SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended **31 December 2010**

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

4. Exact name of issuer as specified in its charter **AGRINURTURE, INC.**

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

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

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

8. **(02) 8793256**
   Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**217,993,119**
Title of Each Class	Number of Shares of Common Listed Stock
Common Shares	**217,993,119**
Title of Each Class	Number of Shares of Unissued Common Stock
Common Shares	**82,006,881**

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

    Yes [**X**] No [ ]

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

    The CHESS Depositary Interests relating to 178,536,602 common shares of the Company are listed in the National Stock Exchange of Australia.

The Company's 217,993,119 issued and outstanding common shares are listed on the Second Board of the PSE.

12. Check whether the issuer:

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

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

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

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

Yes [ ] No [ ]

Not applicable

DOCUMENTS INCORPORATED BY REFERENCE

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

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

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

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

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

OVERVIEW OF THE COMPANY

History

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

Beginning in 2001, the Company diversified into other agro commercial businesses, specifically focusing on the export trading of fresh Philippine Carabao Mangoes "kinalabaw variety" as its main revenue stream. Since then, ANI has become one of the Philippines' top fresh mango exporters and the only exporter of "coconut water" in can and "fresh tamarind" to the world market. In the last three (3) years, its "Fresh Choice Always" (FCA) brand has become a household name in fresh vegetables and fruits and is carried in the major supermarket chains in the country. In 2009, local distribution accounted for two thirds (2/3) of the Company's P1.017bn in revenues and was the main driver of its recurring revenues and income growth. 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 its Distribution Group.

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

Operations of the Parent Company

At present, ANI, the parent company, is engaged in the trading and exporting of fresh crops with Philippine Carabao mangoes as the top exported item followed by cavendish banana. Other crops include 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 53% from 2008 to 2010.

	ANI Parent Revenues		
Particulars	**2008**	**2009**	**2010**
<u>Sales</u>	**178,249,812**	**201,732,676**	**309,723,020**
Export Sales	132,220,000	197,698,022	285,346,835
Local Sales	46,029,812	4,025,654	24,376,185
<u>% of Total Sales</u>			
Export Sales	74%	98%	92%
Local Sales	26%	2%	8%
Net Income	504,925	10,098,706	59,935,576

For 2010, approximately 50% of ANI's export revenues were exported to Greater China Region, about 30% to the rest of the Asia Pacific region and 20% to the North America and Europe. ANI expects these areas to continue to be its largest export markets.

Operations through Subsidiaries

Particulars	2009	2010
ANI consolidated revenues	1,017,682,209	1,585,011,759
ANI (parent)	201,732,676	309,723,020
ANI (subsidiaries)	815,949,533	1,275,288,739

ANI's operations are divided into three (3) groups to ensure the best value, variety and convenience in growing fruits and vegetables, manufacturing food products, and distributing fresh and processed food products. The groups are as follows:

a) *Supply /Farming Group* which handles the growing and sourcing of fresh fruits and vegetables throughout the Philippines;

b) *Production Group* which handles the production of export quality processed fruits and vegetables, and other processed food, using homegrown agricultural products as ready to consume, frozen raw materials and ingredient mixes; and

c) Distribution Group which handles the distribution and warehousing of fresh fruits and vegetables, and processed foods, throughout the country.

Supply/Farming Group

The group's farming activities are handled through Best Choice Harvest Agricultural Corporation (BCH), a wholly owned- subsidiary of First Class Agriculture Corporation (FCA), which is engaged in the management and development of the Company's farms in various provinces throughout Central Luzon and MindanaO. 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 ANI Group. Gross revenue of the Farming Group in 2010 amounted to P 155.3 million generating a net income before tax of P 64.2 million.

Pursuant to BCH's long term objective of uplifting the standard and quality of life of farmers, it entered into partnerships with farmers and/or farmer cooperatives through contract farming. This coordinates the linkages between the farmers and/or farmer cooperatives and BCH. Under this system, BCHAC commits to support the farmer/farmer cooperative's production by supplying farm inputs and providing technical advice. In return, the farmers/farmer cooperatives commit to exclusively provide specific commodity to BCH at the agreed quantity and quality thereby guaranteeing the ANI Group a reliable source of supply of fruits and vegetables.

BCH 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. It operates various demo farms in Luzon. A 35-hectare demo farm is located in Dau, Pampanga which is in the heart of Luzon. It showcases the different crops that can be grown in the region. In the same compound, in collaboration with the China-Guangdong government, a school was setup to educate farmers on new techniques and to introduce advanced ways of farming. The said facility has become a one-stop shop for the farmers. Other demo farms in different parts of Luzon have been set up for fruit and vegetable growing. Lastly, up north, the Company established a 50-hectare rice demo farm in Cagayan providing the farmers with access to modern rice planting practices and thus improving the quantity and quality of their rice harvests. These demo farms will also be utilized in launching organic farming techniques adaptable to Philippine condition.

To support its venture into organic farming, ANI recently entered into Letters of Cooperation with the People's Government of Tianyang, Guangxi, China, covering multi-million projects in organic farming and processing, and organic fertilizer production.

It is noteworthy that the Philippine Government recently enacted the Organic Agriculture Act of 2010 which aims to promote organic farming in the country. A salient feature of the law is the provision of incentives to micro, small and medium-scale organic farmers, such as income tax holiday, zero value-added tax on the purchase of organic inputs or bio-organic produce and exemption from the payment of import duties on agricultural equipment or machinery. BCH anticipates that it will be able to take advantage of the incentives offered under the said new law to further strengthen the ANI Group's supply chain.

Meanwhile, although the ANI Group's main fresh export product continues to be Philippine mango, it is looking forward to becoming a key player in the banana industry. The prospect of Philippine bananas in the domestic and foreign market is still promising. It remains to be a consistent top dollar earner and locally it is the top fruit consumed by Filipinos. Taking these into consideration, vast tracks of lands in Mindanao are devoted to banana planting. To fund this project, the Group applied for and was granted multi-million long-term loans by the Planters' Bank and by the China-Export Credit Guarantee Corp. In addition, it entered into a Letter of Cooperation with the People's Government of Tianyang, Guangxi, China covering a multi-million banana farming project.

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

Distribution Group

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

a. First Class Agriculture Corporation

First Class Agriculture Corporation (FCA), a wholly-owned subsidiary of ANI, is engaged in the distribution of fruits and vegetables to supermarket chains, where it markets its products under the "FCA" (First Choice Always) brand. It supplies more than 100 varieties of vegetables and local fruits daily to 16 outlets in NCR and in some provinces in Luzon.

FCA earned gross revenues of P 431 million in 2010, generating a net income before tax of P 36.6 million.

FCA is currently preparing to launch the Group's condiments line. As ANI plans to import processed tomato products and its manufacturing subsidiary, IMEX intends to produce new product lines, such as soy sauce and vinegar, the Distribution Group will have additional products to offer to the market.

b. Fresh and Green Harvest Agricultural Corporation

Fresh and Green Harvest Agricultural Corp. (F&G) is a wholly-owned subsidiary of FCA. F&G is engaged in the commercial distribution of fresh vegetables and fruits to the SM Hypermarket chain. It supplies more than 100 varieties of vegetables and local fruits daily to 16 branches in the National Capital Region.

F&G earned gross revenue of P 333.5 million in 2010 generating a net income before tax of P 15.6 million.

c. Lucky Fruit and Vegetable Products, Inc.

Lucky Fruit and Vegetable Products Inc. ("LF") is a wholly-owned subsidiary of ANI. LF is engaged in the wholesale trading and distribution of commercial crops to various supermarkets, food service, and institutional accounts such as hotels, restaurants, public markets and catering companies throughout Luzon and the Visayas region. It recently opened a wholesale wet market store in Balintawak and is expected to enter the Mindanao market with Cagayan de Oro and Davao as its hubs.

LF's gross revenue in 2010 amounted to P 169.6 million. Its net income before tax amounted to P 6.1 million.

Production Group

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

a. M2000 Imex Co., Inc.

M2000 Imex Co., Inc. ("M2000")is a wholly-owned subsidiary of ANI and is engaged in the manufacturing 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. M2000 likewise provides toll-packing services to several local companies and is operating a blast freezing unit to serve the demand of overseas Filipino communities with frozen ready to cook and pre-cooked Philippine vegetable dishes. M2000's products are principally produced for export, with its largest markets being North America (30%), the Middle East (30%), Asia (25%), Europe (10%) and local 5%.

M2000's canning facility has a production capacity of 200,000 cans per day. It sources aluminum cans from San Miguel Packaging while 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 processes for ready to cook and ready to eat items. All the excess inventory or off-standard perishables are being utilized as raw material for ready to eat healthy budget meals.

M2000 earned revenues equivalent to P121 million in 2010 and generated net income before tax in the amount of P8.5 million.

b. Fruitilicious, Inc.

Fruitilicious, Inc. ("Fruitilicious") is located in Cagayan de Oro at the center of the fruit bountiful provinces of Bukidnon, Davao, Lanaodel Norte and Agusan del Sur in Mindanao. Fruitilicious also serves as the group's logistics and sourcing hub for its Mindanao operations. It operates seven (7) hectares of farmland and a cold storage facility. It operates a blast freezing and food processing facility to produce frozen and dried fruit products and by-products for local and international clients. Frutilicious is HACCP certified, which is proof that it supplies excellent and safe food products. Fruitilicious is 90%-owned by ANI.

