities		14,032			
Total Current Liabilities		228,050,131	247,815,597	206,047,602	222,869,518
Non-current Liabilities					
Long-term notes payable		-	15,680,391	12,145,023	-
Pension liability	14	768,215	560,265	394,953	733,215
Deferred tax liability		-		130,665	
Total non-current Liabilities		768,215	16,240,656	12,670,641	733,215
		-			
Total Liabilities		228,818,346	264,056,253	218,718,243	223,602,733
Issued capital and reserves attributable to the owners of the parent					
Share capital - P1 par value					
Authorized - 300,000,000 shares					
Issued - 191,868,445 in 2009; 178,536,602 shares in 2009 and 2008	10	191,868,445	178,536,602	35,758,439	191,868,445
Share premium		306,832,220		61,166,696	306,832,220
Subscribed capital stock		-			
Deposits for future subscription		-	75,087,228	70,980,000	
Retained Earnings	10	-			
Appropriated		19,000,000	19,000,000	19,000,000	19,000,000
Unappropriated		31,190,939	(7,185,954)	488,604	28,621,505
Total Equity		548,891,604	265,437,876	187,393,739	546,322,170
Equity Attributable to minority interest					
Total Equity		548,891,604	265,437,876	187,393,739	546,322,170

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three months Ended March 31, 2010

(With Comparative Figures for 2009 and 2008)

Amounts in Philippine Pesos

	Notes	Equity Attributable to the Equity Holders of the Parent Company						
		Share Capital (Issued and Outstanding)	Subscribed Capital Shares	Deposits for Future Stock Subscriptions	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Minority Interest	Total
Balances at January 1, 2008		10,000,000		95,898,440		3,562,842	17,095,885	126,557,167
Issuance of common shares		839,999						839,999
Additional subscriptions of common shares			61,166,696					61,166,696
Transfer of Deposits for future stocks								-
subcription to share capital		24,918,440		(24,918,440)				-
Acquisition of remaining								-
equity interst of FCAC							(17,095,885)	(17,095,885)
Appropriation for future dividends					19,000,000	(19,000,000)		-
Net income for the period						15,925,762		15,925,762
Balances at March 31, 2008		**35,758,439**	**61,166,696**	**70,980,000**	**19,000,000**	**488,604**	**-**	**187,393,739**
Balances at January 1, 2009		178,536,602			19,000,000	(6,700,039)	17,095,885	207,932,448
Issuance of common shares								-
Transfer of Deposits for future stocks								-
subcription to share capital				75,087,228				75,087,228
Acquisition of remaining								-
equity interst of FCAC							(17,095,885)	(17,095,885)
Appropriation for future dividends								-
Net income for the period						(485,915)		(485,915)
Balances at March 31, 2009		**178,536,602**		**75,087,228**	**19,000,000**	**(7,185,954)**	**-**	**265,437,876**
Balances at January 1, 2010		191,868,445	306,832,220		19,000,000	28,621,505		546,322,170
Deposits for future subscriptions								-
Prior period adjustments								-
Dividends declared						(1,918,684)		(1,918,684)
Issuance of common shares								-
Share premium								-
Net income for the period						4,488,119		4,488,119
Balances at March 31, 2010		**191,868,445**	**306,832,220**	**-**	**19,000,000**	**31,190,939**	**-**	**548,891,604**

INTERIM CONSOLIDATED STATEMENT OF INCOME
For the quarter months ended March 31, 2010
(With comparative figures for 2009 and 2008)

Particulars	NOTES	*2010*	*2009*	*2008*
			FIRST QUARTER	
Sales		261,401,108	168,414,107	185,496,170
Cost of Sales	11	218,381,917	138,872,065	143,276,607
Gross Profits		43,019,191	29,542,042	42,219,563
Operating Expenses	12	35,104,098	27,025,946	31,091,534
Operating Income		7,915,093	2,516,096	11,128,029
Other Income (Expenses), net	15	(1,503,495)	(3,002,011)	7,779,734
Income Before Income Tax		6,411,598	(485,915)	18,907,763
Provision for Income Tax	18			
Current		1,923,480		2,976,980
Deferred				5,021
		1,923,480	-	2,982,001
Net Income		4,488,119	(485,915)	15,925,762
Attributable to				
Equity Horlders of the Parent		4,488,119	(485,915)	15,925,762
Minority interest		-	-	-
		4,488,119	(485,915)	15,925,762
EARNINGS PER SHARE	19	0.0234	(0.0027)	0.02

AGRINURTURE, INC. AND SUBSIDIARIES

(Formerly Mabuhay 2000 Enterprises, Inc.)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three Months Ended March 31, 2010
(With Comparative Figures for 2009 and 2008)

