AGRINURTURE, INC.

SECTION 2A: APPENDIX 3

HALF YEAR REPORT

The following information must be given to NSX under listing rule 6.10

1. Details of the reporting period and the previous corresponding period.

2. Key information in relation to the following. This information must be identified as ***"Results for announcement to the market".***

   2.1 The amount and percentage change up or down from the previous corresponding period of revenue.

   2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) after income tax

   2.3 The amount and percentage change up or down from the previous corresponding period of profit (loss) for the period attributable to members of the parent.

   2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.

   2.5 The record date for determining entitlements to the dividends (if any).

   2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

   Note: The information required by item 2 must be placed at the beginning of the report. The other information may be presented in whatever way is the most clear and helpful to users, e.g. combined with the body of the report, combined with notes to the accounts, or set out separately.

3. Net tangible assets per security with the comparative figure for the previous corresponding period.

4. Details of entities over which control has been gained or lost during the period, including the following.

   4.1 Name of the entity.

   4.2 The date of the gain or loss of control.

   4.3 Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.

5. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if known) the amount per security of foreign sourced dividend or distribution.

6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.

7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

8. For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).

9. For all entities, if the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.

   Note: The audit report or review must be provided as part of the report

Please refer to the relevant Practice Note for the preferred format of this information, to be published by the *Exchange* from time to time.

PRELIMINARY FINAL REPORT

The following information must be given to NSX under listing rule 6.11

1. Details of the reporting period and the previous corresponding period.

2. Key information in relation to the following. This information must be identified as ***"Results for announcement to the market".***

   2.1 The amount and percentage change up or down from the previous corresponding period of revenue.

   2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) after income tax.

   2.3 The amount and percentage change up or down from the previous corresponding period of profit (loss) for the period attributable to members of the parent.

   2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.

   2.5 The record date for determining entitlements to the dividends (if any).

   2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

   Note: The information required by item 2 must be placed at the beginning of the report. The other information may be presented in whatever way is most convenient, eg combined with the body of the report, combined with notes to the accounts, or set out separately.

3. An income statement together with notes to the statement, prepared in compliance with AASB 101: Presentation of Financial Statements and 108: Accounting Policies, Changes in Accounting Estimates and Errors or the equivalent foreign accounting standard.

4. A balance sheet together with notes to the statement prepared in compliance with AASB 101: Presentation of Financial Statements or the equivalent foreign accounting standard. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.

5. A statement of changes in equity together with notes to the statement prepared in accordance with AASB 101: Presentation of Financial Statements or the equivalent foreign accounting standard.

6. A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 107: Cash Flow Statements, or the equivalent foreign accounting standard.

7. Details of individual and total dividends or distributions and dividend or

distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.

8. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.

9. A statement of retained earnings showing movements.

10. Net tangible assets per security with the comparative figure for the previous corresponding period.

11. Details of entities over which control has been gained or lost during the period, including the following.

    11.1 Name of the entity.

    11.2 The date of the gain or loss of control.

    11.3 Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.

12. Details of associates and joint venture entities including the following.

    12.1 Name of the associate or joint venture entity.

    12.2 Details of the reporting entity's percentage holding in each of these entities.

    12.3 Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

13. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

14. For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).

15. A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following.

    15.1 The earnings per security and the nature of any dilution aspects.

    15.2 Returns to shareholders including distributions and buy backs.

15.3 Significant features of operating performance.

15.4 The results of segments that are significant to an understanding of the business as a whole.

15.5 A discussion of trends in performance.

15.6 Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.

16. A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed

Note: If the accounts have been audited or subject to review, the audit report or review should be provided with the report.

17. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.

18. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

Please refer to the relevant Practice Note for the preferred format of this information, to be published by the *Exchange* from time to time.

FORM: Half yearly/preliminary final report

Name of *issuer*

AGRINURTURE, INC.

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended ('Current period')
ARBN 133-288-481	Half Yearly	Preliminary	June 30, 2010

For announcement to the market

Extracts from this statement for announcement to the market *(see note 1)*.

				PHP,000
Revenue *(item 1.1)*	up	33.89%	to	602,056
Profit (loss) for the period *(item 1.9)*	up	9.8%	to	15,597
Profit (loss) for the period attributable to members of the parent *(item 1.11)*	up	%9.8	to	15,597

Dividends Franking rate applicable:	Current period	Previous corresponding period
Final dividend *(preliminary final report only)(item 10.13-10.14)*		
Amount per *security*	0.01	None
Franked amount per *security*	0.01	None
Interim dividend *(Half yearly report only) (item 10.11 – 10.12)*		
Amount per *security*	0.0799	0.0796
Franked amount per *security*	0.0799	0.0796

Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

NONE

Consolidated income statement *(The figures are not equity accounted)*

(see note 3)

(as per paragraphs 81-85 and 88-94 of AASB 101: Presentation of Financial Statements)

		Current period June 30, 2010 – Php'000	Previous corresponding period June 30, 2009 - Php'000
1.1	Revenues *(item 7.1)*	602,056	449,656
1.2	Expenses, excluding finance costs *(item 7.2)*	497,884	377,542
1.3	Finance costs	5,123	6,124
1.4	Share of net profits (losses) of associates and joint ventures *(item 15.7)*	0	0
1.5	**Profit (loss) before income tax**	22,282	20,292
1.6	Income tax expense *(see note 4)*	6,685	6,088
1.7	Profit (loss) from continuing operations	15,597	14,205
1.8	Profit (loss) from discontinued operations *(item 13.3)*	0	0
1.9	**Profit (loss) for the period**	15,597	14,205
1.10	Profit (loss) attributable to minority interests	0	0
1.11	**Profit (loss) attributable to members of the parent**	15,597	14,205
1.12	Basic earnings per *security (item 9.1)*	0.0799	0.0796
1.13	Diluted earnings per *security (item 9.1)*	0.0799	0.0796
1.14	Dividends per *security (item 9.1)*	NONE	N/A

Comparison of half-year profits

(Preliminary final statement only)

		Current period June 30, 2010- Php'000	Previous corresponding period June 30, 2009 - Php'000
2.1	Consolidated profit (loss) after tax attributable to members reported for the 1st half year (*item 1.11* in the half yearly statement)	15,597	14,205
2.2	Consolidated profit (loss) after tax attributable to members for the 2nd half year	N/A	N/A

Consolidated balance sheet

(See note 5)

(as per paragraphs 68-69 of AASB 101: Financial Statement Presentation)

	Current assets	Current period June 30, 2010 - Php'000	Previous corresponding period June 30, 2009 - Php'000
3.1	Cash and cash equivalents	83,950	15,526
3.2	Trade and other receivables	259,301	116,838
3.3	Inventories	105,634	31,110
3.4	Other current assets (provide details if material)	321,186	190,306
3.5	**Total current assets**	770,071	353,779
	Non-current assets		
3.6	Available for sale investments	0	0
3.7	Other financial assets	0	0
3.8	Investments in associates	29,833	0
3.9	Deferred tax assets	360	946
3.10	Exploration and evaluation expenditure capitalised *(see para. 71 of AASB 1022 – new standard not yet finalised)*	0	0
3.11	Development properties *(mining entities)*	0	0
3.12	Property, plant and equipment (net)	298,923	145,587
3.13	Investment properties	0	0
3.14	Goodwill	19,510	19,510
3.15	Other intangible assets	0	0
3.16	Other (provide details if material)	171	8,574
3.17	**Total non-current assets**	348,796	174,616
3.18	**Total assets**	1,118,867	528,395
	Current liabilities		
3.19	Trade and other payables	80,052	20,081
3.20	Short term borrowings		
3.21	Current tax payable	3,775	3,610
3.22	Short term provisions		
3.23	Current portion of long term borrowings	391,716	205,224
3.24	Other current liabilities (provide details if material)		
		475,542	
3.25	Liabilities directly associated with non-current assets classified as held for sale *(para 38 of AASB 5)*		
3.26	**Total current liabilities**	475,542	228,915

	Non-current liabilities		
		Current period June 30, 2010 - PHP'000	Previous corresponding period June 30, 2009 - PHP'000
3.27	Long-term borrowings	0	15,680
3.28	Deferred tax liabilities		
3.29	Long term provisions	823	526
3.30	Other (provide details if material)		
3.31	**Total non-current liabilities**	823	16,206
3.32	**Total liabilities**	476,365	245,121
3.33	**Net assets**	642,502	283,274
	Equity		
3.34	Share capital	195,304	178,537
3.35	Other reserves	385,899	72,146
3.36	Retained earnings	61,300	32,592
	Amounts recognised directly in equity relating to non-current assets classified as held for sale		
3.37	**Parent interest**	642,503	283,274
3.38	**Minority interest**		
3.39	**Total equity**	642,503	283,274

See also the financial statements (Balance Sheet as of June 30, 2010 with comparative figures as of June 30,2009 and December 31,2009) submitted to the Philippine Securities and Exchange Commission and the Philippine Stock Exchange (SEC 17Q 2 Quarter Report)

Consolidated statement of changes in equity

(*as per paragraphs 96-97 of AASB 101: Presentation of Financial Statements)*

		Current period June 30, 2010 – Php'000	Previous corresponding period June 30, 2009– Php'000
	Revenues recognised directly in equity:	82,503	72,146
	Expenses recognised directly in equity:	(1,918)	
4.1	**Net income recognised directly in equity**	80,585	72,146
4.2	**Profit for the period**	22,282	20,292
4.3	**Total recognised income and expense for the period**	102,867	92,438
	Attributable to:		
4.4	Members of the parent	102,867	92,438
4.5	Minority interest		
	Effect of changes in accounting policy (*as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors*):		
4.6	Members of the parent entity		N/A
4.7	Minority interest		