Acquisitions in 2010

The company acquired Hansung Agro Products Corporation, a domestic corporation engaged in the import and export of goods such as agricultural products on a wholesale basis. It is one of the few accredited companies that have the capacity and license to export fresh mangoes to Japan and Korea. It is also securing licenses to export to Australia and the USA. With this acquisition, ANI expects to increase its operations in Korea and Japan, and thereby secure its position as one of the top exporters of fresh mangoes in the Philippines.

In addition, the Company also obtained majority stakes in two (2) Chinese companies, namely, Sunshine Supplies International Co. Ltd., a Hong Kong-based fruit and vegetable trading company, and Xiamen Wantaixing Trading Corp., a Chinese commodities trading firm. These acquisitions will help ensure and strengthen the Company's growth in the international market not only as a mango exporter but also as a player in the banana industry.

STRENGTHS

The Company believes that its principal strengths include the following:

Complete and strategic integration of operation

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 integration, specifically the development of its own supply of fresh vegetables and fruits through:

- Intensive large scale contract growing of the top selling vegetable and fruit varieties
- Acquisition of existing fruit and vegetable plantations
- Development of its own farms for selected high value crops

The foregoing shall significantly accelerate the Company's thrust to control its supply chain and thereby ensure supply 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 distribution channels to include the public markets will further reduce or eliminate wastage altogether. In addition, its processing subsidiaries, Fruitilicious and M2000, engaged in the processing and manufacturing of fruit products and beverages, source their raw materials from the Company's other 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 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 at a rapid pace.

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) 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 awareness

ANI will soon launch its e-commerce site, www.ani.com.ph, which will allow buyers from the foodservice sector, namely, hotels, restaurants, commissaries, catering companies, and even canteens to book their orders online, with the guarantee of on-time delivery.

For its fresh line, ANI will increase product availability through a more effective way of managing its supply chain, including investments in system and processes and building partnership programs with the sources of supply. It will focus majority of its marketing efforts on business-building and sales-generating activities while maintaining presence for its FCA brand through periodic above-the-line activities. Furthermore, ANI will be launching efforts targeting the younger generation not only to achieve some sales growth and expand market coverage, but also in support of its mission of promoting healthier lifestyle among different market segments.

ANI will be launching franchising opportunities, initially to its employees and later the public, for opportunities such as Food-to-Go and Veggie Cart to be located across the different Metro Manila communities.

ANI sees major growth potential in the processed category. In line with this, ANI will further develop and expand its product line under the beverage and snacks categories which shall all be bannered under the 'La Natural' brand. It will continue to export La Natural products while tapping local distribution opportunities. To further improve its sales and profitability and maintain its competitive advantage, ANI will also focus R&D and marketing efforts in the development and launch of products under condiments, chilled and frozen categories.

In an effort to build brand recognition and for purposes of brand protection, the group has registered its trademarks with the Intellectual Property Office (IPO) and expects the registration of additional trademarks with the expansion of its product folio and service.

Below are the group's trademarks which are registered with the IPO:

FCA FRESH CHOICE ALWAYS LA NATURAL nikka

Expanded distribution channels

To reach a wider segment of the market, ANI recently launched the FCA Wet Market Wholesale Shop that sells properly packed vegetables in strategic locations. Initial areas of operation are the Balintawak and Divisoria markets. These will be followed by other locations considered as class A and B wet markets around Metro Manila and the urban centers of nearby provinces. The Company shall also be setting up. All these would seek to maximize market reach across all segments through different channels of distribution.

Established reputation of offering quality products and services

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

Currently, ANI's businesses are accredited by: (i) the General Administration of Quality Supervision (AQSIQ) of China, allowing the company to export directly to mainland China; (ii) the USFDA for the export of canned juices to mainland USA; (iii) the Department of Agriculture – Bureau of Plant Industry for the importation of fruits, spices and other planting materials and export of fruits; Bureau of Animal Industry 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 – FDA for the operation of the canning facility in Pulilan, Bulacan; Food processing facility in Cagayan de Oro; as food distributor/importer/exporter/wholesaler (v) the Department of Finance – Bureau of Customs for the importation and export of various products and materials, and vi) Hazard Analysis and Critical Control Point certification issued in favor of Fruitilicious.

The foregoing accreditations allow the Company to quickly take advantage of opportunities in local and export 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 Hazard Analysis and Critical Control Point (HACCP) and ISO certifications for its Bulacan facility.

Finally, to ensure continuing acceptability of ANI's agricultural products in the highly discriminating domestic and international markets, it established a system of product traceability. Through this sytem, controls will be put in place for the identification and tracking of produce from seedling to delivery.

Professional and experienced Management team and labor pool

The Company's day-to-day operations are handled by a team of professionals. The members of the Executive Committee comprised of Division Heads, the bulk of whom were hired early 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 a decade of experience in their respective fields gained prior to joining ANI. They gained their experience working for established multinationals and the Top 500 companies in the Philippines. Line managers are professionally certified engineers, accountants, etc. Operational managers in exports and local distribution have had more than a decade of experience in the business of 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.

Strong strategic partnerships in the industry

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

Economies of scale

Through its integration from farm production to wholesale distribution to food processing, ANI is able to derive significant benefits from economies of scale. Through its subsidiaries, FCA, F&G, and the expansion of BCH, the Company has been able to consolidate sources and supply chains for vegetables and fruits. Full development of its own farms through the *Supply/Farming* Group and the application of biotechnology will equip the Company with large-scale production capacity and biotech crops that shall significantly reduce fixed costs even while increasing production output. A large volume buyer, the Company is also able to negotiate the best prices when purchasing from third party suppliers. The Processed 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

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 access to end-users. The Company's strategy revolves around two (2) 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;and*

B) developing and securing its own supply chain 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 country enables ANI to spread the risk against weather disturbances, pest infestation, man-made and natural disasters. Currently, ANI is working out farming ventures with China's biggest agricultural company Bei Da Huang for the development and distribution of high yielding hybrid rice seedling and Far Eastern Agricultural Investment Company, a consortium of the Kingdom of Saudi Arabia for the joint development of 50,000 hectare plantation of high value crops and commodities.

On the domestic marketing side, ANI, through the subsidiaries of the *Distribution Group*, shall be further expanding its market presence from supermarkets to wet markets, particularly in Metro Manila, Northern Luzon, and the CALABARZON area. The Company estimates that the wet market sector accounts for 70 % of the Philippines' total fresh fruit and vegetable market. Distribution through these 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 established depots in the Balintawak and Divisoria markets, the largest distribution center of vegetables and fruits in Metro Manila.

At present ANI's distribution of fresh goods is primarily, through major supermarkets such as SM Supermarket, SM Hypermarket, Makro, Puregold, Metro Gaisano, Metrotown, Monterey and Waltermart. Within fiscal year 2011, the Company expects to have established distribution through most major supermarkets in the country. The current thrust to also serve wet markets is expected to 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 facilities.

To strengthen servicing of its foreign distribution channels, ANI acquired majority stakes in Sunshine Supplies International Co. Ltd. and set up a representative office in Hong Kong to cater to the Greater China clientele. It also acquired majority equity in Xiamen Wantaixing Trading Company which has offices in Xiamen and Shanghai. In addition to these acquisitions, within 2011 ANI plans to 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 expects to speed up its 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.

In 2009, ANI completed the 400 ton capacity cold storage facility in Pulilan, Bulacan adding to the 100 ton cold storage facility in Cagayan de Oro. Moving forward, ANI intends to expand its Pulilan cold storage capacity to 3,000 tons and establish a 10,000 tons cold storage hub in central Metro Manila, while increasing the Cagayan de Oro facility to 1,000 tons and set up a new cold storage facility in Cebu. The cold storage facilities will provide ANI with the capability to store and hedge on select fruits and vegetables in large wholesale volumes in the summer months and sell them in the rainy months. This strong recurring trading income will significantly add to the bottom line. In 2010, expanded the cold storage facility in Pulilan, Bulacan, increasing the capacity to 600 tonnes, as well as installed a blast freezer facility.

MARKETING, SALES AND DISTRIBUTION

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, F&G will be integrated into FCA such 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 has launched the new theme, *Good Stuff for Good Life!* last July 2010.

ANI has invested in media and advertising activities intended to rapidly increase brand-awareness of the public. In mid-March of 2010, FCA launched a TV cooking show introducing healthy vegetarian dishes dubbed "Healthy Cravings," hosted by Iza Calzado 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 formed a basketball team to join the Philippine Basketball League (PBL) with the aim of promoting sports at the same time awareness of the FCA brand among the young generation.

A new set of posters endorsed by celebrities Alfred Vargas, Connie Sison, and Chef Jeremy Favia was launched via the rolling billboard on ANI trucks and billboard sites located at NLEX, SCTEX, C5, SLEX, Packing Houses, and Farms, in the 3rd quarter of 2010.

In April 2010, ANI launched an agricultural based discussion radio program dubbed “Agri Buzz” in DWIZ 882 every Saturday at 5pm. The FCA jingle was launched in preparation for the launch of the Veggie Cart concept which is targeted at supplying fruits and vegetables to the class A and B subdivisions in Metro Manila cities.