Amounts in Philippine Pesos

	Notes	2010	2009	2008
Cash Flows from Operating Activities				
Net Income		**6,411,598**	(485,915)	18,907,763
Adjustment for				
Depreciation and amortization	7	**2,234,922**	1,491,610	1,251,939
Provision for retirement benefit cost	14	**35,000**	34,971	11,657
Goodwill				(7,325)
Interest expense		**1,503,495**	3,044,755	2,924,290
Unrealized foreign exchange gain, net				(26,003)
Interest income			(42,744)	(9,065)
Operating income before working capital changes		**10,185,016**	4,042,677	23,053,256
Decrease (Increase) in				
Trade and other receivables		**(44,419,565)**	90,928,213	17,824,853
Inventories		**(3,654,905)**	3,040,316	(2,246,867)
Due from officers and employees		**(498,700)**	4,990,053	10,735,349
Advances to projects		**(17,385,767)**	(64,332,146)	(16,503,473)
Prepayments and other current assets		**(2,604,565)**	182,420	(358,022)
Increase (Decrease) in				
Trade and other payables		**(21,280,151)**	(33,273,532)	(39,278,766)
Income tax payable		**1,923,479**		-
Due to Stockholders		**1,570,764**		
Other current liabilities		**14,032**		13,763,599
Cash provided by (used in) operations		**(76,150,364)**	5,578,001	6,989,929
Interest paid		**(1,503,495)**	(3,044,755)	(2,924,290)
Interest received			42,744	9,065
Income taxes paid				(2,065,641)
		(1,503,495)	(3,002,011)	(4,980,866)
Net cash provided by (used in) operating activities		**(77,653,859)**	2,575,990	2,009,063
Cash Flows from Investing Activities				
Addition to property and equipment	7	**(3,860,078)**	(15,200,000)	(14,995,944)
Increase in other non-current assets		**(200,867)**	(3,982,636)	(3,148,931)
Net cash in investing activities		**(4,060,945)**	(19,182,636)	(18,144,875)
Cash Flows from Financing Activities				
Net proceeds from borrowings		**20,266,167**	(35,163,743)	36,626,431
Repayment on borrowings				(2,133,942)
Payment of dividends		**(1,155,842)**		
Change in minority interest				(17,095,885)
Proceeds from issuance of share capital (deposits)			75,087,228	839,999
Net cash provided by financing activities		**19,110,325**	39,923,485	18,236,603
Net Increase in Cash		**(62,604,480)**	23,316,839	2,100,791
Cash, January 1		**152,186,392**	8,397,521	11,064,779
Cash, March 31		**89,581,912**	31,714,360	13,165,570

Note 1 - CORPORATE INFORMATION

AgriNurture, Inc. (ANI), formerly Mabuhay 2000 Enterprises, Inc., was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997 primarily to engage in 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 contracts for the export, import, purchase, acquisition, sale at wholesale only and other disposition for its own account as principal or its representative, upon consignment of all kinds of goods, wares, merchandise or products, whether natural or artificial.

On January 19, 2009, ANI was listed at National Stock Exchange of Australia; a stock exchange set up and managed specifically to cater for the listing of Small to Medium Enterprises. Also, On May 25, 2009, ANI joined the prestigious list of companies in Philippine Stock Exchange.

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 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 Subsidiaries	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 and Green Harvest Agricultural Company, Inc. (FG)	100% directly owned through FCAC	June 4, 2004	Block 176 Lot 5 Phase 3 Guagua Ext B, Madapdap Resettlement Center, Mabalacat, Pampanga	Trading agricultural goods
M2000 IMEX Company, Inc. (IMEX)	100% directly owned	May 11, 2005	No. 54 National Road, Dampol II-A Pulilan, Bulacan, Philippines	Manufacturing - pre-operating stage in 2007 - operating in 2008
Lucky Fruit and Vegetable Products, Inc. (LFVPI)	100% directly owned	May 11, 2005	No. 35 Gasan Street, Masambong, SFDM,	Trading agricultural goods
Best Choice Harvest Agriculture Corp. (BCHAC)	100% directly owned through FCAC		Sitio Gugu, Brgy Sta. Rosa, Conception, 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 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 Washington Tower, Asiaworld Complex, Marina, Parañaque 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 secondary common shares being listed and have subsequently been traded.

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

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

Approval of consolidated financial statements

The accompanying consolidated financial statements of the Group for the period ended December 31, 2009 were authorized and approved for issuance by the BOD on April 15, 2010.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Basis of Preparation

Basis of Measurement

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

Statement of Compliance

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

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

Functional and Presentation Currency

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

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 measurements 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 effect of fair value measurements.

- *PAS 1 (Revised 2007), Presentation of Financial Statement*
  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 and 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 Instruments 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 the existing standards not yet effective.

The following new standards, amendments and interpretations 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 statement.