Consolidated statement of cash flows
(See note 6)

(as per AASB 107: Cash Flow Statements)

		Current period June 30, 2010 - PHP'000	Previous corresponding period June 30, 2009 - PHP'000
	Cash flows related to operating activities		
5.1	Receipts from customers		
5.2	Payments to suppliers and employees		
5.3	Interest and other costs of finance paid		
5.4	Income taxes paid		
5.5	Other (provide details if material)		
5.6	**Net cash used in operating activities**	186,063	(39,151)
	Cash flows related to investing activities		
5.7	Payments for purchases of property, plant and equipment		(15,200)
5.8	Proceeds from sale of property, plant and equipment		
5.9	Payment for purchases of equity investments		
5.10	Proceeds from sale of equity investments		
5.11	Loans to other entities		
5.12	Loans repaid by other entities		
5.13	Interest and other items of similar nature received		
5.14	Dividends received		
5.15	Other (provide details if material)		(4,649)
5.16	**Net cash used in investing activities**	(187,138)	(19,849)
	Cash flows related to financing activities		
5.17	Proceeds from issues of securities (shares, options, etc.)	82,502	72,145
5.18	Proceeds from borrowings	224,981	
5.19	Repayment of borrowings		(6,017)
5.20	Dividends paid	(1,819)	
5.21	Other (provide details if material)		
5.22	**Net cash PROVIDED/(used) in financing activities**	305,564	66,128
	Net increase (decrease) in cash and cash equivalents	(68,237)	7,128
5.23	Cash at beginning of period (*see Reconciliations of cash*)	152,186	8,398
5.24	Exchange rate adjustments to item 5.23		
5.25	**Cash at end of period** (*see* Reconciliation of cash)	83,950	15,526

See also the financial statements (Balance Sheet as of June 30, 2010 with comparative figures as of June 30, 2009 and December 31, 2009) submitted to the Philippine Securities and Exchange

Commission and the Philippine Stock Exchange (SEC Report 17Q, 2nd quarter).

Reconciliation of cash provided by operating activities to profit or loss

(as per paragraph Aus20.1 of AASB 107: Cash Flow Statements)

		Current period June 30, 2010 - PHP'000	Previous corresponding period June 30, 2009 - PHP'000
6.1	**Profit** *(item 1.9)*	22,282	20,292
	Adjustments for:		
6.2	Depreciation	4,470	2,993
6.3	Retirement Benefit	89	
6.4	**Interest Expense**	5,123	6,111
6.5	Increase/decrease in (net)	(142,291)	(22,445)
6.6	Increase/decrease in - adjustments	(11,807)	(12,199)
6.7	Increase/decrease in		
6.8	Increase/decrease in		
6.9	Increase/decrease in		
6.10	**Net cash from operating activities** *(item 5.6)*	(186,063)	(19,151)

Notes to the financial statements

Details of revenues and expenses

(see note 16)

(Where items of income and expense are material, disclose nature and amount below in accordance with paragraphs 86-87 of AASB 101: Presentation of Financial Statements)

		Current period June 30, 2010 - PHP'000	Previous corresponding period June 30, 2009 - PHP'000
	Revenue		
7.1	Total Revenue	602,056	449,656
	Expenses		
	Cost of sales	497,884	377,542
	Operating expenses	76,767	45,698
	Other Expenses	5,123	6,124
7.2	Total Expenses	579,774	429,364
	Profit (loss) before tax	22,282	20,292

Ratios		**Current period**	**Previous corresponding period**
	Profit before tax / revenue		
8.1	Consolidated profit (loss) before tax *(item 1.5)* as a percentage of revenue *(item 1.1)*	**3.7%**	**4.51%**
	Profit after tax / equity interests		
8.2	Consolidated profit (loss) after tax attributable to members *(item 1.11)* as a percentage of equity (similarly attributable) at the end of the period *(item 3.37)*	**7.99**	**11.37%**

Earnings per *Security*

9.1 *Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:*

All amounts in Philippine Pesos as the reporting currency of the member company, AgriNurture, Inc.

Dividends

10.1	Date the dividend is payable	January 9, 2010
10.2	Record date to determine entitlements to the dividend (i.e. on the basis of registrable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)	December 10, 2009

10.3 If it is a final dividend, has it been declared?

December 16, 2009(*Preliminary final report only)*

10.4 The *dividend or distribution plan*s shown below are in operation.

Cash dividend paid on January 9, 2010

The last date(s) for receipt of election notices to the *dividend or distribution plan*s	December 16, 2009

10.5 Any other disclosures in relation to *dividends or distributions*

NO DECLARATION OF DIVIDENDS AS OF REPORT DATE .

Dividends paid or provided for on all *securities*

(as per paragraph Aus126.4 AASB 101: Presentation of Financial Statements)

		Current period June 30, 2010- PHP'000	Previous corresponding period June 30, 2009 - PHP'000	Franking rate applicable
	Dividends paid or provided for during the reporting period	1,919	none	0.01/share
10.6	Current year interim			
10.7	Franked dividends			
10.8	Previous year final			
10.9	Franked dividends			
	Dividends proposed and not recognised as a liability			
10.10	Franked dividends			

Dividends per *security*
(as per paragraph Aus126.4 of AASB 101: Presentation of Financial Statements)

		Current year	Previous year	Franking rate applicable
	Dividends paid or provided for during the reporting period			
10.11	Current year interim			
10.12	Franked dividends – cents per share			
10.13	Previous year final			
10.14	Franked dividends – cents per share			
	Dividends proposed and not recognised as a liability			
10.15	Franked dividends – cents per share			

Exploration and evaluation expenditure capitalised

To be completed only be issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

		Current period June 30, 2010 - PHP'000	Previous corresponding period June 30, 2009 - PHP'000
11.1	Opening balance		
11.2	Expenditure incurred during current period		
11.3	Expenditure written off during current period		
11.4	Acquisitions, disposals, revaluation increments, etc.		
11.5	Expenditure transferred to Development Properties		
11.6	**Closing balance as shown in the consolidated balance sheet** (item 3.10)		

Development properties

(To be completed only by issuers with mining interests if amounts are material)

		Current period June 30, 2010 - PHP'000	Previous corresponding period June 30, 2009 - PHP'000
12.1	Opening balance		
12.2	Expenditure incurred during current period		
12.3	Expenditure transferred from exploration and evaluation		
12.4	Expenditure written off during current period		
12.5	Acquisitions, disposals, revaluation increments, etc.		
12.6	Expenditure transferred to mine properties		
12.7	**Closing balance as shown in the consolidated balance sheet** (item 3.11)		

Discontinued Operations

(see note 18)

(as per paragraph 33 of AASB 5: Non-current Assets Held for Sale and Discontinued Operations)

		Current period June 30, 2010 – PHP'000	Previous corresponding period June 30, 2009 – PHP'000
13.1	Revenue		
13.2	Expense		
13.3	**Profit (loss) from discontinued operations before income tax**		
13.4	Income tax expense *(as per para 81 (h) of AASB 112)*		
13.5	**Gain (loss) on sale/disposal of discontinued operations**		
13.6	Income tax expense *(as per paragraph 81(h) of*		

AASB 112)		

Movements in Equity

(as per paragraph 97 of AASB 101: Financial Statement Presentation)

		Number issued	Number listed	Paid-up value (cents)	Current period June 30, 2010 – PHP'000	Previous corresponding period June,30, 2009 – PHP'000
14.1	**Preference securities** *(description)*					
14.2	Balance at start of period					
14.3	a) Increases through issues					
14.4	a) Decreases through returns of capital, buybacks etc.					
14.5	Balance at end of period					
14.6	**Ordinary securities** *(description)Common*					
14.7	Balance at start of period				**191,868**	**178,537**
14.8	a) Increases through issues				**3,435**	
14.9	b) Decreases through returns of capital, buybacks etc.					
14.10	Balance at end of period				**195,304**	**178,537**
14.11	**Convertible Debt Securities** *(description & conversion factor)Deposit for future subscription*					
14.12	Balance at start of period					**52,146**
14.13	a) Increases through issues					
14.14	b) Decreases through maturity, converted.					
14.15	Balance at end of period					**52,146**

		Number issued	Number listed	Paid-up value (cents)	Current period June 30, 2010 – PHP'000	Previous corresponding period June 30, 2009 – PHP'000
14.16	**Options** *(description & conversion factor)*					
14.17	Balance at start of period					
14.18	Issued during period					
14.19	Exercised during period					
14.20	Expired during period					
14.21	Balance at end of period					
14.22	**Debentures** *(description)*					
14.23	Balance at start of period					
14.24	a) Increases through issues					
14.25	b) Decreases through maturity, converted					
14.26	Balance at end of period					
14.27	**Unsecured Notes** *(description)*					
14.28	Balance at start of period					
14.29	a) Increases through issues					
14.30	b) Decreases through maturity, converted					
14.31	Balance at end of period					
14.32	**Total *Securities***					

		Current period June 30, 2010 – PHP'000	Previous corresponding period June 30, 2009 – PHP'000
	Reserves		
14.33	Balance at start of period	19,000	19,000
14.34	Transfers to/from reserves		
14.35	Total for the period		
14.36	Balance at end of period	19,000	19,000
14.37	**Total reserves**	19,000	19,000
	Retained earnings		
14.38	**Balance at start of period**	28,622	(6,700)
14.39	Changes in accounting policy		
14.40	Restated balance		
14.41	Profit for the period	15,597	14,205
14.42	Total for the period	15,597	14,205
14.43	Dividends	(1,919)	
14.44	**Balance at end of period**	42,300	7,504

Details of aggregate share of profits (losses) of associates and joint venture entities

(equity method)