CORPORATE SOCIAL RESPONSIBILITY

ANI practices Corporate Social Responsibility (CSR) as part of it long-term business strategy for sustainability and continuity:

Basic Social Services - From time to time, ANI conducts Medical and Dental Missions for the poor and underprivileged communities in the country to help alleviate the health conditions of Filipino families. Once a month, ANI taps its pool of volunteers, friends and employees to visit different parts of Luzon and provide free professional services to selected beneficiaries.

Education - In partnership with Dumaguete-based Silliman University, ANI provides full scholarships to deserving students pursuing B.S. Agriculture to help address the shortage of professionals in agricultural research, development, and entrepreneurship. At present, twenty three (23) scholars are being sent to school with the help of ANI.

Research and Development - ANI continually works with foreign partners in the conduct of extensive field trials and testing of high-value and high-yielding varieties of fruits and crops in its farms. This initiative aims to support farming communities and the country in general, by developing and introducing innovative technologies. At present, ANI has ongoing trial projects for imported high-value varieties of agricultural crops, namely: (i) Potatoes in Benguet, Sorsogon and Bukidnon; (ii) Rice seeds in Bulacan; (iii) Strawberries in Benguet

Capability Building for Indigenous People - Another significant CSR project that ANI has started is its partnership with the Indigenous People’s communities in Pampanga and Tarlac for the development and management of almost 10,000 hectares of Ancestral Domain. Initially geared towards building the capabilities of the Aetas in farming and trading, ANI aims to utilize the partnership as a poverty alleviation vehicle that will create anchor enterprises, improve access to basic services, and promote environmental stewardship.

Disaster Relief During emergencies - ANI provides assistance to affected families in its own humble way. Recently after a major earthquake struck Sechuan Province in China and caused countless death and destruction, ANI made a modest monetary contribution to aid in the relief and rescue efforts conducted. ANI likewise prepares itself to take part in local disaster rehabilitation programs as a way of helping uplift the lives of displaced and vulnerable families. In the recent typhoon Frank, ANI pledged 120,000 cans of canned beverage for typhoon victims of Aklan Province.

REGULATION AND TAXATION

Currently, the company and its subsidiaries are required to pay 30% Corporate Income Tax. Most of the group’s revenues are VAT-free transactions due to the exemption of agriculture crops and export revenues from 12% VAT.[1] Only processed goods intended for local distribution are subject to the 12% VAT.

[1]Section 109 (C) AND (V) of the National Internal Revenue Code.

M2000 , owing to its expansion in the production of processed food products, applied for and was granted by the BOI a four (4)-year tax holiday effective 3rd quarter of 2010 and covering frozen fruits, root crop and leafy vegetables. On the other hand, Best Choice Harvest Agricultural Corp., the farming subsidiary, also applied with the BOI for the same four (4)-year tax holiday covering new produce of agricultural products (crop and fresh vegetables).

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**	**For the Year ended Dec. 31, 2010**
Executives (Officers and Managers)	20	30	30	38
Project employees and Consultants	1	3	4	5
All other employees	600	685	680	747
Total	621	718	714	790

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.

INSURED PROPERTY	Insurance Co.	Insured Amount
1. Canning Facility Line in Pulilan	Phil Charter	15,000,000.00
2. Cold Storage Facility in Pulilan	Phil Charter	24,800,000.00
3. Walk In Chiller In Pulilan	Phil Charter	5,256,915.00
4. Pulilan Property	Oriental	33,975,000.00
5. FCA Property Arayat	UCPB General	12,495,000.00
6. VHT Facility Taguig	Phil Charter	37,000,000.00
7. Motor Vehicles	Various	800,000.00

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. 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.

RISK FACTORS

A. RISKS RELATED TO THE COMPANY

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

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

To mitigate supply risks, ANI does the following:

- ANI observes an "open line" type of communication with all its suppliers, maintaining 24/7 constant coordination and accessibility with key personnel including the Company's top management. This enables the Purchasing Division to realign sourcing activities and locations in a timely and appropriate manner should supply issues aris.
- ANI, owing to its long-standing stature in the fresh foods industry, is able to attract reputable and reliable long-term suppliers. The strong relationship with its suppliers, built over years of mutually beneficial dealings, allows the Company and its suppliers to address and resolve any supply concerns that may arise, from time to time, through mutual cooperation.
- The establishment of cold storage facilities in Pulilan (Central Luzon) central packing house and Cagayan De Oro (Mindanao) central depot in the last quarter of 2009 provides ANI with the capacity to effectively store large volumes of fresh vegetables thereby mitigating the risks inherent in the seasonality of supplies for certain types of produce. The cold storage prolongs shelf life and enables the Company to maintain a buffer stock for these produce to better serve clients and maximize profit in times of shortage.
- ANI is currently expanding its cold storage facilities to increase its capacity to stock supplies. Part of the proceeds from the stocks right offering shall be directed to this purpose.
- A significant portion of the investment proceeds shall be devoted to intensive development of the farmlands being managed by its wholly owned subsidiary Best Choice Harvest. ANI intends to develop and operate 5,000 hectares of productive farmland that would significantly influence the implementation of Good Agricultural Practices (GAP) and traceability and reduce or eliminate its dependence on third party sources for its supplies and improve its ability to control its quality and prices.

The Company's business is affected by seasonality

The demand for and supply of many fruits and vegetables is seasonal, and the price of any particular commodity may change significantly, depending on the season. Market demand is especially strong during the Yuletide season in the last quarter of the calendar year. Because of seasonality, the results of operations of the Company may fluctuate significantly from one quarter to another.

To mitigate the risks of seasonality of supplies and prices, the Company has diversified its source of products geographically, such that seasonal fluctuations in one region can be offset by those in another region. The setting-up of additional cold storage facilities also allows the Company to stock up on certain produce when they are 'in season' and therefore relatively inexpensive; thus, such produce can be sold in the market when they are 'off season' and can command higher prices and provide wider gross profit margins.

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

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

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

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

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

Inclement weather is traditionally a major source of uncertainty in the agriculture industry. Its inherent volatility and the occurrence of extreme weather events due to global climate change impacts greatly the performance and management of the Company's farming and trading operations. For example, the El Niño and La Niña phenomenon, characterized by alternating cycles of inadequate and excessive rainfall, respectively, has in the past posed significant challenges to growers and traders alike.

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

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

The Company faces risks arising from pest and insect infestation.

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

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

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

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

To mitigate this risk, the Company continuously undertakes research and development in products and technology to improve the quality and productivity of its products while at the same time ensuring their sustainability. ANI also relies on its now fully integrated operations as a strategic advantage over its competitors in the industry whether local or foreign. Utilizing a zero waste approach in its operations, its Supply Chain/Farming Group is linked with its Distribution Group, and the two (2) are also linked with the Production Group. In turn, the Production and Distribution Groups also provide inputs for the Supply Chain/Farming Group. This synergy of operations allows ANI to bring down cost of sales and increase the value of its brand and products in the market.

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

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

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

ANI currently maintains omnibus financing lines with major domestic banks that it believes adequately support its working capital needs. In anticipation of an increase in its future working capital requirements, the Company increased its short-term credit lines.

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

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

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

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

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

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

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

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

B. RISKS RELATING TO THE PHILIPPINES

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

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

The government's inability to generate sufficient revenue to fund its budgetary requirements has long since been a concern. In fact, in 2009, the country's budget deficit swelled to a record PhP298.5 billion or 3.9% of GDP. In 2010, the government continued to experience budget deficit. However, due to improved revenue collections, fiscal deficit was below the government's target of P325 billion. Although Standard & Poor, one of the leading international credit rating firms, maintained a stable outlook for the Philippines, it observed that a narrow revenue base and rampant tax evasion remained problems. Standard & Poor likewise warned that the rating could be lowered if: a) the government's commitment to fiscal consolidation weakens, or b) the external liquidity position deteriorates significantly. Hence, no assurance can be given that the international credit rating agencies will not in the future downgrade the credit ratings of the Philippine government. A downgrade in the government's credit rating can impact on the liquidity in the Philippine financial markets, and ultimately, the ability of the Company to raise additional financing.

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

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

In May 2010, the Philippines held presidential elections. President Benigno Aquino was elected to a six(6)-year term. While none of the defeated opposition candidates questioned the results of the elections, his administration is challenged by local violence and increased criminality. In 2010, the southern part of the country experienced several bombing incidents. During the last month of said year, twin bombings occurred in Iligan City in December 18 and on Christmas day, a chapel was bombed in Jolo, Sulu. While no particular group has claimed responsibility for the attacks, terrorist groups, including the Abu Sayyaf, still abound particularly in the southern part of the country. There can be no assurance that the country will not be subject to any terrorist attack in the future.

Item 2. Properties

Parent Company

The Company is the registered owner of a parcel of land located at Pulilan Bulacan, Philippines with an area of approximately 4,995 square meters and the rightful owner of a parcel of land at similar location with 8,300 square meters. It has also recently acquired another 5,000 square meters titled lot in front and another 3,000 square meters lot with tax declaration at the back of its Pulilan property. It also owns 2 office units with more than 300 square meters located at Cedar 2 Mansion, Escriva Drive, Ortigas Business District which is currently leased out to a tenant.

ANI owns blast freezers, cold storage, filling and canning machineries and equipment, water treatment facility located along the National Highway, Barangay Dampol 2A, Pulilan, Bulacan and Balongis, Balulang, Cagayan de Oro City. It also owns a Vapor Heat Treatment facility located at Veterans Center, Taguig.