Basis of Consolidation

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

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

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

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

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

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

Business Combinations

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

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

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

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

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

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

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

Accounting Standard, Amendments and Interpretations Effective in 2008

The Group adopted the following relevant standard, amendment and interpretations to existing standards, which are effective for annual periods beginning on or after January 1, 2008, that are relevant to its operations:

• PAS 39 and PFRS 7 (Amendment), *Reclassification of Financial Assets*

The amendments to the standards, which became effective on July 1, 2008, permitted an entity to reclassify non-derivative financial assets (other than those designated at FVPL by the entity upon initial recognition) out of the FVPL in particular circumstances. The amendment also permitted an entity to transfer from AFS category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial assets had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. In the event of reclassification, additional disclosures are required under PFRS 7. The Group assessed that the amendment to these standards have no impact on its consolidated financial statements since it has not reclassified its financial assets to a new category.

• Philippine Interpretation IFRIC 14, PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*

This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. This interpretation does not have any impact on the financial position of the Group, as it does not have any pension asset.

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

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

• Philippine Interpretation IFRIC 12, *Service Concession Agreements*

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession agreements. The Group does not have any service concession arrangements and hence this interpretation have no impact to the Group's consolidated financial statements.

Standards and Amendment to Existing Standards Subsequent to 2008

The Group is also aware of the following standards and amendments to existing standards that have been approved and are effective subsequent to 2008:

• Philippine Financial Reporting Standard (PFRS) 8, *Operating Segments* (Effective January 1, 2009)

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

• Amendments to PFRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* (Effective January 1, 2009)

The amendments improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments. It introduces a three-level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. As of the reporting date, the management could not yet measure the likely effect of adopting these amendments in the future.

• Revised PFRS 3, Business Combinations, and PAS 27, *Consolidated and Separate Financial Statements* (Effective July 1, 2009)

The changes to PFRSs have been relatively small. The revised PFRS 3 reinforces the existing PFRS 3 model but remedies problems that have emerged in its application. Management believes that this interpretation would not have any significant impact in the Group's financial statements when it becomes effective in the future.

• Amendments to PFRS 2, Share-based Payment – *Vesting Conditions and Cancellations* (Effective January 1, 2009)

The amendments deal with two matters. They clarify that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. They also specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group is currently assessing the impact of this standard in its consolidated financial statements and will adopt once it becomes effective.

• Revised Version of PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* (Effective July 1, 2009)

The revised version has an improved structure but does not contain any technical changes and therefore, would not have any effect on the Group when it becomes effective. It was restructured to make it easier for the reader to understand and to allow it to accommodate more easily any future changes that might be necessary.

• PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards and PAS 27, Consolidated and Separate Financial Statements* (Effective January 1, 2009)

The amendments are relevant to first-time adopters of PFRS and thus, are not applicable to the Group. It will allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements; and it removes the definition of the cost method from IAS 27 and replacing it with a requirement to present dividends as income in the separate financial statements of the investor.

 Amendments to PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (Effective for annual periods beginning on or after July 1, 2009)

The amendments provide additional guidance on what can be designated as a hedged item. It focused on developing application guidance to illustrate how the principles underlying hedge accounting should be applied in those situations. These amendments would most likely not affect the Group when it becomes effective as it does not usually enter into hedging activities.

 Amendments to PAS 32, *Financial Instruments: Presentation, and PAS 1, Presentation of Financial Statements (revised 2007) – Puttable Financial Instruments and Obligations Arising on Liquidation* (Effective January 1, 2009)

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

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

- Revised PAS 1, Presentation *of Financial Statements* (Effective January 1, 2009)

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

- Philippine Interpretation IFRIC–18, *Transfers of Assets from Customers* (Effective to transfers of assets from customers received on or after 1 July 2009)

The Interpretation is particularly relevant for the utility sector and therefore, would not have a significant impact on the Group when it becomes effective. The interpretation clarifies: the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset), the recognition of revenue; and the accounting for transfer of cash from customers.

- Philippine Interpretation IFRIC–17, *Distributions of Non-cash Assets to Owners* (Effective for annual periods beginning on or after 1 July 2009)

It will standardize practice in the accounting treatment of distribution of non-cash assets to owners. The Interpretation clarifies that: a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Management believes that the Group is not yet in a financial position to distribute any asset to its owners.

- Philippine Interpretation IFRIC-16, *Hedges of a Net Investment in a Foreign Operation* (Effective for annual periods beginning on or after October 1, 2008)

The Interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and that apply hedge accounting in accordance with IAS 39. It does not apply to other types of hedge accounting. Management believes that this interpretation would not have any significant impact in the Group's financial statements when it becomes effective in the future.