(as per paragraph Aus 37.1 of AASB 128: Investments in Associates and paragraph Aus 57.3 of AASB 131: Interests in Joint Ventures)

Name of associate or joint venture entity	N/A
Reporting entities percentage holding	

		Current period June 30, 2010- PHP'000	Previous corresponding period June 30, 2009 - PHP'000
15.1	Profit (loss) before income tax		
15.2	Income tax		
15.3	**Profit (loss) after tax**		
15.4	Impairment losses		
15.5	Reversals of impairment losses		
15.6	Share of non-capital expenditure contracted for (excluding the supply of inventories)		
15.7	**Share of net profit (loss) of associates and joint venture entities**		

Control gained over entities having material effect
(*See note 8*)

16.1	Name of *issuer* (or *group*)	N/A
16.2	Consolidated profit (loss) after tax of the *issuer* (or *group*) since the date in the Current period June 30, 2010on which control was acquired	
16.3	Date from which profit (loss) in *item 16.2* has been calculated	
16.4	Profit (loss) after tax of the *issuer* (or *group*) for the whole of the previous corresponding period	

Loss of control of entities having material effect
(See note 8)

17.1	Name of *issuer* (or *group*)	N/A

17.2	Consolidated profit (loss) after tax of the entity (or *group*) for the Current period June 30, 2010to the date of loss of control	
17.3	Date from which the profit (loss) in *item 17.2* has been calculated	
17.4	Consolidated profit (loss) after tax of the entity (or *group*) while controlled during the whole of the previous corresponding period	
17.5	Contribution to consolidated profit (loss) from sale of interest leading to loss of control	

Material interests in entities which are not controlled entities
The economic entity has an interest (that is material to it) in the following entities.

		Percentage of ownership interest (ordinary securities, units etc) held at end of period or date of disposal		Contribution to profit (loss) *(item 1.9)*	
18.1	**Equity accounted associated entities**	Current period	Previous corresponding period	Current period June 30, 2010 - PHP'000	Previous corresponding period June 30, 2009 - PHP'000
				Equity accounted	
18.2	**Total**				
18.3	**Other material interests**			Non equity accounted (i.e. part of *item 1.9*)	
18.4	**Total**				

See related reports SEC form 17Q (Philippine Securities and Exchange Commission)

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the Current period June 30, 2010in accordance with AASB 114: Segment Reporting. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this statement. However, the following is the personation adopted in the Appendices to AASB 114 and indicates which amount should agree with items included elsewhere in this statement.

See segment report elsewhere stated in the separately lodged 17-Q for the quarter ended June 30, 2010 which read as follows:

NOTE 30 – 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.

Business Segment Data

The following table present revenue and expense information and certain asset and liability information regarding business segments for period January 1 to June 30, 2010 with comparative figures for the year ended December 31, 2009:

	Fresh Foods (in '000)		**Processed Foods (in '000)**		**Farm (in '000)**	
	Jan-Jun 2010	Jan-Dec 2009	Jan-Jun 2010	Jan-Dec 2009	Jan-Jun 2010	Jan-Dec 2009
Sales	527,496	926,695	29,725	22,179	44,834	84,515
Cost of Sales	437,174	790,991	20,305	12,989	40,405	77,693
Gross Profit	90,322	135,704	9,421	9,190	4,429	6,822
Expenses	78,132	97,121	7,867	7,711	2,575	4,102
Net Income	**12,190**	**38,583**	**1,554**	**1,479**	**1,854**	**2,719**
Segment Assets	**1,570,698**	**904,393**	**71,082**	**62,513**	**64,803**	**55,980**

Segment Liabilities	**895,145**	**247,828**	**24,085**	**12,734**	**52,207**	**43,032**

		Current period June 30, 2010 - PHP'000	**Previous corresponding period June 30, 2009 - PHP'000**
	Segments		
	Revenue:		
19.1	External sales		
19.2	Inter-segment sales		
19.3	**Total** (consolidated total equal to *item 1.1*)		
19.4	Segment result		
19.5	Unallocated expenses		
19.6	**Operating profit** (equal to *item 1.5*)		
19.7	Interest expense		
19.8	Interest income		
19.9	Share of profits of associates		
19.10	Income tax expense		
19.11	**Net profit** (consolidated total equal to *item 1.9*)		
	Other information		
19.12	Segment assets		
19.13	Investments in equity method associates		
19.14	Unallocated assets		
19.15	**Total assets** (equal to *item 3.18*)		
19.16	Segment liabilities		
19.17	Unallocated liabilities		
19.18	**Total liabilities** (equal to *item 3.32*)		
19.19	Capital expenditure		
19.20	Depreciation		
19.21	Other non-cash expenses		

NTA Backing

(see note 7)

20.1	Current period	Previous corresponding period
Net tangible asset backing per ordinary *security*	329,286	283,274

Non-cash financing and investing activities
Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

21.1

None.

N/A

International Financial Reporting Standards

Under paragraph 39 of AASB 1: First –time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.

22.1

See related reports in the notes to the financial statement lodged with the NSX.

Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.

22.2

Comments by *director*s

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 134: Interim Financial Reporting. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) but may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 134: Interim Financial Reporting. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. This report does not include all notes of the type normally included in an annual financial report [Delete if inapplicable.]

A description of each event since the end of the Current period June 30, 2010which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible). In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations *(as per paragraphs 16(b), 16(b) and Aus 16.1 of AASB 134: Interim Financial Reporting)*

See related notes to the financial statements per attached SEC form 17Q report to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) for the 2nd quarter of calendar year 2010.

Any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

See management plans and operational projections per attached SEC for 17Q

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Not Applicable

Changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

(Disclose changes in the half yearly statement in accordance with paragraph16(a) of AASB 134: Interim Financial Reporting. Disclose changes in the preliminary final statement in accordance with paragraphs 28-29 of 108: Accounting Policies, Changes in Accounting Estimates and Errors.)

See notes to the financial statements lodged with NSX and SEC form 17Q

An *issuer* shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. (*as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)*

N/A

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year (*as per paragraph 16(d) of AASB 134: Interim Financial Reporting)*

N/A

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assts since the last annual report *(as per paragraph 16(j) of AASB 134: Interim Financial Reporting)*

N/A

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence *(as per paragraph 16(c) of AASB 134: Interim Financial Reporting)*

N/A

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations *(as per paragraph 16(i) of AASB 134: Interim Financial Reporting)*

N/A

Annual meeting
(Preliminary final statement only)

The annual meeting will be held as follows:

Place	Dampul 2nd-A Pulacan, Philippines
Date	3rd Monday of May
Time	2 pm
Approximate date the annual report will be available	May 1, 2010

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used	Philippine Accounting Standards (PAS) based on the International Financial Reporting Standards (IFRS)

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

3. This statement does/does not* *(delete one)* give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

☐	The financial statements have been audited.	☐	The financial statements have been subject to review by a registered auditor (or overseas equivalent).
☐	The financial statements are in the process of being audited or subject to review.	X ☐	The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The *issuer* have* (*delete one*) a formally constituted audit committee.

Sign here: .... Date: ....
(*Director*/Company secretary)

Print name: ....

COVER SHEET

A	1	9	9	7	0	1	8	4	8		

S.E.C. Registration Number

AGRINURTURE, INC.

(Company's Full Name)

30-A WASHINGTON TOWER ASIA
WORD CITY MACAPAGAL AVENUE
PARANAQUE CITY

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

Kenneth S. Tan
Contact Person

8793256
Company Telephone Number

1	2		3	1

Month Day
Fiscal Year

1	7	-	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

STAMPS

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 **30 June 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** **3005**
   Address of issuer's principal office Postal Code

8. Issuer's telephone number, area code **(02) 4709445**

9. Former name, former address and former fiscal year, if changed since last report **N. A.**
   <u>#35 Gasan St., SFDM Masambong Quezon City</u>

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.

AGRINURTURE, INC. AND SUBSIDIARIES
Securities and Exchange Commission Form 17 - Q

FINANCIAL INFORMATION

OPERATIONAL AND FINANCIAL INFORMATION

Item 1. Financial Statements

Please See Exhibit A

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

REVENUE AND EXPENSES

Gross sales generated by AgriNurture, Inc. (ANI) and its subsidiaries (collectively, the "Group" or the "Company") for the 6-month period of 30 June 2010 (YTD) amounted to **P602.06 M** while for the same period last year, **P449.66 M** was recorded, or a 33.89% increase. Of the total receipts, P152.015 M came from Export sales, while the Fresh Group contributed P403.304 M and the rest came from Local sales-Processed Foods and the Farming Group. Parallel to the growth in sales is the 31.87% increase of direct costs, i.e., from P377.54 M to P497.88 M. Operating expenses also increased to P76.77 M compared to the same quarter last year's P45.70M mainly due to the hiring of professional staff, improvement of logistics support coupled with the increase in marketing and selling expenses while establishing traceability, expanding plant capacity, setting up of tissue culture laboratory and allocating resources to get into bio technology for the improvement of farm output.

The following comparison of the results of operations is based on the Company's interim financial statements for the 6-month period.

Particulars	2010	2009	2008
Sales	602,055,749	449,656,429	405,712,102
Cost of Sales	497,883,937	377,541,748	313,793,227
Gross Profit	104,171,812	72,114,681	91,918,875
Operating Expenses	76,767,044	45,698,464	66,592,570
Operating Income	27,404,768	26,416,217	25,326,305

RESULTS OF OPERATIONS

Quarterly Ended 30 June 2010 Compared to Quarterly Ended 30 June 2009 and Quarterly ended 30 June 2008:

Summarized below are the comparative revenues, costs and expenses for the period of 1 April to 30 June:

Particulars	2010	2009	2008
Sales	340,654,641	281,242,322	220,215,932
Cost of Sales	279,502,021	238,669,683	170,516,620
Gross Profit	61,152,621	42,572,639	49,699,312
Operating Expenses	41,662,946	18,672,518	35,501,036
Operating Income	19,489,675	23,900,121	14,198,276

Net Sales

Net sales for the 2nd quarter increased by 21.12%, i.e., from P281.24 M in 2009 to P340.65 M in 2010, reflecting an increase in domestic sales outlets, additional clients and export expansion.