Subsidiaries

FCA

The Company's subsidiary, FCA, is the registered owner of a parcel of land located at Barangay Arenas, Arayat, Pampanga, Philippines with an area of approximately 10,000 square meters. The aforementioned land is presently improved with seven (7) buildings, namely: (i) Office Building with a total floor area of 240 square meters; (ii) Production Building with a total floor area of 1,875 square meters; (iii) Mixing Area/Warehouse with a total floor area of 155 square meters; (iv) Canteen with a total floor area of 87 square meters; (v) Generator House; (vi) Residential Building with a total floor area of 181 square meters; and (vii) Guardhouse with a total floor area of 37 square meters.

Fruitilicious, Inc.

Fruitilicious, Inc., another subsidiary of the Company, owns and operates a food processing and blast freezing facility with land area of about 2,000 square meters to produce frozen and dried fruit products and by-products in Cagayan de Oro. It also operates a 7 hectare farmland, a cold storage facility, and a house and lot.

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

Item 3. Legal Proceedings

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

While not material in nature, the Company instituted a criminal complaint for qualified theft against YsaBries entitled "***AgriNurture, Inc. vs. Ysa Bries***", docketed as Criminal Case No. Q-10-166-345 pending before the Branch 100 of the Regional Trial Court, Quezon City.The complaint alleges that Ms. Bries, who was a former employee of the Company, unlawfully took cellular phone units and SIM cards belonging to the Company without the latter's consent, resulting in losses to the Company in the approximate amount of only Php396,643.49. There is an outstanding warrant of arrest issued against the accused.

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

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

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

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

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

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

The Annual Meeting of Stockholders of the Company was held last 23 July 2010 wherein several matters were submitted to a vote of the stockholders. A copy of the SEC Form 17-C dated 23 July 2010 is attached hereto as **Annex "A"**.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

1. Market Information

The Company's 217,993,119 issued and outstanding common shares are listed and traded principally on the Second Board of the Philippine Stock Exchange (PSE).

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

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

	2009				2010				2011
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
High	n/a	Php25.00	Php18.50	Php34.50	Php27.50	17.50	18.50	18.12	10.50
Low	n/a	Php11.00	Php11.50	Php18.50	Php15.75	13.25	14.00	9.98	7.97

As of 31 March 2011, the shares of the Company are being traded at the PSE at the average trading price of Php 9.00 per share.

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

	2009				2010				2011
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
High	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64
Low	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64	AUD0.64

2. Holders

As of 31 March 2011, the Company has a total outstanding common stock of 217,993,119 common shares held by twenty seven (27) individual and corporate stockholders on record.

Based on the Company's stock and transfer book, the top twenty (20) stockholders of the Company on record as of 31 March 2011 are as follows:

	Name	No. Of Shares	% of Holdings
1	PCD Nominee Corp. (Filipino)	134,910,207	61.8874%
2	Chung Ming Yang	25,066,290	11.4897%
3	Ming Hsiang Yang	18,777,179	8.6137%
4	PCD Nominee Corp. (Foreign)	15,985,885	7.3332%
5	Antonio Tiu	5,699,998	2.6148%
6	Jose Marie E. Fabella	5,363,956	2.4606%
7	Jian Cheng Cai	5,000,000	2.2937%
8	James Tiu	3,000,000	1.3762%
9	Donn Drake Daniel Tan Cotoco	2,655,000	1.2179%
10	Ann Lorraine Buencamino	600,000	0.2752%
11	Sherwin Yao	500,000	0.2294%
12	Jose Enrique N. Songco, Jr.	200,000	0.0917%
13	Frederick Sia	104,297	0.0478%
14	Jose Mariano Crisostomo	80,000	0.0367%
15	Jose A. Ferriols&/or Eduardo A. Ferriols	25,000	0.0115%
16	Ferdinand Raymund Bacolot	20,000	0.0092%
17	Bernarda P. Torres	5,000	0.0023%
18	Guillermo F. Gili, Jr.	100	0.0000%
19	Inc. M.J. Soriano Trading	100	0.0000%
20	Cesar Dela Cruz	1	0.0000%
	TOTAL	217,993,013	99.9910%

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

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

Name of Stockholder	**Citizenship**	**No. of Shares Held**	**Percentage**

Tiu Ken Kwen	Filipino	14,718,249	6.7517%

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

3. Dividends

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

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

Subject to the ratification of the stockholders, the Company intends to declare a 20% stock dividend to all stockholders of the Company as of record date to be determined by the Board of Directors.

4. Recent Issuance of Shares Constituting Exempt Transaction

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

Name	No. of Shares Subscribed	Paid-Up
Antonio L. Tiu	28,044,690	28,044,690
Yang, Chung-Ming	14,227,748	14,227,748
Yang, Ming Hsiang	11,240,248	11,240,248
Dennis Sia	4,260,020	4,260,020
Kuo Jung Yuan	1,871,804	1,871,804
Tiu, Ken Kwen	7,836,496	7,836,496
Eduardo Si	1,231,179	1,231,179
Tiu, Ken Him	5,247,281	5,247,281
Martin Subido	471,154	471,154
Ma, Jen-I	812,476	812,476
Jaime L. Tiu	846,560	846,560
James L. Tiu	1,432,647	1,432,647
Tammy Lin	738,264	738,264
Daniel Go	738,264	738,264
Jacqueline Tiu	738,264	738,264
Anita Syvoco	1,082,753	1,082,753
Tiu, Peck	13,042	13,042
Tiu, Ken Lai	976,834	976,834
Tiu, Ken Swan	690,276	690,276

Name	No. of Shares Subscribed	Paid-Up
TOTAL	**82,500,00**	**82,500,00**

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

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

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

As of 31 March 2011, the Company has not claimed any exemption from registration for any transaction/securities considering that the additional 39,456,517 shares issued by the Company and listed with the PSE were registered with the SEC pursuant to its Order of Registration and Certificate of Permit to Offer Securities for Sale dated 19 May 2009. Thus, the Notice of Exemption was not applicable to said issuance of shares. However, when the Company applied for the listing of said shares, the PSE required the Company to file SEC Form 10.1 as part of the post-approval requirements for listing. Hence, the Company complied with the directive of the PSE and filed the SEC Form 10.01 only in compliance with the PSE's directive.

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

Overview

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

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

Thus, ANI's financial condition and results of operations as reported in the audited financial statements for 2008, 2009 and 2010 should be taken into context with the Company's aggressive forward and backward integration that started in 2007. (See Annex B: Audited Financial Statements as of 31 December 2010)

The Company is one of the Philippines' largest traders, processors and producers of fresh agricultural products. In 2007, 2008, 2009 and 2010 the Company's net sales were P623.9 million, P778.0 million, P1.0 billion and P1.6 billion, respectively, and net income for these periods were P6.7 million, P8.7 million, P35.7 million and P638.7 million, respectively.

Summary Financial Information

Financial Statement Accounts (in Php '000 except per share figures)	AUDITED			
	As of 31 Dec. 2007	As of 31 Dec. 2008	As of 31 Dec. 2009	As of 31 Dec. 2010
Income Statement Accounts				
Net Sales	P623,874	P777,965	P1,017,682	P1,585,012
Gross Profit	113,624	134,024	151,716	270,707
Operating Income	13,641	23,858	56,672	151,381
Net Income after Income Tax	6,666	8,738	35,690	638,722
Balance Sheet Accounts				
Total Current Assets	259,051	365,535	604,396	1,091,261
Total Assets	335,523	523,295	769,925	2,424,244
Total Current Liabilities	195,185	316,253	222,870	586,662
Total Liabilities	208,966	332,459	223,603	839,051
Total Stockholder's Equity	126,557	190,837	546,322	1,585,193
Total Liabilities and Stockholders' Equity	335,524	523,295	769,925	2,424,244

FACTORS AFFECTING RESULTS OF OPERATIONS

Demand and Pricing

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

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

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

Changes in Consumer Tastes and Preferences

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

Advertising and Promotions

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

Competition

The Company faces competition from other domestic producers, which sell their own brands and foreign brands.

DESCRIPTION OF REVENUE AND COST ITEMS

Net Sales

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

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

Table 1: Net Sales

	For the year ended December 31,			
	2007	2008	2009	2010
	(in '000)			
	₱	₱	₱	₱
Philippines	469,069	580,149	793,769	1,184,738
Exports	154,805	197,816	223,913	400,274
Total	623,874	777,965	1,017,682	1,585,012

Cost of Sales

Cost of sales consists of:

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

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

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

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

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

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

In 2007, 2008, 2009 and 2010, the Company's cost of sales was ₱510.2 million, ₱643.9million ,₱866 million and ₱ 1.3 billion, respectively.

Operating Expenses

The Company's operating expenses consist of selling expenses and administrative expenses. In 2007, 2008, 2009 and 2010, the Company's operating expenses were ₱100.9 million, ₱110.2 million,₱95 million and ₱ 176.5 million, respectively.

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

- delivery expenses

- salaries, wages and other employee benefits

- advertising and promotions expenses

- professional fees

- repairs and maintenance expenses

- taxes and licenses

- transportation and travel expenses

- depreciation and amortization

- other operating and administrative expenses.