- Philippine Interpretation IFRIC –15, *Agreements for the Construction of Real Estate* (Effective January 1, 2012)

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

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

Financial Instruments

Initial Recognition

Financial assets and financial liabilities are recognized in the consolidated balance sheets when the Group becomes a party to the contractual provisions of the instrument.

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

Classification of Financial Instruments

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

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

Determination of Fair Value

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

Financial Assets

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 income when the loans and receivables are derecognized or impaired, as well as through amortization process. Unearned discount is recognized as income over the life of the loan using the effective interest rate method.

The Group's trade and other receivables, note receivables and due from related parties as shown and disclosed in Notes 4, 9 and16 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 income.

Impairment of Financial Assets

Assessment of Impairment

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

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

Evidence of Impairment

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

Impairment of Assets Carried at Amortized Cost

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

Reversal of Impairment Loss

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

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

Inventories

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Impairment of Non-Financial Assets

At each financial reporting date, the Group reviews the carrying amounts of non-current assets to determine whether there is any indication of impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to its recoverable amount. The recoverable amount of the assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is recognized in the consolidated statements of income.

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

Provisions and Contingencies

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

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

Revenue Recognition

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

Sale of goods

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

Interest income

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

Operating Leases

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

Pension Benefits Cost

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

These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs.

Borrowing Costs

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

Foreign Exchange Transactions

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

Related Parties

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

Income Taxes

Current income tax

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

Deferred income tax

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

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

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

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

Earnings Per Share (EPS)

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

Business Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Under two main segments, Fresh and Processed sub-segments are the Fresh Export, Local Fresh, Processed and the Farming segments. Segment information will be incorporated in the succeeding financial reports.

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 March 31, 2010 and December 31, 2009 amounted to P482,396,950 and P500,083,165 respectively, as shown in Note 20.

The fair value of financial assets and liabilities as of March 31,2010 and December 31, 2008 amounted to P223,558,628 and P220,315,525, respectively, as shown in Note 20.

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 P147,386,665 and P145,761,509 and P133,380,179 as of March 31, 2010, as of December 31, 2009 and 2008, respectively.

Asset 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 exist 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.

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

No impairment losses were recognized on property and equipment in 2008 and 2007.

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, indications that the 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 borrower 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 assets’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.

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.

The preparation of the interim consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the interim 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 interim 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 interim consolidated financial statements when these become reasonably determinable.

Recognition of deferred income tax assets

The Group reviews its deferred income tax assets at each balance sheet date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Total deferred income tax assets amounted to P225,777, P945,608 and P225,777 as of March 31, 2010, March 31, 2009 and December 31, 2009, respectively.

Note 4 – TRADE AND OTHER RECEIVABLES

This account consists of:

Particulars	**March 31, 2010**	**December 31, 2009**
Trade receivables	232,165,391.70	P169,830,939
Other receivables	51,450,981.30	69,365,869
Total	**283,616,373.00**	**P239,196,808**

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.

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

Note 5 - Notes Receivable

A secured notes receivable assigned by a major stockholder to the Parent company on December 27, 2007 which is based on the consideration given by the stockholder to the seller.

Note 6 – INVENTORIES

This account consists of:

At cost:

	March 31, 2010	December 31, 2009
Finished Goods	39,624,074.48	
Raw Materials		4,938,387.00
Vegetables and Fruits	1,529,918.52	20,418,251.00
Packaging Materials and Supplies	250,388.00	12,392,840.00
Total	**41,404,383.00**	**37,749,478.00**

Note 7 – PROPERTY AND EQUIPMENT, Net

The carrying amount of the Group's property and equipment, net are as follows:
At March 31, 2010 (Insert)

Construction in-Progress

This pertains to the capitalizable expenses incurred by a Subsidiary amounting to P8,345,498, P7,276,170, and P7,731,811 as of March 31, 2010, March 31, 2009 and December 31, 2009, respectively, in connection with the future transfer and use of a real property. The real property is collateral to indebtedness by a third party to the Parent which was subsequently foreclosed.

Management reviewed the carrying value of its property and equipment as of March 31, 2009 and December 31, 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:

Particulars	*3/31/2010*	*12/31/2009*
Trade payables	*24,859,858*	*48,427,510*
Customers' deposits	*1,258,300*	*1,258,300*
Accrued expenses	*2,000,000*	*712,499*
Other payables		*-*
Total	*29,118,158*	*50,398,309*

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

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:

	March 31, 2010	**December 31, 2009**
Banco De Oro (BDO)		
Bank of Commerce		
Mega International Commercial Bank (MICB)		
Bank of the Philippine Islands		
Metropolitan Bank and Trust Co. (MBTC)		
Land Bank of the Philippines (LBP)		