The increase in sales in the current quarter compared to the previous years' 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 has continued with an aggressive investment program in farming through its subsidiary, BCHI.

Cost of Sales

For the 2nd quarter of 2010, cost of sales amounted to P279.5 M, or an increase of 17.12% from the cost of sales of P238.67 M reported for the same 3-month period last year. The increase in cost of sales was 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 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 Expenses

The Company incurred normal operating expenses in relation to the volume of sales and the corresponding revenue generated. (See details). Normally most of the Company's operating expenses 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 aside form hiring more competent and professional staff. 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 2nd quarter of 2008, 2009 and 2010 consist of selling and administrative expenses amounted to P35.50 M, P18.67 M and P41.66 M 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.

Particulars	2010	2009	2008
Deliveries	9,984,128	6,083,825	9,438,578
Contracted services	-	-	8,683,004
Salaries, wages and other employee cost	11,739,851	5,221,337	4,359,301
Advertising and promotions	374,300	1,229,738	1,357,859
Professional fees	1,737,393	522,834	1,422,450
Depreciation and amortization	2,234,923	1,496,610	1,294,442
Transportation and travel	1,483,284	318,127	1,291,358
Maintenance and upkeep	243,522	504,412	2,581,420

Communication, light and water	4,410,999	1,312,761	487,222
Taxes and licenses	1,894,295	475,000	441,887
Bank charges	221,784	32,156	884,806
Representation and entertainment	749,186	380,548	256,646
Office supplies	1,191,655	187,837	240,670
Security services	432,578	312,958	240,833
Rent	3,549,107	99,075	67,200
Retirement benefit cost	54,999	34,971	58,285
Miscellaneous	1,360,940	460,329	2,404,075
TOTAL	**41,662,945**	**18,672,519**	**35,510,036**

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

ANI as a Parent

The Company was incorporated on 4 February 1997 as Mabuhay 2000 Enterprises Inc. It was established to engage primarily in the trading, distribution, marketing of goods, commodities, wares and merchandise and to enter into contracts for the export, import, purchase, acquisition, sale of goods, wares, merchandise or products. The Company started its business operations in the same year as an importer, trader and fabricator of post - harvest agricultural machineries intended to improve the productivity and reduce the post harvest losses of farmers.

Beginning in 2001, the Company diversified into other various agro-commercial 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 8 February 2008. Since then, ANI has become one of the Philippines' top fresh mango exporters as well as the 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 the Greater China Region, the Middle East, North America and the European Union under the "Fresh Distribution Group".

On 19 January 2009, ANI was listed at the National Stock Exchange (NSX) of Australia. On 25 May 2009, ANI was listed by way of introduction at the PSE. On 21 April 2010 the board approved the delisting of ANI from NSX and prepare for listing at ASX, which was confirmed and ratified by the Company's stockholders in the annual stockholders' meeting held last 23 July 2010. As of report date, the company is initiating for the increase in authorized capital stocks from P300 million to P1 billion.

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 were slowly passed on to Fresh Distribution Group.

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

For 2009, approximately 85% of ANI's export revenues were exported to Greater China, 10% to the rest of Asia and Pacific and 5% 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

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 Php10.9Mn 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 major supermarket chains. 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 Php7.9 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 **Php21.2Mn** in 2009, **Php21.4Mn** in 2008 and **Php17.8Mn** in 2007; and Net Income of Php1.3Mn 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 **Php1.5Mn** 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.

The group is exploring possibilities to set up a distribution line for condiments supply to the food service sector such as tomato paste, vinegar, ingredient mix, and others.

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 the 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. San Antonio, Zambales Farm (70 hectares) production of watermelon and few vegetable items.

4. Indang, Cavite Farm (7 hectares) production of salad vegetables.

5. Trece Martires Farm (37 hectares) production of papaya, rootcrops, and vegetables.

6. Lipa Batangas Farm (11 hectares) production of leafy vegetables.

7. Cagayan de Oro Farm (7 hectares) production of rootcrops.

8. Palawan Pineapple Farm (51 hectares) production of pineapple.

9. Ozamis Corn Plantation (300 hectares) – production of corn.

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

The company is currently focusing on expanding its contract growing arrangements for its top selling fruits and vegetables. This will accelerate the strategic thrust to control the volume and quality of its supply chain.

Strengths

The Company believes that its principal strengths include the following:

Complete and strategic integration of its operations

The Company is moving toward full integration of its operations from farm to market to table. The current focus of capital investments is in backward intergration, specifically the development of our own supply of fresh vegetables and fruits through:

- intensive large scale contract growing of the top selling vegetable and fruit varieties of the company,
- acquisition of existing fruit and vegetable plantations
- the development of our own farms for selected high value crops.

This shall significantly accelerate the Company's thrust to control its supply chain and thereby its supply needs and product quality, reduce the risks attendant to developing our own farms from scratch, improve operating margins and through the acquisition of existing plantations, provide immediate enhancement to top-line and bottom-line figures. By providing the Company with a stable and responsive supply pipeline through its contract growers and farms, the Company will be equipped 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.

Well entrenched network of distributuion channels in Greate China market, Middle East and North American markets. 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 market channels especially in the vast greater China market given its long and established network of trading partners and relations in said market. These channels were developed through Mango exports but now provide "highways" for additional export products like bananas to penetrate the greater China market rapidly.

Established relations with importers in the Middle East and North American markets also provide strategic access to markets for the Company's processed products. 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.

Brand Strength and Awareness

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

Expanded Distribution Channels

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 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

ANI is one of only two Philipine exporters accredited by the China isgovernment to export mangoes to their country. 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'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. 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.

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.

Professional and Highly Experienced Management Team and Experienced Labor Pool

The Company's day-to-day operations are handled by a team of professionals, none of whom is a shareholder of the Company. The members of the Executive Committee comprised of Division Heads, the bulk of whom were hired in the first half of this 2010 as part of the expansion program, are from various business disciplines related to the current division they run. Each of the major division heads have at least twenty years of experience in their respective fields gained prior to joing ANI. They gained their experience working for established multinationals and the Top 500 companies in the Philippines. Each, beginning with the CEO has graduate school credentials. Line managers are professionally certified engineers, accountants. Operational managers in exports and local distribution have had more than a decade of experience in the business 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 provessing, 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. While, as a large volume buyer, the Company is able to avail of volume discounts when purchasing from third party suppliers. The Processed Food Group further expands ANI's market, in terms of volume and diversity of products, while allowing the group to minimize wastage and manage seasonality risks.

Strategies

Business Strategy

In pursuit of its vision to become a world class supplier of high quality fruit and vegetable products, the Company adopted a strategic program that has transformed its purely *farm-to-market* trading business model into a *farm-to-plate* business model supported by complete forward and backward integration. As a result, ANI's range of operations has expanded to include all vital business activities from farming, packing, trading, distribution, processing, canning, up to retail sales. The Company's strategy revolves around two thrusts:

A) maximizing its existing competitive strengths which are *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;*
B) developing and securing its own supply chaing through large-scale contract growing, acquisition of existing farms and plantations and development of its own farms for selected high values crops

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.

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. Distribution through the wet markets will significantly minimize wastage by providing a channel to sell the fruits and vegetables that do not meet supermarket and export standards. Currently, ANI has estasblished depots in the Divisoria markets, the largest distribution center of vegetables and fruits in Metro Manila.

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

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

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. The cold facilities will provide ANI with the capability to store onions and garlic in large wholesale volumes in the summer months and sell them for more than double the purchase price in the rainy to winter months. This strong trading income will significantly add to the bottom line.

To 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 3rd 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 is required to pay the 30% Corporate Tax. Most of the group's revenues are VAT-free transactions due to the exemption of agriculture crops and export sales. Only processed goods intended for local distribution are subject to the 12% VAT.

ANI, on the other hand, is identifying potential locations within an Export Processing Zone to transfer in order to avail of the incentives therein, e.g., ANI will only be subject to an income tax rate of 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 June 30, 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.