CRITICAL ACCOUNTING POLICIES

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

RESULTS OF OPERATIONS

Year Ended December 31, 2010 compared to the Year Ended December 31, 2009

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

	For the Year-Ended December 31 (in '000)	
	2009	**2010**
Net Sales	1,017,682	1,585,012
Cost of Sales	865,966	1,314,304
Gross Profit and Gross Margin	151,716	270,708
Operating Expenses	95,044	176,493
Income from Operating Activities	56,672	94,215
Other Income (Charges)	(16,293)	585,744
Provision for Income Tax	4,689	41,237
Net Income	35,690	638,722

Net Sales

Net sales increased by 55.75% from ₱1.02 billion in 2009 to ₱1.59 billion in 2010, reflecting an increase in domestic sales outlets, additional clients and export expansion.

Cost of Sales

Cost of sales increased by 51.77% from ₱866 million in 2009 to ₱1.31 billion in 2010. The cost of sales for 2010 however, is 2.2% lower than the cost of sales for 2009 in relation to the net sales.

Gross Profit and Gross Margin

As a result of the factors discussed above, gross profit increased by 78.4% from ₱151.7 million in 2009 to ₱270.71 million in 2010. The gross margin, however, increased slightly from 15% in 2009 to 17% in 2010 mainly due to the overall increase in the volume of sales.

Operating Expenses

Operating expenses increased by 85.7% from ₱95.0 million in 2009 to ₱176.5 million in 2010 due to increased volume of production and sales.

Income from Operating Activities

As a result of the foregoing, income from operating activities increased by 66% from ₱56.7 million in 2009 to ₱94.2 million in 2010. Operating margin also significantly increased from 5.6% in 2009 to 6% in 2010.

Other Income

In January 2011, the ANI Group engaged CB Richard Ellis Phils., Inc. (CBREPI) to carry out a brand valuation of FCA as of December 31, 2010 in compliance with the SEC requirements. On the report by CBREPI dated 11 March 2011, the value of said trademark amounted to ₱779,000,000.00 as of December 31, 2010. This has resulted in the increase in the value of the trademark amounting to ₱778,815,461.00 and a corresponding increase in revaluation surplus and deferred tax liabililty amounting to ₱545,170,823.00 and ₱233,644,638.00, respectively, as of December 31, 2010.

Provision for Income Tax

Provision for income tax increased by 879% from ₱4.7 million in 2009 to ₱41.2 million in 2010, largely as a result of the other income from the revaluated assets.

Net Income

As a result of the foregoing, net income increased by 1,789% from ₱35.7 million in 2009 to ₱638.72 million in 2010.

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

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

	For the Year-Ended December 31 (in '000)	
	2008	**2009**
Net Sales	778,000	1,017,682
Cost of Sales	643,900	865,966
Gross Profit and Gross Margin	134,000	151,716
Operating Expenses	110,200	95,044
Income from Operating Activities	23,900	56,672
Other Income (Charges)	(10,400)	(16,293)
Provision for Income Tax	4,800	4,689
Net Income	8,700	35,690

Net Sales

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

Cost of Sales

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

Gross Profit and Gross Margin

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

Operating Expenses

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

Income from Operating Activities

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

Other Expenses

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

Provision for Income Tax

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

Net Income

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

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

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

A. 2008 Results of Operations

1. Net Sales

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

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

Table 2: 2008 Sales Contribution of ANI and its Subsidiaries

Company	Sales Amount	% to Total Sales
ANI as Parent	P178,249,812	22.91%
FCA	331,535,620	42.62%

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

2. Gross Profit and Gross Profit Margin

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

Table 3: 2008 Gross Profit of ANI and its Subsidiaries

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

3. Operating Expenses and Operating Income

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

The major components of these expenses are presented below:

Table 4: 2008 Operating Expenses

Operating Expense Items	Amount (Php '000)	% of Total
Salaries, Wages, Fees, Allowance and Other Benefits	15,617,527	14.18%
Freight and trucking	24,200,000	21.97%
Transportation and travel	4,295,942	3.90%
Rental Expense	529,739	0.48%
Repairs and Maintenance	6,260,387	5.68%
Utilities and Communication	3,970,706	3.60%
Representation and Entertainment	1,812,885	1.65%
Taxes and Licenses	5,180,824	4.70%

Operating Expense Items	Amount (Php '000)	% of Total
Research and Development	162,358	0.15%
Advertising Expense	9,693,836	8.80%
Others	38,441,951	34.89%
Total Operating Expenses	110,166,155	100.00%

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

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

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

Table 5: 2008 Operating Expenses of ANI and its Subsidiaries

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

4. Net Income

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

B. 2008 Financial Condition, Liquidity, and Capital Resources

1. Assets

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

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

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

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

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

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

2. Liabilities

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

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

3. Stockholders' Equity

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

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

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

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

Particulars	Number of Shares	Amount (Peso)
Issued and outstanding	167,905,135	167,905,135

Allotted to, and fully availed by, the Company's directors, employees and consultants under a Stock Purchase Plan	10,631,467	10,631,467

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

Net Sales

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

Cost of Sales

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

Gross Profit and Gross Margin

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

Operating Expenses

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

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

Separation pay	3,651	-
Miscellaneous	4,630	4,184
Total	100,858	110,166

Income from Operating Activities

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

Other Expenses

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

Provision for Income Tax

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

Net Income

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

LIQUIDITY AND CAPITAL RESOURCES

During the years 2007, 2008, 2009 and 2010, the Company's cash flows from operations have been sufficient to provide sufficient cash for the Company's operations and capital expenditures. The Company did not pay dividends in each of in each of 2007, 2008 and 2009. The following table sets out the Company's cash flows in 2007, 2008, 2009 and 2010:

	For the year ended December 31			
	2007	**2008**	**2009**	**2010**
	(in thousands of ₱)			
Net cash flows provided by/(used for) operating activities	(106,517)	(69,954)	(102,268)	(422,569)
Net cash flows provided by/(used for) investing activities	(24,272)	(112,620)	(13,920)	(366,173)
Net cash flows provided by/(used for) financing activities	137,571	179,907	259,977	710,333
Net increase (decrease) in cash and cash equivalents	6,783	(2,667)	143,789	(78,409)

Net Cash Flows from Operating Activities

Net cash used by operating activities were ₱422.569 million for 2010. The Company's net income before income tax for this period was ₱134.788 million, and this amount was positively adjusted for, among other things, depreciation and amortization of the Company's property, plant and equipment of ₱17.969 million, provision for retirement benefit cost of ₱0.217, interest expense of ₱16.688 million resulting in operating cash flows before working capital changes of ₱41.360 million. Aggregate changes in working capital decreased this amount to ₱433.127 million, resulting in cash used by operating activities of ₱422.569 million.

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

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

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

Net Cash Flows Used in Investing Activities

Net cash used for investing activities was ₱366.173 million in 2010. This reflects investments in property, plant and equipment and other non-current assets.Net cash used for investing activities was ₱13.9 million in 2009. This primarily reflects investments in property, plant and equipment of ₱17.8 million. Net cash flows used in investing activities were ₱112.6 million in 2008. This primarily reflects additions to property and equipment of ₱92.3 million as well as additional investments in a subsidiary of P17.1 million. Net cash flows used in investing activities were ₱24.3 million in 2007. This primarily reflects additions to property and equipment of ₱23.5 million.

Cash Flows Provided by (Used in) Financing Activities

Net cash generated from financing activities were ₱710,333 million in 2010. This primarily reflects proceeds from borrowings and payment of cash dividends.Net cash provided by financing activities were ₱260.0 million, ₱179.9 million and ₱137.6 million in 2009, 2008 and 2007 respectively. This primarily reflects proceeds and repayment of loans and short-term borrowings together with the receipts from the issuance of share capital and deposits for future subscriptions. No cash dividends were paid in any of these periods.

Capital Resources

As of December 31, 2010, the Company had cash and cash equivalents of ₱73.776 million. As of the same date, the Company had outstanding short-term debt of ₱519.442 million.

As of December 31, 2010, the Company had total no outstanding long-term debt. As of December 31, 2010, the Company had current assets of ₱1.091 billion and current liabilities of ₱586.662 million. As of the same date, the Company's working capital (current assets minus current liabilities) was ₱504.598 million. The Company believes that its working capital is sufficient for its present requirements.

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

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

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

Capital Expenditures

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

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

Year ended December 31,	Expenditure (in thousands)
2007	₱23,533
2008	₱92,338
2009	₱17,813
2010	₱355,921

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

Off-Balance Sheet Arrangements

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

KEY PERFORMANCE INDICATORS

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

	Year ended December 31,		
	2010	**2009**	**2008**
Liquidity:			
Current ratio	1.86	2.71	1.16
Solvency:			
Debt-to-equity ratio	0.52	0.41	1.74
Profitability:			
Return on average stockholders' equity of the Company	0.60	0.10	0.06
Operating efficiency:			
Revenue growth	0.56	0.31	0.25

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

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

Adoption of PFRS/PAS

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

Accounting Standard, Interpretations and Amendment Effective in 2008

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

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

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

Philippine Interpretation IFRIC 12, *Service Concession Agreements*

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

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

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

Item 7. Financial Statements

A copy of the Company's Audited Financial Statements for the year ended 31 December 2010 is attached hereto as **Annex "B"**.