Rizal Commercial Banking Corporation (RCBC)		
Philippine National Bank (PNB)		
Orix Metro Leasing Finance Corporation (ORIX)		
Current Portion	**189,687,179**	**166,734,989**
Non Current Portion		**-**
Total	**189,687,179**	**166,734,989**

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

	Annual Interest Rate				
Lenders	**2010**	**2009**	**2008**	**Term**	**Security**
BDO*	6.75%-7%	6.75%-7.75%	7.75-8.5%	1 to 6 months	Surerityship agreement and line of credit
MICB	7.5%-8%	7%-7.5%	7.5%	3 years	Real estate mortgage of FCAC's land and building
BPI	5.5%	5.50%	9.25%-10.5%	6 months/5 years	Unsecured
MBTC		9.00%	9.00%	5 months	Unsecured
LBP*		7.1%	8.75%	6 months	Unsecured
RCBC		9%	8%-9.5%	1 month/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
PNB	7.10%-7.75%			6 months	Unsecured
BOC***	6.00%			1 to 6 months	Unsecured

** 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 re-pricing.*
****Foreign currency denominated loans.*

Interest expense charged to finance cost amounted to P1.503 M and P3.04 M for three (3) months ended March 31, 2010 and 2009 respectively.

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 secured notes receivable assigned by a major stockholder to the Parent Company on December 27, 2007 amounting to P50 million which is based on the consideration given by the stockholder to the seller;

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 capital stock 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 capital stock in favor of the existing shareholders.

Subsequent to the SEC approval on the increase in authorized capital stock 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 Exchanges of Australia (NSX) and the Philippine Stocks Exchange, Inc. (PSE) have been approved on January 9, 2009 and April 15, 2009, respectively.

Total shares of stocks that were subscribed, paid and issued as of March 31, 2010, 2009 and 2008 are detailed below:

	March 31, 2010, 2009 and 2008	
	Number of Shares	**Amount**
Authorized- P1 par value per share in 2008 and P100 par value per share in 2007	**300,000,000**	**300,000,000**
Issued and Outstanding 3/31/08		P35,785,439
Issued and Outstanding 3/31/09		P178,536,602
Issued and Outstanding 3/31/10		P191,868,445

Appropriation of Retained Earnings of FCAC

FCAC appropriated accumulated retained earnings of P5,000,000 each, in 2004 and 2005 for expansion projects which was reverted as unappropriated retained earnings in 2007, upon accomplishment of the said project. On March 10, 2008, the BOD of FCAC approved the appropriation of accumulated retained earnings amounting to P19,000,000 for future dividend declaration.

Note 11 – COST OF SALES

The breakdown of this account for the quarter ended March 31, is as follows:

COST OF SALES	2010	2009
Inventories, January 1	P37,749,478	P34,150,232
Purchases, Direct Labor and Overhead	222,036,822	135,831,749

Total goods available for sale	259,786,300	169,981,981
Inventories, March 31	(41,404,383)	(31,109,916)
Cost of goods sold	218,381,917	138,872,065

These inventories are normal operating requirements.

Note 12 – OPERATING EXPENSES

Operating Expenses	note	First quarter 3/31/2009	3/31/2008	3/31/2007
Deliveries		7,507,885	7,875,557	6,929,814
Contracted services		3,957,397	4,153,285	
Salaries, wages and other eemployee cost		3,296,872	7,666,272	10,741,525
Advertising and promotions		1,229,738	2,490,078	2,005,796
Professional fees		522,834	1,250,200	573,217
Depreciation and amortization		1,491,610	1,251,939	552,214
Transportation and travel		318,127	976,272	673,245
Maintenance and upkeep		1,500,000		
Repairs and maintenance		504,412	749,473	759,479
Communication, light and water		1,312,761	750,217	478,097
Taxes and licenses		475,000	498,899	378,119
Bank charges		32,156		
Representation and entertainment		380,548	426,384	603,107
Brokerage and handling fees		33,337	231,604	17,424
SSS, Philhealth and Pagibig contributions		467,067	494,237	614,309
Office supplies		187,837	162,835	468,660
Security services		312,958	162,000	163,867
Rent		99,075	330,925	522,850
Retirement benefit cost		34,971	11,657	10,693
Miscellaneous		3,361,359	1,609,700	1,420,956
		27,025,946	31,091,534	26,913,372

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 up to December 31, 2009 at a monthly rental of P0.05 million. 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.

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.

No changes in the net pension liabilities are recognized in the interim consolidated balance sheets as of report date pending the results of the new actuarial valuation scheduled in the second half of the year. The amount reported in the annual financial statements as of and for the year December 31, 2009 was used as a basis in the computation of this expense.