EXISTING PROPERTY INSURANCE	INSURER	Insured Amount
1. Canning Facility Line Pulilan	Philcharter	15,000,000.00
2. Cold Storage Facility iPulilan	Philcharter	24,800,000.00
3. Walk In Chiller In Pulilan	Philcharter	5,256,915.00
4. Pulilan Property	Landbank	33,975,000.00
5. FCA Property Arayat	UCPBGeneral	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 products. 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	FOR: F. By **MR. ANTONIO L. TIU** Chief Executive Officer
Date	12 August 2010
Signature and Title	**MR. KENNETH S. TAN** Chief Compliance Officer
Date	12 August 2010

Agrinurture
#54 National Road, Dampol 2nd- A
Pulilan Bulacan

EXHIBITS

INTERIM FINANCIAL STATEMENTS

AGRINURTURE INC (Formerly Mabuhay 2000 Enterprises, Inc.)
CONSOLIDATED INTERIM BALANCE SHEET
June 30, 2010
With comparative figures for June 30, 2009 and December 31, 2009

	notes	2nd Q-2010	2nd Q-2009	December 31, 2009
		Amounts in Philippine Pesos		
ASSETS				
Current Assets				
Cash	1	83,949,703	15,525,688	152,186,392
Trade and other receivables	2	259,301,166	116,837,557	239,196,808
Note receivable	3	58,000,000	58,000,000	58,000,000
Due from officers and employees	4	22,824,524	198,296	50,699,965
Advances to projects	5	161,100,440	105,329,914	53,412,422
Inventories	6	105,634,252	31,109,916	37,749,478
Prepayments and other current assets	7	79,261,117	6,778,794	13,151,138
Total Current Assets		770,071,202	333,780,165	604,396,203
Non-current Assets				
Investment in affiliates	8	29,832,728	-	-
Property, plant and equipment, net	9	298,922,769	145,586,959	145,761,509
Deferred tax assets	10	359,502	945,608	225,777
Goodwill	11	19,509,913	19,509,913	19,509,913
Other non-current assets	12	171,500	8,572,587	31,501
Total Non-current Assets		348,796,411	174,615,067	165,528,700
TOTAL ASSETS		**1,118,867,613**	**508,395,232**	**769,924,903**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	13	80,051,721	26,168,434	50,398,309
Notes Payable-current	14	391,715,606	205,224,065	166,734,989
Income tax payable	15	3,774,550	3,610,365	2,553,993
Total Current Liabilities		475,541,877	235,002,864	222,869,518
Non-current Liabilities				
Long-term notes payable	16	-	15,680,391	-
Pension liability	17	823,214	525,294	733,215
Total non-current Liabilities		823,214	16,205,685	733,215
			-	
Total Liabilities		476,365,091	251,208,549	223,602,733
Equity	18			
Capital Stock		195,303,871	178,536,602	191,868,445
Additional Paid-in Capital		385,898,549	-	306,832,220
Deposits for future subscription		-	52,145,585	
Appropriated		19,000,000	19,000,000	19,000,000
Unappropriated		42,300,102	7,504,496	28,621,505
Total Equity		642,502,523	257,186,683	546,322,170
TOTAL LIABILITIES AND EQUITY				
Total Liabilities & Equity		**1,118,867,613**	**508,395,232**	**769,924,903**

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended June 30, 2010

(With Comparative Figures for 2009)

Amounts in Philippine Pesos

		Equity Attributable to the Equity Holders of the Parent Company						
	Notes	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, 2009	18	178,536,602			19,000,000	(6,700,039)		190,836,563
Issuance of common shares								-
Deposits for future stocks								-
subscription to share capital				52,145,585				52,145,585
Acquisition of remaining								-
equity interest of FCAC								-
Appropriation for future dividends								-
Net income for the period						14,204,535		14,204,535
Balances at June 30, 2009		**178,536,602**		**52,145,585**	**19,000,000**	**7,504,496**	-	**257,186,683**
Balances at January 1, 2010	18	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		3,435,426						3,435,426
Share premium			79,066,329					79,066,329
Net income for the period						15,597,281		15,597,281
Balances at June 30, 2010		**195,303,871**	**385,898,549**	-	**19,000,000**	**42,300,102**	-	**642,502,522**

AGRINURTURE, INC. AND SUBSIDIARIES
(Formerly Mabuhay 2000 Enterprises, Inc.)
INTERIM CONSOLIDATED STATEMENT OF INCOME
For the period ended June 30, 2010
(With comparative figures for 2009 and 2008)

		SECOND QUARTER ytd		
Particulars		2010	2009	2008
Sales	19	602,055,749	449,656,429	405,712,102
Cost of Sales	20	497,883,937	377,541,748	313,793,227
Gross Profits		104,171,812	72,114,681	91,918,875
Operating Expenses	21	76,767,044	45,698,464	66,592,570
Operating Income		27,404,768	26,416,217	25,326,305
Other Income (Expenses), ne	22	(5,122,938)	(6,124,024)	7,568,244
Income Before Income Tax		22,281,830	20,292,193	32,894,549
Provision for Income Tax				
Current	23	6,684,549	6,087,658	8,196,708
Deferred				(106,533)
		6,684,549	6,087,658	8,090,175
Net Income		15,597,281	14,204,535	24,804,374
Attributable to				
Equity Holders of the Parent		15,597,281	14,204,535	24,804,374
Minority interest		-	-	-
		15,597,281	14,204,535	24,804,374
EARNINGS PER SHARE	24	0.0799	0.0796	0.18

AGRINURTURE, INC. AND SUBSIDIARIES
(Formerly Mabuhay 2000 Enterprises, Inc.)
INTERIM CONSOLIDATED STATEMENT OF INCOME
For the quarter ended June 30, 2010
(With comparative figures for 2009 and 2008)

		2nd quarter (April 1 to June 30)		
Particulars		2010	*2009*	*2008*
Sales	19	340,654,641	281,242,322	220,215,932
Cost of Sales	20	279,502,021	238,669,683	170,516,620
Gross Profits		61,152,621	42,572,639	49,699,312
Operating Expenses	21	41,662,946	18,672,518	35,501,036
Operating Income		19,489,675	23,900,121	14,198,276
Other Income (Expenses), ne	22	(3,619,443)	(3,122,013)	(211,490)
Income Before Income Tax		15,870,232	20,778,108	13,986,786
Provision for Income Tax				
Current	23	4,761,070	6,229,609	5,219,728
Deferred		-	-	(111,554)
		4,761,070	*6,229,609*	*5,108,174*
Net Income		*11,109,162*	*14,548,499*	*8,878,612*
Attributable to				
Equity Holders of the Parent		11,109,162	14,548,499	8,872,612
Minority interest		-	-	-
		11,109,162	14,548,499	8,878,612
EARNINGS PER SHARE	24	0.0569	0.0815	0.0630

AGRINURTURE, INC. AND SUBSIDIARIES

(Formerly Mabuhay 2000 Enterprises, Inc.)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended June 30, 2010
(With Comparative Figures for 2009 and 2008)

Amounts in Philippine Pesos

	notes	2010	2009	2008
Cash Flows from Operating Activities				
Net Income before income tax		**22,281,830**	20,292,193	32,894,549
Adjustment for				
Depreciation and amortization	9	**4,469,845**	2,993,220	2,546,380
Provision for retirement benefit cost	21	**89,999**	-	69,942
Interest expense	22	**5,122,938**	6,124,024	2,924,290
Interest income		-	(12,744)	(9,065)
Operating income before working capital changes		**31,964,612**	**29,396,693**	**38,418,771**
Decrease (Increase) in				
Trade and other receivables		**(20,104,358)**	103,624,078	(71,675,977)
Inventories		**(67,884,774)**	3,040,316	(4,438,735)
Due from officers and employees		**27,875,441**	4,985,629	10,003,809
Advances to projects		**(107,688,018)**	(73,332,146)	(16,503,472)
Prepayments and other current assets		**(66,109,979)**	566,083	(489,156)
Increase (Decrease) in				
Trade and other payables		**29,653,412**	(63,556,620)	(11,754,613)
Income tax payable		**1,220,557**	2,976,614	(3,524,133)
Due to Stockholders		**(3,182,227)**	(14,652,684)	572,388
Cash provided by (used in) operations		**(174,255,333)**	**(6,952,037)**	**(59,391,118)**
Interest paid		**(5,122,938)**	(6,124,024)	(2,924,290)
Interest received		-	12,744	9,065
Income taxes paid	23	**(6,684,549)**	(6,087,658)	
		(11,807,487)	**(12,198,938)**	**(2,915,225)**
Net cash provided by (used in) operating activities		**(186,062,821)**	**(19,150,975)**	**(62,306,343)**
Cash Flows from Investing Activities				
Addition to property and equipment	9	**(157,631,105)**	(15,200,000)	(17,089,404)
Investments in affiliates	8	**(29,832,728)**	-	-
Increase in other non-current assets		**(273,724)**	(4,649,125)	(1,815,167)
Net cash in investing activities		**(187,737,556)**	**(19,849,125)**	**(18,904,571)**
Cash Flows from Financing Activities				
Net proceeds from borrowings	14	**224,980,617**	(6,017,318)	52,440,902
Payment of dividends		**(1,918,684)**	-	-
Proceeds from issuance of share capital (deposits)		**82,501,755**	52,145,585	62,006,695
Net cash provided by financing activities		**305,563,688**	**46,128,267**	**97,351,712**
Net Increase/(Decrease) in Cash		**(68,236,689)**	**7,128,167**	**16,140,798**
Cash, January 1		**152,186,392**	8,397,521	11,064,779
Cash, June 30		**83,949,703**	**15,525,688**	**27,205,577**

I. 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.

Details of incorporation and principal activities of its subsidiaries are as follows:

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, Brgy. 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 Resettlemnet 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
Lucky Fruit & Vegetable Products, Inc. (LFVPI)	100% directly owned	May 11, 2005	No. 35 Gasan Street, Masambong, SFDM, Quezon City	Trading Agricultural goods
Best Choice Harvest Agricultural Corp. (BCHAC)	100% indirectly owned through FCAC		Sitio Gugu, Brgy. Sta. Rosa, Concepcion City, Tarlac	Management of farming activities
Fruitilicious Company, Inc. (FCI)	89.20% directly owned	February 11, 2008	Balongis, Balulang, Cagayan de Oro	Processing, manufacturing and trading of frozen agricultural products

The Company's registered office address is at No. 54 National Highway, Dampol II-A, Pulilan, Bulacan and the principal office is at Unit 30-A Washington Tower, The Asiaworld Complex, Pacific Avenue Marina, Paranaque City 1703, Philippines.

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 byway 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.

II – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Basis of Preparation

Basis of Measurement

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

Statement of Compliance

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

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

Functional and Presentation Currency

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

Basis of Consolidation

The consolidated financial statements of the Group comprise the separate financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Company, using consistent accounting policies. All intra-company balances, receivables and payables, income and expenses, profits and losses resulting from intra-company transactions that are recognized in the separate financial statements of the Parent Company and its subsidiaries are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. Minority interest represents the portion of profit or loss and net assets of FCA, FG, BCHAC, IMEX and LFVPI in 2007 not held by the Group and are presented separately in the consolidated statements of income and within the equity section in the consolidated balance sheets and consolidated statements of changes in equity, separately from the Parent Company's shareholders' equity. Minority interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Group. If losses applicable to the minority interest in a subsidiary exceed the minority interest's equity in the subsidiary, the excess, and any further losses applicable to the minority interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses.

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

Business Combinations

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured at fair values of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. Any excess of the cost of the business combination over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities represents goodwill, and recognized in the consolidated balance sheets on the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

On the other hand, any excess of the Parent Company's interest in the fair values of the identifiable assets and liabilities and contingent liabilities acquired over the cost of business combination is recognized in the consolidated statements of income on the date of acquisition. Acquisition of the minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share on net assets acquired is recognized as goodwill in the consolidated statements of income. Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

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

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

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 *Loans and Receivables*

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

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

Financial Liabilities

Other Financial Liabilities

This classification pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. Included in this category are the Group’s trade and other payables, notes payable, and due to related parties as shown and disclosed in Notes 7, 8, and 15. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Derecognition of Financial Assets and Liabilities

A financial asset, where applicable, part of a financial asset or part of a group of similar financial assets is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets

Assessment of Impairment

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The determination of impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

Evidence of Impairment

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

Impairment of Assets Carried at Amortized Cost

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

Reversal of Impairment Loss

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

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 amountsand there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheets.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using standard cost, which approximates actual cost determined on the first-in, first-out basis. NRV is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. The Group directly writes off inventory obsolescence due to spoilage, damage, and bad quality.

Property and Equipment

Property and equipment, except land, are initially measured at cost less any subsequent accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, import duties, taxes and directly attributable costs of bringing the asset to its working condition for its intended use. Land is stated at cost less any impairment in value. Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when the expenditure have resulted in an increase in future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. Expenditures for repairs and maintenance are charged to operations during the period in which these are incurred.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation, amortization and any impairment loss are removed from the accounts and any resulting gain or loss is credited or charged to current operations. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the following property and equipment:

Property and Equipment Estimated Life

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

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

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

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

Impairment of Non-Financial Assets

At each financial reporting date, the Group reviews the carrying amounts of non-current assets to determine whether there is any indication of impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to its recoverable amount. The recoverable amount of the assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is recognized in the consolidated statements of income. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of impairment loss is credited to current operations.

Provisions and Contingencies

The Group recognizes a provision if a present obligation (legal and constructive) has arisen as a result of a past event, payment is probable and the amount can be reliably measured. The amount recognized is the best estimate of the expenditure required to settle the present obligation at balance sheet date, that is, the amount the Group would rationally pay to settle the obligation to a third party. Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

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. See related note in note. 13 of this report.

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 are detailed and stated elsewhere in this 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.

III – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Determination of functional currency

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

Classification of financial instruments

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

Determination of fair value of financial instruments

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

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 as of June 30, 2010 and December 31, 2009 are shown in the table of the carrying value on Note 9.

Asset impairment

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

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

Estimation of liability for retirement benefits

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

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 toP359,502, P945,608 and P225,777 as of June 30, 2010, June 30, 2009 and December 31, 2009, respectively.

Note 1 – CASH

For the period ended 30 June 2010, the group's Cash on hand amounted to P909,540, Revolving fund and Petty cash fund totaled to P3,585,798, Marketing and Purchasing fund has a balance of P26,256,386 while Cash in bank aggregate to P53,197,978 for a total Cash balance of P83,949,703. As of December 31, 2009, Cash balance is stated at P152,186,392 and as of the same quarter last year it was recorded at P15,525,688. Sources and uses of cash are properly accounted and remained sufficient enough and planned for the continuous operation of the company for the succeeding quarter.

Note 2 – TRADE AND OTHER RECEIVABLES

This account consists of:

Particulars	30-Jun-10	31-Dec-09
Trade receivables	218,714,979	169,830,939
Other receivables	40,586,187	69,365,869
Total	**259,301,166**	**239,196,808**

Trade receivables are normally due within 15-30 days and do not bear any interest. All trade receivables are subject to credit risk exposure. 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. The Accounts Receivable Review Committee constituted specifically to undertake the review of all receivables are expected to submit recommendation for consideration in the company's succeeding financial report.

Note 3 – NOTES RECEIVABLE

A secured notes receivable (secured by a piece of land) 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 4 – DUE FROM OFFICERS AND EMPLOYEES

These are amounts advanced to officers and employees for carrying out their day to day operating activities that require immediate disbursement and subject to liquidation upon utilization in accordance with the company's established policies.

Note 5 – ADVANCES TO PROJECTS

This pertains to the cost of ongoing projects, cultivating and tilling of land which includes the cost of pesticides, fertilizers as well as labor and manpower. These are in relation to the memorandum of agreement entered into by the group with the land-owners and farmers.

Note 6 – INVENTORIES

This account consists of:

At cost:

Particulars	30-Jun-10	31-Dec-09
Finished Goods and Other Raw Materials	10,007,299	4,938,387
Vegetables and Fruits	74,506,607	20,418,251
Packaging Materials and Supplies	21,120,345	12,392,840
Total	**105,634,252**	**37,749,478**

Note 7 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consist input taxes, creditable withholding taxes and amounts of deposited to the regular suppliers which calls for the assurance of continuous supplies of fruits and vegetables for the next succeeding quarter.

Note 8 – INVESTMENT IN AFFILIATES

With the growing demand for reliable trucking and deliveries, the company initiated for the setting up of logistics company and invested resources that will guarantee the timely distribution of its products thru Qualis Trucking. While investments at Farmville will assure steady supply of its top-line products sourced at the highland vegetable producing provinces of Baguio and Benguet.

Note 9 - PROPERTY AND EQUIPMENT, Net

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

At June 30, 2010

NOTE 9 PROPERTY AND EQUIPMENT, NET									
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, 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	54,000,000	36,900,000	3,500,000	5,795,000	44,000,000	1,562,000	2,250,000	4,725,069	152,732,069
Disposals									
At June 30, 2010	**87,917,000**	**93,665,227**	**9,786,537**	**16,746,203**	**83,332,947**	**5,653,066**	**4,982,113**	**12,456,880**	**314,539,973**
Accumulated Depreciation and amortization									
At January 1, 2010		587,969	2,267,323	2,967,756	802,557	1,639,987	2,348,805		10,614,397
Depreciation and amortization Expense		1,561,087	489,327	837,310	1,583,324	282,653	249,106		5,002,807
Disposals									
At June 30, 2010	-	2,149,056	2,756,650	3,805,066	2,385,881	1,922,640	2,597,911	-	15,617,204
Net Book Value At June 30, 2010	87,917,000	91,516,171	7,029,887	12,941,137	80,947,066	3,730,426	2,384,202	12,456,880	298,922,769
Book Value Net At December 31, 2009	33,917,000	54,906,148	2,898,307	6,737,334	37,852,479	1,541,103	177,327	7,731,811	145,761,509
	Portion of the Group's land, building and machinery and equipment were used to secure loans obtained by the group								
	* Additions were maily due to the acquisition of 2 Companies namely Han Sung Agro Products Corp and Fruitilicious Corp.								

Construction in-Progress

This pertains to the capitalizable expenses incurred by a Subsidiary amounting to P12,456,880 and P7,731,811 as of June 30, 2010 and December 31, 2009 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 June 30, 2009, December 31, 2009 and June 30, 2010 for any impairment. Based on its evaluation, there were no indications that these assets are impaired.

Note 10 – DEFERRED TAX ASSET

As a result of the consolidated profits and losses of the group during the immediate three year period, the group is still considering the recovery of deferred tax assets valued at P359,502, P225,777 and P945,608 as of 30 June 2010, 31 December 2009 and 30 June 2009 respectively.

Note 11 – GOODWILL *(see Note 28)*

Recognition of goodwill was booked as a result of acquisition of subsidiaries. Periodic review are conducted to determine appropriateness of it's current valuation at the book of the corporation which as at the date of this report, management sees that there is no indication that these assets are impaired. As at 30 June 2010, Goodwill remained at P19,509,913.

Note 12 - OTHER NON-CURRENT ASSETS

These are capitalized disbursement not classified with relative values that are not readily convertible to cash.

Note 13 – TRADE AND OTHER PAYABLES

This account consists of:

	June 30, 2010	December 31, 2009
Trade payables	77,906,497	48,427,510
Customers' deposit	1,258,299	1,258,300
Accrued Expenses	886,925	712,499
Total	80,051,721	50,398,309

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

Note 14 – NOTES PAYABLE

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

Particulars	**30-Jun-10**	**31-Dec-09**
Banco De Oro (BDO)	70,000,000	30,000,000
Bank of Commerce	45,278,392	5,287,728
Mega International Commercial Bank (MICB)	78,769,712	38,547,967
Bank of the Philippine Islands	139,546,402	60,000,000
Land Bank of the Philippines (LBP)	58,121,100	17,899,294
Current Portion	*391,715,606*	*166,734,989*
Non Current Portion	-	-
Total	**391,715,606**	**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 P3.6 M and P3.1 M for three (3) months ended June 30, 2010 and 2009 respectively.

Note 15- INCOME TAX PAYABLE

These are the balance of income taxes payable of the group as of report date after considering creditable taxes withheld at source and the amounts paid in the previous quarter. Provision for income taxes are computed at the statutory rate of 30% applicable to the parent and its subsidiaries.

Note 16 – LONG-TERM NOTES PAYABLE

The group did not avail of the long term notes payable in its current operation in anticipation of fresh cash coming from the issuance of capital stocks.