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

The Company, upon approval of the Board of Directors and the stockholders obtained during the last Annual Stockholders' Meeting held on 23 July 2010, appointed BDO Alba Romeo & Co. as its external auditor with Antonio V. Cruz named as principal accountant. The external auditor examined, verified and reported on the earnings and expenses of the Company.

Apart from the audit and audit-related fees in the amounts of Php1,210,000.00 for 2007, P1,830,000 for 2008, Php2,217,600 for 2009, and Php 2,324,100 for 2010, no other services such as assurance or related services, tax accounting, compliance, advice, planning, or other kinds of services were rendered and no other fees were billed by the Company's auditors as of the years ended 31 December 2007, 2008, 2009 and 2010. BDO Alba Romeo does not have any direct or indirect interest in the Company.

During the two (2) most recent fiscal years or any subsequent interim period, there has been no resignation by, dismissal of or cessation of the performance of services by the Company's independent accountant/ external auditor.

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

BDO Alba Romeo & Co. has served the Company as its independent accountant/external auditor since 2006. In compliance with SRC Rule 68, paragraph 3(b)(iv), BDO Alba Romeo & Co. intends to rotate the external auditors assigned to the Company.

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a. Directors and Principal Officers of the Company:

As of 31 March 2011, the following are the directors of the Company:

Name	Age	Citizenship	Term of Office
Antonio L. Tiu	35	Filipino	2004 – present
Chung Ming Yang	36	Chinese ROC	1997 – present
Dennis Sia	34	Filipino	2006 – present
Cristino Lim	64	Filipino	2008 – present
George Uy	60	Filipino	2008 – present
Claro F. Certeza	53	Filipino	2010 – present
Leonor Briones	70	Filipino	2008 – present
Alfonso Go	72	Filipino	2008 – present

ANTONIO L. TIU, 35, Filipino, Director/Chairman. Mr. Tiu is also the Chairman of Sunchamp Real Estate Development Corp. and CEO of Beidahuang, Philippines Inc. He was a part time lecturer in International Finance at DLSU Graduate School from 1999 to 2001. Mr. Tiu has a Masters degree in Commerce specializing in International Finance from University of New South Wales, Sydney Australia and BS Commerce major in Business Management from De La Salle University, Manila. He is currently a Doctorate student in Public Administration at the University of the Philippines. In 2009, he was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009). He is an active member of Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries.

DENNIS S. SIA, 35, Filipino, Director. Mr. Sia previously served as Head for Export of M2000 IMEX in 2004 to 2005. He has a degree in BS Commerce Major in Business Management from De La Salle University, Manila. He has previously served as Sales Executive of Banco De Oro, JG Petrochem, and Kuysen Enterprises from 1997 up to 2003.

YANG, CHUNG MING, 36, Chinese R.O.C., Director. Mr. Yang is the General Manager of Grateful Strategic Marketing Consultants Co., Ltd, and Tong Shen Enterprises, which are both Taiwan based firms. He has a degree in B.S. Computer Science from Chiang Kai Shek College, Philippines and has a Masters degree in Business Administration from the National Chengchi University in Taiwan. He is currently taking the Executive MBA program at the Xiamen University.

CRISTINO T.C. LIM, 64, Filipino, Director. Mr. Lim is the President of Neco Chemicals Philippines, Inc. and NKC Properties Inc. He is a former Vice President of the Filipino Chinese Chamber of Commerce., Inc. and the current EVP of Chinese Filipino Business Club Inc.

GEORGE Y. UY, 60, Filipino, Director. Mr. Uy started his career with the United Laboratories and Squibb between 1969 and 1970. He co-founded the Optima Scientific Consultants, Inc. which is engaged in the design of pollution abatement systems. Mr. Uy was one of the first proponents in the Philippines of the polypropylene woven bag plant using equipment from Europe, and also first to set up a meat processing plant that uses equipment from Germany with a license to export to Japan from the Philippines granted by the Japanese Ministry of Agriculture. In 1988, he co-founded a company engaged in mass transport system, telecommunications, and indentor of steel products. Currently he is also engaged in the biofuel program in the Philippines. He obtained his Bachelor's degree in 1970 and Masters degree in Chemistry in 1976 from the Ateneo de Manila University

ATTY. CLARO F. CERTEZA, 53, Filipino, Director. Atty. Certeza graduated from the Ateneo Law School where he obtained his Bachelor of Laws degree. He also holds a Bachelor of Science degree from the University of the East. He is a member of the faculty of the Ateneo de Manila University School of Law where he lectures on Civil Law, Labor Law and Franchise Law. Mr. Certeza has been in the practice of law since 1984. He started as a litigation lawyer where he focused on criminal and civil cases. In 1992, he joined the Jollibee Foods Corporation (JFC), the biggest fast-food chain in the country where he concurrently served as Vice President for Legal Affairs. He was later elected as Director of the JFC and also a member of its Management Committee. He is an active member of the Philippine Franchise Association where he was a director and is currently a member of its Legal and Continuing Education Committee.

PROF. LEONOR MAGTOLIS BRIONES, 70, Filipino, Independent Director. Prof. Briones is a Director for Policy and Executive Development, National College of Public Administration and Governance, University of the Philippines System, Diliman. She is also a Professor and Faculty Member, Graduate Level in the same university. Prof. Briones was also the Treasurer of the Philippines, Bureau of Treasury from August 1998 to February 2001 and was concurrently the Presidential Adviser for Social Development, with Cabinet Rank, Office of the President.

ATTY. ALFONSO Y. GO, 72, Filipino, Independent Director. Atty. Go was born on May 5, 1938 in

Manila, Philippines. He graduated from University of the East in 1964 with a degree in Bachelor of Laws. Currently, he is a member of the Integrated Bar of the Philippines, and Philippine Institute of Certified Public Accountants. He is a practicing lawyer, accountant, realty developer and former banker.

The list below sets forth the Company's principal officers as of 31 March 2011.

ANTONIO L. TIU, 35, Filipino, President/CEO
Mr. Tiu is also the Chairman of Sunchamp Real Estate Development Corp. and CEO of Beidahuang, Philippines Inc. He was a part time lecturer in International Finance at DLSU Graduate School from 1999 to 2001. Mr. Tiu has a Masters degree in Commerce specializing in International Finance from University of New South Wales, Sydney Australia and BS Commerce major in Business Management from De La Salle University, Manila. He is currently a Doctorate student in Public Administration at the University of the Philippines. In 2009, he was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009). He is an active member of Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries.

DENNIS S. SIA, 35, Filipino,Treasurer/VP-Finance
Mr. Sia is currently the Treasurer and VP-Finance for the ANI Group. He previously served as Head for Export of M2000 IMEX in 2004 to 2005. He has a degree in BS Commerce Major in Business Management from De La Salle University, Manila. He has previously served as Sales Executive of Banco De Oro, JG Petrochem, and Kuysen Enterprises from 1997 up to 2003.

FLEMMING HANSEN*, *41, VP-Operations
Prior to joining ANI, Mr. Hansen was the President/CEO of Scanasia Overseas, Inc. (Phils.). He has lived and worked in the Philippines the last fourteen years, during which Scanasia grew into the largest Philippine distributor of dairy products and had 80% of market share when the company was sold in 2008. He finished his Offshore MBA Program from Western University of Australia 2006, studied at the MBA Cranfield School of Management UK, Bachelor's Degree in Economics and Business Economy at the University of Aarhus, Denmark.

KENNETH S. TAN, 38, Filipino, VP-Admin/Corporate Information Officer/Compliance Officer
Mr. Tan was born on December 26, 1972. Prior to joining the Company as its Chief Information Officer, he was an officer of Citibank and Manulife Financial. He was a part-time lecturer in Economics at an international school in Manila. He earned his Bachelor of Arts degree from the Ateneo de Manila University.

ATTY. MARTIN SUBIDO, 35, Filipino, Corporate Secretary. Atty. Martin Subido is a Certified Public Accountant and a member of the Integrated Bar of the Philippines. He graduated with a *B.S. Accountancy* degree from *De La Salle University* and obtained his Juris Doctor degree, with honors, from the *School of Law of Ateneo de Manila University*. He was a Senior Associate of the Villaraza & Angangco Law Offices before becoming managing partner of The Law Firm of Subido Pagente Certeza Mendoza & Binay.

ADRIENNE V. MARTINEZ, VP–Human Resources
Prior to joining ANI, Ms. Martinez was the Corporate Services Director for Human Resources, Administration, Management Information Systems, Legal, and Quality Assurance of Scanasia Overseas, Inc. She has 26 years of experience in handling human resources and administration gained from working with top companies in the electrical and consumer goods distribution industries. She has a Philosophy and Psychology degree from the University of the Philippines (Baguio) and a postgraduate

degree in Industrial Relations from the School of Labor and Industrial Relations from the University of the Philippines (Diliman).

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

Since the Company's last annual meeting held on 23July 2010, none of the directors elected therein by the stockholders has resigned or declined to stand for re-election to the board of directors because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices, and the required disclosures relevant to the existence thereof.