Interim report as of March 31, 2010 showed:

	March 31, 2009	March 31, 2009	December 31, 2008
Net pension liability, beginning	**733,215**	P525,294	P383,296
Retirement expense	**35,000**	34,971	141,998
Net pension liability, ending	**P768,215**	P560,265	P525,294

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

	December 31, 2009	March 31, 2009	December 31, 2008
Present value of obligation, beginning	**863,006**	863,006	737,506
Current service cost	**86,402**	10,566	44,374
Interest cost	**103,561**	20,282	81,126
Actuarial (gain) loss	**(664,283)**	-	-
Present value of obligation, ending	**388,686**	893,854	863,006

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

	December 31, 2009	March 31, 2009	December 31, 2008
Current service cost	**86,402**	10,565	44,374
Interest cost	**103,561**	20,281	81,126
Net Actuarial loss	**17,958**	4,125	16,498
Present value of obligation, ending	**207,921**	34,971	141,998

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

	December 31, 2009	March 31, 2009	December 31, 2008
Present value of defined benefit obligations	**388,685**	893,854	863,006
Unrecognized actuarial gains	**344,529**	(333,589)	(337,712)
	733,214	560,265	525,294

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

	December 31, 2009	March 31, 2009	December 31, 2008
Discount rate	**10.9%**	11%	11%
Salary increase rate	**3%**	5%	5%

Average remaining working life of plan members	**14 years**	16 years	17 year

Note 15 – OTHER INCOME (EXPENSES), Net

The breakdown of the account is as follows:

	2010	2009
Realized foreign exchange gain (loss), net		
Rental income		
Interest income		42,744.00
Other income		
Interest expense and bank charges	(1,503,495.00)	(3,044,755.00)
	(1,503,495.00)	(3,002,011.00)

Other income for 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 interim financial statements of the Parent Company and its subsidiaries, which are eliminated in full in the accompanying interim consolidated financial statements.

a. Credit Accommodations of Parent Company and FCA

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 March 31, 2008 and December 31, 2007, respectively, which is to be shared between the Parent Company and its subsidiary, FCA. In relation to this, the Parent Company and FCA 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. The suretyship agreement is still in effect to date;

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

(ii) Undertakes with the bank that upon nonpayment or nonperformance of FCA 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, FCA has entered into several loan agreements with BDO, resulting to the recognition of an outstanding liability amounting to P80 million and P74.75 million as of March 31, 2008 and December 31, 2007, respectively. These loans are secured by the assignment of receivables of FCA and the suretyship agreement mentioned above.

b. Due from and to Officers and Employees

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. The Group has not recorded any impairment of receivables from stockholders as of March 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 amounts to P3.25 million, P3.25 million and P2.4 million in 2009, 2008 and 2007, respectively.

Note 18 – INCOME TAXES

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

	March 31, 2010	December 31, 2009
Deferred tax assets	225,777.00	225,777.00
Deductible temporary difference on:		
Pension liability	158,633.00	158,633.00
NOLCO	67,144.00	67,144.00
	225,777.00	225,777.00

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

	2010	2009
Income before income tax	P6,411,598	P(485,915)
Provision for income tax computed at the		
Statutory provision of 30% for 2010		
and 2009 and 32% for 2008	1,923,480	
Tax effect of:		
Interest expenses subject to final tax		
Tax arbitrage		
Other nondeductible expenses		
Provision for income tax	1,923,480	nil

c.) New Tax Laws

R.A. 9337

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

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

R.R. 12-2007

Under National Internal Revenue Code, 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 Revenue Regulation (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 19 – EARNINGS PER SHARE

Basic EPS is computed as follows:

	2010	**2009**
Net income attributable to equity holders of the Parent Company	P4,488,119	P(485,915.00)
Weighted average number of shares	191,868,445	178,536,602.00
	P0.0234	**P(0.003)**

Note 20– 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:

	March 31, 2010		December 31, 2009
Cash	89,581,912		152,186,392
Loans and Receivables			
Trade and other receivable	283,616,373		239,196,808
Note Receivable	58,000,000		58,000,000
Due from Stockholders	51,198,665		50,699,965
Total	482,396,950		500,083,165

Aging analyses of financial assets are as follows:

Credit risk	March 31, 2010					
		Neither impaired nor past due on the reporting date	Past due but not yet impaired			Impaired
			61 to 90	61 to 90	91 to 120	More than
	Carrying amount	Current	days	days	Days	120 days
Cash	89,581,912	89,581,912				89,581,912
Trade and other receivables (Note 4)	283,616,373	283,616,373				283,616,373
Notes Receivables (Note 5)	58,000,000	58,000,000				58,000,000
Due from Stockholders (Note 16)	51,198,665	51,198,665				51,198,665
	482,396,950	**482,396,950**				**482,396,950**
Credit risk	March 31, 2009					
		Neither impaired nor past due on the reporting date	Past due but not yet impaired			Impaired
			61 to 90	61 to 90	91 to 120	More than
	Carrying amount	Current	days	days	Days	120 days
Cash	31,714,359	31,714,359	-	-	-	-
Trade and other receivables (Note 4)	129,533,422	103,828,900	25,704,522			-
Notes Receivables (Note 5)	58,000,000	58,000,000	-	-	-	-
Due from Stockholders (Note 16)	192,872	192,872	-		-	-
	219,440,653	**193,736,131**	**25,704,522**			**-**