Note 17 – PENSION LIABILITY

These are amounts set aside for the employees' retirement in compliance with the mandatory requirements. As of 30 June 2010, 31 December 2009 and 30 June 2009, balance of this account amounted to P823,214, P733,215 and P525,294 respectively.

Note 18 – 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.

In June 2010, the company issued 3,435,426 common shares from its unissued authorized capital stocks.

Total shares of stocks that were subscribed, paid and issued as of June 30, 2010, 2009 and 2008 are detailed below:

	June 30, 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 6/30/08		P167,905,135
Issued and Outstanding 6/30/09		P178,536,602
Issued and Outstanding 6/30/10		P195,303,871

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 19 – SALES

Local and export revenue during the period net of applicable returns and discounts. See related business segment data in note 32.

Note 20 – COST OF SALES

The breakdown of this account for the quarter ended June 30, is as follows:

	6/30/2010	6/30/2009	6/30/2008
Inventories, January 1	37,749,478	34,150,232	16,323,174
Purchases	565,768,711	235,629,367	174,955,355
Total merchandise available for sale	603,518,189	269,779,599	191,278,529

Inventories, June 30	105,634,252	31,109,916	20,761,909
Cost of Goods Sold	497,883,937	238,669,683	170,516,620

These inventories are normal operating requirements.

Note 21 – OPERATING EXPENSES

Particulars	Second Quarter **2010**	**2009**	**2008**
Deliveries	9,984,128	6,083,825	9,438,578
Contracted services	-	-	8,683,004
Salaries, wages and other employee cost	11,739,851	5,221,337	4,359,301
Advertising and promotions	374,300	1,229,738	1,357,859
Professional fees	1,737,393	522,834	1,422,450
Depreciation and amortization	2,234,923	1,496,610	1,294,442
Transportation and travel	1,483,284	318,127	1,291,358
Maintenance and upkeep	243,522	504,412	2,581,420
Communication, light and water	4,410,999	1,312,761	487,222
Taxes and licenses	1,894,295	475,000	441,887
Bank charges	221,784	32,156	884,806
Representation and entertainment	749,186	380,548	256,646
Office supplies	1,191,655	187,837	240,670
Security services	432,578	312,958	240,833
Rent	3,549,107	99,075	67,200
Retirement benefit cost	54,999	34,971	58,285
Miscellaneous	1,360,940	460,329	2,404,075
TOTAL	**41,662,945**	**18,672,519**	**35,510,036**

Note 21a – LEASES AND RENTALS

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. As of 30 June 2010, lease contract have already expired and no longer binding and the company stopped using the leased facilities.

Further, the group leases a trading and warehouse facilities in Baguio City and administrative offices located at the Marina (Washington) Towers in Paranaque City. The lease contracts are for a period of two years up to September 30, 2012. As of June 30, 2010, the future minimum lease payments under this non-cancelable operating lease are as follows:

Not later than one year	P960,000
After one year but not more than five years	960,000
	P1,920,000

As of June 30, 2009, the future minimum lease payment under the non-cancellable operating lease amounts to P300,000.

Note 21b – RETIREMENT BENEFITS

The amount of P90,000 was provided for in this account as an aggregate contribution for the groups retirement benefits during the period.

Historical information with regards to these benefits are stated as follows:

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, 2008 was used as a basis in the computation of this expense.

Interim report as of June 30, 2009 showed:

	June 30, 2008	December 31, 2008
Net pension liability, beginning	**P525,294**	P383,296
Retirement expense	**69,942**	141,998
Net pension liability, ending	**P595,236**	P525,294

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

	June 30, 2008	December 31, 2008
Present value of obligation, beginning	**P863,006**	P737,506
Current service cost	**21,131**	44,374
Interest cost	**40,563**	**81,126**
Present value of obligation, ending	**P924,700**	P863,006

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

	June 30, 2009	December 31, 2008

Current service cost	**P21,130**	P44,374
Interest cost	**40,563**	**81,126**
Net actuarial loss	**8,249**	16,498
Provision for retirement benefit costs	**P69,942**	P141,998

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:

	June 30, 2009	December 31, 2008
Present value of defined benefit obligations	**P924,700**	P863,006
Unrecognized actuarial gains	**(345,962)**	(337,712)
	P578,738	P525,294

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

	June 30, 2009	December 31, 2008
Discount rate	**11.00%**	11.00%
Salary increase rate	**5.00%**	5.00%
Average remaining working life of plan members	**16 years**	17 years

Periodic actuarial studies are initiated to provide for this liability while the formal benefit plans are being drafted by the Human Resources and Benefits committee.

Note 22 – OTHER INCOME AND EXPENSES, net

Goodwill, interest income and expenses incurred by the company during the period.

NOTE 23 - INCOME TAXES

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

	June 30, 2010	December 31, 2009
Deferred tax assets	**P359,502**	P225,777

b.) The reconciliation between the provision for income tax computed at statutory rate and the Group’s actual income tax expense for the quarter ending 30 June is shown below:

	2010	**2009**
Income before income tax	15,870,232	20,778,108
Non-taxable loss of Imex		
Excess of fair value of net identifiable asset over cost of investment		
Total	15,870,232	20,778,108
Statutory provision of 30% for 2010 and 30% for 2009	4,761,070	6,233,433
Tax effect of:		
Negative goodwill		
Interest expenses subject to final tax		(3,823)
Nondeductible interest expense		

Provision for income tax	4,761,070	6,229,609

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 24 – EARNINGS PER SHARE

Basic EPS for the quarter is computed as follows:

	2010	2009
Net income attributable to equity	P11,109,162	P14,548,499

holders		
Weighted average number of shares	195,303,871	178,536,602
BEPS	**P0.057**	**P0.082**

Note 25 – 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 June 30, 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 June 30, 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 June 30, 2010 and 2009. 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 P6 million and P3.25 million in 2010 and 2009 respectively.

Note 26– 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:

	June 2010	December 31, 2009	June 2009
Cash	P83,949,703	P152,186,392	P15,525,688
Loans and Receivables			
Trade and other receivable	259,301,166	239,196,808	116,837,557
Note Receivable	58,000,000	58,000,000	58,000,000
Due from Stockholders, officers and employees	22,824,524	50,699,965	197,296

Total	**P424,075,393**	**P500,083,165**	**P190,560,541**

Aging analyses of financial assets are as follows:

Credit risk		**June 30, 2010**				
		Neither impaired nor past due on the reporting Date	Past due but not yet impaired			Impaired
	Carrying amount	Current	61 to 90 Days	61 to 90 Days	91 to 120 days	More than 120 days
Cash	P83,949,703	P83,949,703	P-	P-	P-	P-
Trade and other receivables (Note 2)	259,301,166	259,301,166				-
Notes Receivable (Note 3)	58,000,000	58,000,000	-	-	-	-
Due from Stockholders, Officers & Employees (Note 4)	22,824,524	22,824,524	-	-	-	-
	P424,075,393	**P424,075,393**	P-	P-	P-	P-

Credit risk		**December 31, 2009**				
		Neither impaired nor past due on the reporting Date	Past due but not yet impaired			Impaired
	Carrying amount	Current	61 to 90 days	61 to 90 Days	91 to 120 days	More than 120 days
Cash	P152,186,392	P152,186,392	P-	P-	P-	P-

Trade and other receivables (Note 2)	239,196,808	85,894,649	10,041,044	7,056,475	69,510,363	66,694,277
Notes Receivable (Note 3)	58,000,000	58,000,000	-	-	-	-
Due from Stockholders, Officers & Employees (Note 4)	50,699,965	50,699,965	-	-	-	-
	P500,083,165	**P346,781,006**	**P10,041,044**	**P7,056,475**	**P69,510,363**	**P66,694,277**

Credit risk	**June 30, 2009**					
		Neither impaired nor past due on the reporting Date	Past due but not yet impaired			Impaired
	Carrying amount	Current	61 to 90 days	61 to 90 days	91 to 120 Days	More than 120 days
Cash	P15,525,688	P15,525,688	P -	P-	P-	P-
Trade and other receivables (Note 2)	116,837,557	91,133,294	12,852,131	7,010,253	5,841,878	-
Notes Receivable (Note 3)	58,000,000	58,000,000	-	-	-	-
Due from Stockholders, Officers & Employees (Note 4)	197,296	197,296	-	-	-	-
	P190,560,541	**P164,856,278**	**P12,852,131**	**P7,010,253**	**P5,841,878**	**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:

	June 30, 2010				
	On Demand	Less than 3 Months	3 to 12 months	1 to 5 YEARS	Total
Trade and other payables (Note 13)	P80,051,721	P80,051,721	P-	P-	P80,051,721
Notes payable (Note 14)	391,715,606	391,715,606	-	-	391,715,606
	P471,767,327	**P471,767,327**	**P-**	**P-**	**P471,767,327**

	December 31, 2009				
	On Demand	Less than 3 Months	3 to 12 months	1 to 5 years	Total
Trade and other payables (Note 13)	P512,199	P29,585,545	P20,300,565	-	P50,398,309
Notes payable (Note 14)	-	-	166,734,989	-	166,734,989
Due to Stockholders	-	-	3,182,227	-	3,182,227
	P512,199	**P29,585,545**	**P190,217,781**	**P-**	**P220,315,524**

June 30, 2009				
On Demand	Less than 3 months	3 to 12 months	1 to 5 YEARS	Total

Trade and other payables (Note 13)	P9,775,569	P10,305,207	P-	P-	P20,080,776
Notes payable (Note 14)	80,224,065	85,000,000	40,000,000	15,680,391	220,904,456
	89,999,634	**95,305,207**	**40,000,000**	**15,680,391**	**240,985,232**

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 re-pricing. 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 as of 30 June 2010:

	June 30, 2010					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 Years	Total
Fixed Rate						
Floating Rate						
MICB	P78,769,712	P-	P-	P-	P-	P78,769,712
BPI	139,546,402	-	-	-	-	139,546,402
Bank of Commerce	45,278,392	-	-	-	-	45,278,392
BDO	70,000,000	-	-	-	-	70,000,000
LBP	58,121,100	-	-	-	-	58,121,100
	P391,715,606	**P-**	**P-**	**P-**	**P-**	**P391,715,606**

	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						
Floating Rate						
MICB	P6,047,966	P-	P-	P-	P-	P6,047,966
BPI	60,000,000	-	-	-	-	60,000,000
Bank of Commerce						
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**

	June 30, 2009					
	Within 1 year	1 to 2 Years	2 to 3 Years	3 to 4 years	4 to 5 years	Total
Fixed Rate						
Floating Rate						
BPI	P7,000,000	P-	P-	P-	P-	P7,000,000
Bank of Commerce	20,227,200					20,227,200
BDO	85,000,000	-	-	-	-	85,000,000
BPI	18,481,849	-	-	-	-	18,481,849
LBP	9,096,713	-	-	-	-	9,096,713
RCBC	3,908,954	-	-	-	-	3,908,954
MICB	59,192,240	-	-	-	-	59,192,240
PNB	2,287,109	3,542,289	12,168,102	-	-	17,997,500
	205,194,065	**3,542,289**	**12,138,102**	**P-**	**P-**	**220,904,456**

The Group has substantially paid-up all maturing obligation in July 2009 and August 2009.

b. Foreign exchange risk

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

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 interim consolidated balance sheets. Total equity comprises all components of equity including share capital, additional paid-in capital and retained earnings. Debt to equity ratio of the Company is 1.30% and 1.65% as of June 30, 2008 and December 31, 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 27 – FINANCIAL INSTRUMENTS

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

	June 30, 2010		December 31, 2009
Financial assets			
Cash	P83,949,703		P152,186,392
Trade and other receivables (Note 2)	259,301,166		239,196,808
Notes Receivable (Note 3)	58,000,000		58,000,000
Due from stockholders, officers and employees	22,824,524		50,699,965
	P424,075,393		**P500,083,165**
Financial liabilities			
Accounts payable (Note 13)	P80,051,721		P50,398,309
Notes payable (Note 14)	391,715,606		166,734,989
Due to stockholders, officers and employees			3,182,227
	P471,767,327		**P220,315,524**

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 28 – 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 June 30, 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 of 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 liab.	(P294,376)	(P294,376)

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	50,016	50,016
Trade and other receivables	40,032,838	40,032,838
Advantage to related parties	27,869,590	27,869,590
Inventories	1,000,187	1,000,187
Prepayment 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)
	(9,767,912)	(9,767,912)
Fair value of net identifiable assets and liabilities	36,828,545	36,828,545
Percentage of ownership	60%	-

	22,097,127	36,828,545
Cost of acquisition		
Interest on the net identifiable assets and liabilities		50,004,838
		22,097,127
Goodwill		27,907,711

*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 Acquisition	**Carrying Value**
Cash	10,459,336	10,459,336
Trade and other receivables	60,484,218	60,484,218
Advantage to related parties	114,679,582	114,679,582
Inventories	10,842,754	10,842,754
Prepayment 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)
	(87,101,556)	(87,101,556)
Income tax payables	(138,983)	(138,983)
Fair value of net identifiable assets and liabilities	42,753,270	42,753,270
Percentage of ownership	40%	-
	17,101,308	42,753,270
Cost of acquisition		
Interest on the net identifiable assets and liabilities		6,500,000

		17,101,308
Goodwill (Excess of the net identifiable assets and liabilities		(10,601,308)
over the acquisition cost)		

NOTE 29 – 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 30 – 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.

<u>Business Segment Data</u>
The following table present revenue and expense information and certain asset and liability information regarding business segments for period January 1 to June 30, 2010 with comparative figures for the year ended December 31, 2009:

	Fresh Foods (in '000)		**Processed Foods (in '000)**		**Farm (in '000)**	
	Jan-Jun 2010	Jan-Dec 2009	Jan-Jun 2010	Jan-Dec 2009	Jan-Jun 2010	Jan-Dec 2009
Sales	527,496	926,695	29,725	22,179	44,834	84,515

Cost of Sales	437,174	790,991	20,305	12,989	40,405	77,693
Gross Profit	90,322	135,704	9,421	9,190	4,429	6,822
Expenses	78,132	97,121	7,867	7,711	2,575	4,102
Net Income	**12,190**	**38,583**	**1,554**	**1,479**	**1,854**	**2,719**
Segment Assets	**1,570,698**	**904,393**	**71,082**	**62,513**	**64,803**	**55,980**
Segment Liabilities	**895,145**	**247,828**	**24,085**	**12,734**	**52,207**	**43,032**

NOTE 31 – 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	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

While the company is in process of increasing its authorized capital stocks from P300 million to P1 billion, issued and outstanding capital stocks stands at P195,303,871 as of 30 June 2010.

b) Warrants

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

The Company shall list the warrants in the PSE within one (1) year from the listing by way of introduction of the underlying common shares at an issue price of P0.00 per warrant, with expiry date at the end of the 5th year from issuance and listing, and a strike price of P20 per share at the time of exercise and a conversion ratio of 1 warrant to 1 common share. Although the Parent Company has no issued and outstanding warrants, it has allotted initially a total number of 6,500,000 warrants to its directors and officers.

In its meeting held today, 21 July 2010, the Board of Directors of the Company resolved to approve the conduct of a stock rights offering to its stockholders at a ratio of 1:1 with an exercise price of P2.50 per share and under such terms and conditions as may be deemed appropriate. The stockholders who would avail of the Company's stock rights offering shall also be entitled to free warrants at a ratio of 1 warrant for every 2 shares actually acquired by the stockholder from the Company's stock rights offering. The warrants are of European call option, exercisable after 3 years, at a strike price of P10.00 per share.

In said stock rights offering, the Company's Directors, Officers and Stockholders owning more than 10% of the outstanding capital stock shall subject the shares availed through the rights offering to a lock up of 360 days from the date of issuance of the corresponding stock certificates.

The approval of the Company's Board of Directors in conducting a stock rights offering shall was ratified by the stockholders in its Annual Stockholders' meeting last July 23, 2010.

NOTE 32 – FINANCIAL STATEMENT PRESENTATION

Certain consolidated financial statement data were reclassified/reformatted to conform to the current quarter's financial statement presentation.

Agrinurture Inc and Subsidiaries

EXHIBITS

INTERIM FINANCIAL STATEMENTS

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. *Issuers* are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.

2. **True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.

3. **Consolidated statement of financial performance**

   Item 1.1 The definition of "revenue" is set out in *AASB 118: Revenue*

   Item 1.6 This item refers to the total tax attributable to the amount shown in *item 1.5.* Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg. fringe benefits tax).

4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the issuer must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franking rate applicable" for items in *section 9*.

5. **Consolidated statement of financial position**

   Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 134: Interim Financial Reporting, and AASB 101: Presentation of Financial Statements.* Banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

   Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 116: Property, Plant and Equipment*. If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.

6. **Consolidated statement of cash flows** For definitions of "cash" and other terms used in this statement see *AASB 107: Cash Flow Statements*. *Issuer*s should follow the form as closely as possible, but variations are permitted if the *director*s (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 107*.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary *securities* (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuer*s are *not* required to state a net tangible asset backing per ordinary *security*.

8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer*'s consolidated operating profit (loss) after tax by more than 5% compared to the previous corresponding period.

9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting figures are required in the first period following its adoption.

10. **Rounding of figures** This statement anticipates that the information required is given to the nearest $1,000. However, an *issuer* may report exact figures, if the PHP'000 headings are amended. If an *issuer* qualifies under *ASIC* Class Order 98/0100 dated 15 July 2004, it may report to the nearest million dollars, or to the nearest $100,000, if the PHP'000 headings are amended.

11. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 101: Presentation of Financial Statements* or *AASB 134: Interim Financial Reporting* as appropriate and are the unadjusted figures from the last annual or half year report as appropriate. However, if the previously reported figures are adjusted to achieve greater comparability, in accordance with an accounting standard or other reason, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.

12. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the listing rules for an *issuer* to complete this statement does not prevent the *issuer* issuing statements more frequently. Additional material lodged with the *ASIC* under the *Corporations Act* must also be given to the *Exchange*. For example, a *director*s' report and declaration, if lodged with the *ASIC*, must be given to the *Exchange.*

13. **Accounting Standards** the *Exchange* will accept, for example, the use of International Accounting Standards for *foreign issuer*s. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.

14. **Borrowing corporations** This statement may be able to be used by an *issuer* required to comply with the *Corporations Act* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards.

15. **Details of expenses** *AASB 101: Presentation of Financial Statements* requires disclosure of expenses according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*. *Issuers* must disclose details of expenses using the layout (by nature or function) employed in their accounts.

    The information in *items 7.1 - 7.2* may be provided in an attachment to Appendix 3

    Relevant items *AASB 101: Presentation of Financial Statements* requires the separate disclosure of specific revenues and expenses which are of a size, nature or incidence that disclosure is *relevant,* as defined in *AASB 101,* in explaining the financial performance of the *issuer*. There is an equivalent requirement in *AASB 134: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*.

16. **Dollars** If reporting is not in A$, all references to PHP must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

17. **Discontinuing operations**

    Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by *paragraph 7.5 (g) of AASB 134: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their accounts in accordance with *AASB 5: Non-current Assets for Sale and Discontinued Operations*

    In any case, the information may be provided as an attachment to this Appendix 3