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:

	March 31, 2010				
		Less than 3	3 to 12	1 to 5	
	On Demand	Months	months	YEARS	Total
Due to stockholders (Note 16)	4,752,991				4,752,991
Trade and other payables (Note 8)	29,118,158				29,118,158
Notes payable					0
Notes payable (Note 9)	189,687,479				189,687,479
	223,558,628				**223,558,628**
	March 31, 2009				
		Less than 3	3 to 12	1 to 5	
	On Demand	Months	months	years	Total
Due to stockholders (Note 16)	14,652,684				14,652, 684
Trade and other payables (Note 8)		56,451,022		-	56,451,422
Notes payable (Note 9)		91,077,640	85,000,000	15,680,391	191,758,031
	14,652,684	**147,528,662**	**85,000,000**	**15,680,391**	**262,861,737**

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.

Note 21 – FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments
The carrying values and fair values of financial assets and financial liabilities are presented below:

	March 31, 2010	December 31, 2009
Financial assets		
Cash in bank	P89,581,912.00	P152,186,392.00
Trade and other receivables(Note 4)	283,616,373.00	239,196,808.00

Notes receivables (Note 5)	58,000,000.00	58,000,000.00
Due from stockholders (Note 16)	51,198,665.00	50,699,965.00
	P482,396,950.00	**P500,083,165.00**
Financial liabilities		
Trade and other payables (Note 8)	P29,118,158.00	P50,398,309.00
Notes payables (Note 9)	189,687,479.00	166,734,989.00
Due to stockholders (Note 16)	4,752,991.00	3,182,227.00
	P223,558,628.00	**P220,315,525.00**

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 maturity 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 22 – BUSINESS ACQUISITIONS

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

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

Accordingly, the 2008 interim consolidated financial statements include the results of operations of FCAC and FG for the six-month ended from their acquisition on January 1, 2007 to March 31, 2009.

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 of Acquisition	Carrying Value
Cash	P12,500.00	P12,500.00
Advances to related parties	586,794.00	586,794.00
Prepayments and other current assets	250,388.00	250,388.00
CIP	5,489,311.00	5,489,311.00
Advances from related parties	(6,633,369.00)	(6,633,369.00)
Fair value of net identifiable assets and liab.	**(P294,376.00)**	**(P294,376.00)**

On January 1, 2007, the Parent Company acquired 60% equity interest in FCAC, FG and BCHAC (Note 1). The fair value of the assets and liabilities of which as of the date of acquisition were as follows:

	Recognized on Acquisition	Carrying Value
Cash	P 50,016.00	P50,016.00
Trade and other receivables	40,032,838.00	40,032,838.00
Advantage to related parties	27,869,590.00	27,869,590.00
Inventories	1,000,187.00	1,000,187.00
Prepayment and other current assets	937,760.00	937,760.00
Property and equipment, net	10,092,267.00	10,092,267
Goodwill from acquisition of FG	2,150,409.00	2,150,409
Trade and other payables	(23,533,840.00)	(23,533,840.00)
Advances from related parties	(12,002,770.00)	(12,002,770.00)
Loans payable	(9,767,912.00)	(9,767,912.00)
Fair value of net identifiable assets and liabilities	36,828,545.00	36,828,545.00
Percentage of ownership	60%	-
	22,097,127.00	36,828,545.00
Cost of acquisition		
Interest on the net identifiable assets and liabilities		50,004,838.00
		22,097,127.00
Goodwill		27,907,711.00

*Includes transaction cost of P4,838

Furthermore, the Parent Company acquired the remaining 40% equity interest in FCAC, FG and BCHAC. The fair value of the assets and liabilities of which as of the date of acquisition were as follows:

	Recognized on	Carrying
	Acquisition	Value
Cash	P10,459,336.00	P10,459,336.00
Trade and other receivables	60,484,218.00	60,484,218.00
Advantage to related parties	114,679,582.00	114,679,582.00
Inventories	10,842,754.00	10,842,754.00
Prepayment and other current assets	156,811.00	156,811.00
Property and equipment, net	12,397,710.00	12,397,710.00

Goodwill from acquisition of FG	2,150,409.00	2,150,409.00
Trade and other payables	(50,964,449.00)	(50,964,449.00)
Advances from related parties	(30,212,562.00)	(30,212,562.00)
Loans payable	(87,101,556.00)	(87,101,556.00)
Income tax payables	(138,983.00)	(138,983.00)
Fair value of net identifiable assets and liabilities	42,753,270.00	42,753,270.00
Percentage of ownership	40%	-
	17,101,308.00	42,753,270.00
Cost of acquisition		
Interest on the net identifiable assets and liabilities		6,500,000.00
		17,101,308.00
Goodwill (Excess of the net identifiable assets and liabilities		(10,601,308.00)
over the acquisition cost)		

NOTE 23 – MEMORANDUM OF AGREEMENT

On February 15, 2007, a Memorandum of Agreement was executed by and among the Parent Company, Education Parks for Sustainable Development Foundation, a non-stock and non-profit organization, Bamban Aeta Tribal Association (B.A.T.A.), and National Commission for Indigenous People (NCIP), a national government agency. The agreement provides for the establishment of the joint governing council for the B.A.T.A. sustainable development project. To hasten and facilitate a more effective and binding interaction among the four parties, a Joint Governing Council (JGC) shall be established to be represented as follows: two to be named by B.A.T.A.; two by the Foundation; two by the Parent Company; and one by the NCIP. This JGC shall evaluate, approve and provide guidance and direction in the management of the various component projects, which shall be introduced and implemented by various participating entities, which are willing to partake of the different development activities relevant to the improvement of the socio-economic conditions of the indigenous people.

NOTE 26 – BUSINESS SEGMENTS

For management purposes, the Group is organized into two main segments – fresh 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 25 – LISTING WITH THE NATIONAL STOCK EXCHANGE OF UASTRALIA (NSX) AND THE PHILIPPINE STOCK EXCHANGE (PSE)

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	184,672,404	P184,672,404.00
Allotted to Parent Company's directors, employees and consultants under a stock purchase plan	10,631,467	10,631,467.00
	195,303,871	195,303,871.00
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	84,696,129	84,696,129.00
Underlying common shares	20,000,000	20,000,000.00
	300,000,000	**P300,000,000.00**

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.

NOTE 26 – FINANCIAL STATEMENT PRESENTATION

Certain 2008 and 2007 consolidated financial statement data were reclassified to conform to the current year's financial statement presentation.

(Insert)

Note 7 – PROPERTY AND EQUIPMENT, NET

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

March 31, 2010

	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, 2010	33,917,000	56,765,227	6,286,537	10,951,203	39,332,947	4,091,066	2,732,113	7,731,811	161,807,904
Additions			14,750		913,882	755,510	1,562,248	613,687	3,860,078
Adjustments									
At March 31, 2010	33,917,000	56,765,227	6,301,287	10,951,203	40,246,829	4,846,576	4,294,361	8,345,498	165,667,982
Accumulated depreciation									
At January 1, 2010		1,859,079	3,388,230	4,213,869	1,480,468	2,549,963	2,554,786	-	16,046,395
Provisions		283,715	231,190	344,393	726,850	225,339	423,435		2,234,922
At March 31, 2010	-	2,142,794	3,619,420	4,558,262	2,207,318	2,775,302	2,978,221	-	18,281,317
Net Book Value									
March 31, 2010	33,917,000	54,622,433	2,681,867	6,392,941	38,039,511	2,071,274	1,316,140	8,345,498	147,386,665

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

December 31, 2009

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

Carrying amount at cost	Land	Building	Store and Warehouse Equipment	Delivery and Transportation Equipment	Machinery and Equipment	Office Furniture and Fixtures	Leasehold Improvement	Construction in Progress	Total
At January 1, 2009	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
Additions			5,000,000		10,000,000	200,000			15,200,000
Disposals									
At March 31, 2009	20,917,000	56,689,891	10,536,275	10,321,557	46,687,505	3,961,348	2,804,830	7,276,170	159,194,576
Accumulated Depreciation and amortization									
At January 1, 2009		587,969	2,267,323	2,967,756	802,557	1,639,987	2,348,805		10,614,397
Depreciation and amortization Expense		472,416	138,406.88	258,038.93	458,593.81	94,033.70	70,120.75		1,491,610
Disposals									
At March 31, 2009	-	1,060,385	2,405,730	3,225,795	1,261,151	1,734,021	2,418,926	-	12,106,007
Net Book Value At March 31, 2009	20,917,000	55,629,506	8,130,545	7,095,762	45,426,354	2,227,327	385,904	7,276,170	147,088,569
Book Value Net At December 31, 2008	20,917,000	56,101,922	3,268,952	7,353,801	35,884,948	2,121,361	456,025	7,276,170	133,380,179

Portion of the Group's land, building and machinery and equipment were used to secure loans obtained by the group

EXHIBITS

INTERIM FINANCIAL STATEMENTS