The nominees for election to the Board of Directors on 16 May 2011 are as follows:

1. Antonio L. Tiu
2. Yang Chung Ming
3. Dennis Sia
4. Cristino Lim
5. George Uy
6. Claro F. Certeza
7. Kenneth Duca
8. Leonor Briones (<u>Independent Director)</u>
9. Alfonso Go (<u>Independent Director</u>)

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

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

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

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

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

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

In approving the nominations for independent directors, the Nominations Committee took into consideration the guidelines on the nomination of independent directors as prescribed in SRC Rule 38.

b. Significant Employees

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

c. Family Relationships

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

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

d. Involvement in Certain Legal Proceedings

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

While not material in nature, the Company instituted a criminal complaint for qualified theft against YsaBries entitled "***AgriNurture, Inc. vs. Ysa Bries***", docketed as Criminal Case No. Q-10-166-345 pending before the Branch 100 of the Regional Trial Court, Quezon City. The complaint alleges that Ms. Bries, who was a former employee of the Company, unlawfully took cellular phone units and SIM cards belonging to the Company without the latter's consent, resulting in losses to the Company in the approximate amount of only Php396,643.49. There is an outstanding warrant of arrest issued against the accused.

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

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

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

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

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

e. Certain Relationships and Related Transactions

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

See Note 6 (Related Party Transactions) of the Notes to the 2010 Audited Financial Statements.

Item 10. Compensation of Directors and Executive Officers

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

Name of Officer	Position/ Title
Antonio L. Tiu	President/Chairman/CEO
Dennis Sia	VP-Finance/Treasurer
Kenneth S. Tan	VP-Admin / Compliance Officer
Flemming Hansen	VP-Operations
Adrienne Martinez	VP-Human Resources

The following summarizes the executive compensation received by the CEO and the top four (4) most highly compensated officers of the Company for 2008, 2009, 2010, 2011 (estimated). It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

	Year	Salaries (Amounts in P'000)	Bonuses (Amounts in P'000)	Other Income (Amounts in P'000)
CEO and the four (4) most highly compensated officers named above	2008	Php2,160	Php180	NONE
	2009	Php2,649	Php220	NONE
	2010	Php4,925	Php410	NONE
	2011	Php5,171	Php430	NONE
Aggregate compensation paid to all other officers and directors as a group unnamed	2008	Php3,600	Php300	NONE
	2009	Php2,070	Php225	NONE
	2010	Php2,197	Php217	NONE

	2011	Php2,307	Php227	NONE

Since the date of their election, the directors have been receiving Php5,000.00 per meeting. Aside from the foregoing, the directors have served without compensation. The directors did not also receive any amount or form of compensation for committee participation or special assignments. Under Section 8, Article III of the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable *per* diem allowance for their attendance at each meeting of the Board. Also provided therein is the compensation of directors, which shall not be more than 10% of the net income before income tax of the Company during the preceding year, which shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting. As of this date, no standard or other arrangements have been made in respect of director's compensation.
In connection with this, the Company has a Compensation Committee to assist the Board in establishing the appropriate incentive and compensation plans, as well as to administer such plans. Said Committee is headed by Antonio L. Tiu with Atty. Claro F. Certeza, George Y. Uy and Atty. Alfonso Go as members.

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

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

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

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

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

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

Item 11. Security Ownership of Certain Record and Beneficial Owners

As of 31 March 2011, the following are the record and/or beneficial owners of more than five percent (5%) of the Company's total issued common shares based on the stock and transfer book of the Company:

Title Of	Name, Address Of Record	Name Of Beneficial	Citizenship	No. Of	Percentage

Class	Owner And Relationship With Issuer	Owner And Relationship With Record Owner (Direct)		Shares Held	
Common	PCD Nominee Corp. G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City Stockholder	PCD Nominee Corp. is the record owner	Filipino	134,910,207	61.8874%
Common	ANTONIO L. TIU 24 Green Street, Capitol Hills Golf, Ayala Heights Subdivision, Old Balara, Quezon City Stockholder	Antonio L. Tiu is the beneficial owner and record owner	Filipino	58,408,933	26.7939%
Common	CHUNG MING YANG c/oAgriNurture, Inc. 30-A Washington Tower, The AsiaWorld City, Macapagal Avenue, Paranaque City Stockholder	Chung Ming Yang is the beneficial owner ad record owner	Chinese ROC	25,066,290	11.4987%
Common	MING HSIANG YANG c/oAgriNurture, Inc. 30-A Washington Tower, The AsiaWorld City, Macapagal Avenue, Paranaque City Stockholder	Ming Hsiang Yang is the beneficial owner and record owner	Chinese ROC	18,777,179	8.6137%
Common	PCD Nominee Corp. (Foreign) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City Stockholder	PCD Nominee Corp. is the record owner	Filipino	15,985,885	7.3332%

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

Name of Stockholder	Citizenship	No. of Shares Held	Percentage
Tiu Ken Kwen	Filipino	14,718,249	6.7517%

Security Ownership of Management:

As of 31 March 2011, the following are the security ownership of the directors and principal officers of the Company:

Title Of Class	Name Of Beneficial Owner; Relationship With Issuer	Amount And Nature Of Beneficial Ownership (Direct & Indirect)	Citizenship	Percentage
Common	Antonio L. Tiu Chairman, President & CEO	58,408,933 (Direct & Indirect)	Filipino	26.7939%
Common	Chung Ming Yang Director	25,066,290 (Direct)	Chinese ROC	11.4987%
Common	Dennis Sia Director and Chief Financial Officer/ Treasurer	5,247,417 (Direct)	Filipino	2.4071%
Common	Cristino Lim Director	1 (Direct)	Filipino	Less than 1%
Common	George Uy Director	1 (Direct)	Filipino	Less than 1%
Common	Claro F. Certeza	1	Filipino	Less than 1%

	Director	(Direct)		
Common	Leonor Briones Independent Director	1 (Direct)	Filipino	Less than 1%
Common	Alfonso Go Independent Director, Head of Audit Committee	1 (Direct)	Filipino	Less than 1%
Common	Kenneth S. Tan Corporate Information Officer and Compliance Officer	0	Filipino	0%
Common	Flemming Hansen VP - Operations	0	Danish	0%
Common	Martin C. Subido Corporate Secretary	285,168 (Indirect)	Filipino	0.1308%
Common	Rafaelito Soliza Chief Accountant	0	Filipino	0%

The total security ownership of the directors and principal officers of the Company as a group, as of 31 March 2011, is 89,007,813 common shares, equivalent to 40.8305% of the outstanding capital stock of the Company.

Voting Trust Holders of 5% or More

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

Changes in Control

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

Item 12. Certain Relationships and Related Transactions

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties. See Note 6 (Related Party Transactions) of the Notes to the 2010 Audited Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

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

To ensure compliance with the adopted practices and principles on good corporate governance, the Company has designated the Corporate Secretary as Compliance Officer. The Compliance Officer shall:

(i) monitor compliance with the provisions and requirements of the Manual; (ii) perform evaluation to examine the Company's level of compliance; and (iii) determine violations of the Manual and recommend penalties for violations thereof for further review and approval by the Board of Directors.

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

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

On 28 February 2011, the Company filed its Revised Manual on Corporate Governance with SEC.

PART V - EXHIBITS AND SCHEDULES

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

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

a. SEC Form 17-C dated 01 July 2010

The Company disclosed that the Board of Directors of the Company, in its meeting on 01 July 2010, resolved to authorize the Company to participate through linkage with the Electronic Direct Registration of PASTRA.NET and avail of the latter's services, to wit:

1. The issuance and recording of transfer of the Company shares into the name of the shareholders, investors or securities intermediary in the form of uncertificated shares;

2. Obtaining a system that supports the issuance and recording of said issuance or the transfer of the Company shares in electronic form, and the storage and maintenance of relevant data by electronic entries.

b. SEC Form 17-C dated 07 July 2010

The Company entered into an agreement for the acquisition of Hansung Agro Products Corporation ("Hansung") for Ten Million Pesos (Php 10,000,000.00). Hansung is engaged in the business of trading, import and export of goods such as agricultural products on a wholesale basis. It is one of the few accredited companies that has the capacity and license to export fresh mango to Japan and Korea. With this acquisition, the Company expects to increase its export operations in Japan and Korea and further secure its position as one of the top exporters of fresh mangoes in the country.

c. SEC Form 17-C dated 21 July 2010

The Company disclosed that the Board of Directors of the Company, in its meeting on 21 July 2010, 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 Php 10.00 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 be presented to the stockholders for their ratification.

d. SEC Form 17-C dated 23 July 2010

d.1. Annual Meeting of Stockholders

The Company held its Annual Meeting of Stockholders during which the stockholders: (i) approved the minutes of the 2009 Annual Meeting of Stockholders; (ii) approved the Annual Report and Financial Statements for the year ended 31 December 2009; (iii) approved the filing of application and such other necessary documents to the Philippine Stock Exchange ("PSE") and the Securities and Exchange Commission ("SEC") for the follow-on offering of the Company's shares; (iv) approved the filing of application and such other necessary documents to the PSE and SEC for the listing of 20 million warrants relating to 20 million common shares of the Company; (v) approved and ratified the acquisition of Hansung Agro Products Corporation; (vi) approved the expansion of operations in the Asia Pacific region; (vii) approved and ratified the grant of authority to enter into surety agreements with banks, financial institutions, entities, corporations or individuals to cover loans of any of the subsidiaries of the Company from said banks, financial institutions, entities, corporations or individuals; (viii) approved and ratified the authority to conduct stock rights offering, subject to the approval of the SEC and PSE; (ix) approved and ratified the creation, registration and issuance of such number of warrants at a ratio of 1 warrant for every 2 shares acquired by the stockholder from the Company's stock rights offering; (x) approved the filing of application and such other necessary documents to the PSE and SEC for the listing of the shares and warrants referred to in items (viii) and (ix), respectively; (xi) approved and ratified the authority to undertake steps to declare stock dividends in 2011 as may be warranted and allowed under existing laws, rules and regulations; (xii) ratified all acts, resolutions and decisions of the Board of Directors and the Management since the 2009 Annual Meeting of Stockholders; and (xiii) elected the members of the Board of Directors, namely:

1. Antonio L. Tiu
2. Chung Ming Yang
3. Dennis S. Sia
4. George Y. Uy
5. Cristino T.C. Lim
6. Atty. Claro F. Certeza
7. Cesar M. dela Cruz
8. Atty. Alfonso Y. Go (Independent director)
9. Prof. Leonor M. Briones (Independent director)

d.2. Organizational Meeting of the Board of Directors

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

1. Election of Officers:

Chairman of the Board/President/CEO:	Antonio L. Tiu
Chief Strategy Officer:	Chung Ming Yang
Chief Operating Officer:	Flemming Hansen
Chief Procurement Officer and Treasurer:	Dennis S. Sia

Chief Finance Officer:	Byron De Peralta
Corporate Secretary:	Martin C. Subido
Chief Accountant:	Rafaelito Soliza
Chief Information Officer and Compliance Officer:	Kenneth S. Tan

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

Executive Committee:	Antonio L. Tiu Atty. Alfonso Go Dennis S. Sia
Compensation and Nomination Committee:	Antonio L. Tiu (Chairman) Atty. Claro F. Certeza George Y. Uy Atty. Alfonso Go (Independent Director)
Audit Committee:	Atty. Alfonso Go (Chairman/Independent Director) Cesar M. Dela Cruz Prof. Leonor Briones (Independent Director)
Corporate Governance Compliance Committee:	Prof. Leonor Briones (Chairman/Independent Director) Atty. Claro F. Certeza Atty. Alfonso Go (Independent Director)

e. SEC Form 17-C dated 08 September 2010

The Company entered into an Agreement with Donn Drake Daniel Cotoco ("Cotoco") wherein the former acquired a Vapor Heat Treatment (VHT) Facility from the latter. Based on the appraisal report of CB Ellis Phils. Inc., the VHT Facility has an appraised value of Php 37,170,000.00. As full payment for the VHT Facility, the Company, subject to the approval of the Securities and Exchange Commission, shall issue in favor of Cotoco 2,655,000 primary shares at Php 14.00 per share.

f. SEC Form 17-C dated 08 February 2010, filed on 13 September 2010

The Company disclosed that the following have subscribed to an aggregate amount of 3,968,253 primary common shares of the Company consisting of 2.03% of the Company's outstanding common stock at Php 15.12 per share:

Name	No. Of Shares	Amount Paid
Frederick Sia	104,297	1,576,970.64
Sherwin Yao	500,000	7,560,000.00
Tammy Lin	1,000,000	15,120,000.00
Jose Marie Fabella	2,363,956	35,743,014.72
Total	3,968,253	59,999,985.36

g. SEC Form 17-C dated 18 October 2010

The Company disclosed that in its meeting on 11 October 2010, the Board of Directors approved the execution of the Memoranda of Agreement pertaining to the Company's acquisition of (i) Sunshine

Supplies International Co. Ltd., a corporation organized and existing in Hong Kong, SAR and (ii) Xiamen Wantaixing Trading Corporation, a corporation organized and existing under the laws of the People's Republic of China.

h. SEC Form 17-C dated 26 October 2010

The Company disclosed that the Company and the People's Government of Tianyang, Guangxi, China executed a Letter of Intent for Cooperation, wherein the parties signified their firm intention to jointly undertake the following activities:

Activities	**Amount**
Banana planting project	136 Million RMB
Organic demo farms in the Philippines and Guangxi, China	30 Million RMB
Organic fertilizer production	80 Million RMB

The Letter of Intent for Cooperation was signed in Tianyang, Guangxi, China and witnessed by the Philippine Department of Agriculture Undersecretary, Berna Romulo-Puyat.

i. SEC Form 17-C dated 09 November 2010

The Company disclosed that the following have subscribed to an aggregate amount of 16,065,995 primary common shares of the Company at Php 13.39 per share:

Name	No. Of Shares	Amount Paid
Southern Field Limited (BVI)	6,597,906	88,345,961.34
Jian Cheng Cai	5,000,000	66,950,000.00
Jose Marie E. Fabella	3,000,000	40,170,000.00
Mark Kenneth O. Duca	1,468,089	19,651,711.71
Total	16,065,995	215,123,673.05

j. SEC Form 17-C dated Feb. 25, 2011, filed on Feb. 28, 2011

The Company submitted its Revised Manual on Corporate Governance.

k. SEC Form 17-C dated 25 March 2011

The Company disclosed that the Board of Directors adopted and approved the following resolutions:

i. Subject to ratification by the stockholders and approval by the Securities and Exchange Commission (SEC), the amendment of the Articles of Incorporation of the Company for the following purposes:

   a. To include “retail trade business” as a primary purpose of the Company as allowed and provided for under Republic Act No. 8762, otherwise known as the “Retail Trade Liberalization Act of 2000”; and

   b. To increase the number of the Directors of the Company from nine (9) to eleven (11);

ii. In the conduct of the Company’s stock rights offering in relation to the intended increase in authorized capital stock, the terms shall be as follows:

a. Each stockholder of record shall be entitled to the right to subscribe to one (1) new share for every one (1) share held as of record date; and

b. The offer price shall be P1.00 per new share;

iii. Subject to ratification by the stockholders, the issuance of convertible bonds and/or notes in the total amount of P1 Billion with a maturity of 5 to 10 years, and under such terms and conditions as may be determined by the Board of Directors and as may be warranted and allowed under existing laws, rules and regulations;

iv. Subject to approval by the SEC, the amendment of the following terms and conditions of the Company's existing 20 Million Warrants relating to 20 Million common shares:

a. The warrants shall be converted from European Call Option to American Call Option; and
b. The strike price of the warrants shall be P10.00 per share;

v. Offering of Employee Stock Option Plan to the Company's directors, officers and employees under such terms and conditions as may be determined by the Board of Directors and as may be warranted and allowed under existing laws, rules and regulations;

vi. Filing of the pertinent application and such other necessary requirements with the Philippine Economic Zone Authority (PEZA) for the possible registration of the Pulillian, Bulacan office of the Company as an Agro-Industrial Economic Enterprise.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 15 April, 2011.

By:

Antonio L. Tiu
President & Chief Executive Officer

Kenneth S. Tan
CIO / Compliance Officer

Dennis Sia
Chief Financial Officer

Rafaelito Soliza
Chief Accountant

Martin S. Subido
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15th day of April 2011 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Antonio L. Tiu	Passport No. XX 1478710	25 June 2008	Manila
Rafaelito Soliza	Driver's License No. N01-83-089377	04 Jan. 2010	Quezon City
Kenneth Tan	Driver's License No. N04-90-144089	06 Jan. 2011	Quezon City
Martin C. Subido	Driver's License No. N03-93-143451	16 May 2009	Quezon City
Dennis Sia	Driver's License No. N04-94-308504	25 Nov. 2008	Quezon City

DOC. NO. 206;
PAGE NO. 41;
BOOK NO. I;
SERIES OF 2011.

ATTY. MA. ROSARIO FRANCESCA J. MENDOZA
NOTARY PUBLIC
UNTIL DECEMBER 31/2011
ROLL NO. 46587
IBP LIFETIME MEMBER NO. 852814
PTR NO. 2667228/01-07-11/MAKATI CITY
NOTARIAL COMMISSION NO. M-353
TIN NO. 216-199-304-000

Tel: +(632) 844 2016
Fax: +(632) 844 2045
www.bdo.net.ph

7/F Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
Branches: Bacolod/Cagayan de Oro/Cebu

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
AgriNurture Inc. and its subsidiaries
30A Washington Tower, Asiaworld Complex,
Marina, Parañaque City

Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of **AgriNurture and its subsidiaries,** which comprise the consolidated statements of financial position as of December 31, 2010 and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each the three years ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AgriNurture Inc. and its subsidiaries as of December 31, 2010 and 2009, and its financial performance and its cash flows for each of the three years in the period ended in accordance with Philippine Financial Reporting Standards.

ALBA ROMEO & Co.

ANTONIO V. CRUZ
CPA Certificate No. 17482
PTR No. 2699184 January 31, 2011, Makati City
TIN No. 141-791-733
SEC Accreditation No. 0038-AR-2 (Individual)
SEC Accreditation No. 0007-FR-2 (Firm)
BIR Accreditation AN 08-001682-3-2009
PRC/BOA Accreditation No. 005

Makati City, Philippines
March 11, 2011

AGRINURTURE, INC. AND ITS SUBSIDIARIES

Financial Statements
For the years ended December 31, 2010 and 2009

AGRINURTURE, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009

	Note	**2010**	2009
ASSETS			
Current assets			
Cash on hand and in banks	6	**P73,776,402**	P152,186,392
Trade and other receivables, net	7	**294,329,640**	238,969,099
Note receivable	17	**58,000,000**	58,000,000
Advances to related parties	16	**41,756,983**	50,699,965
Inventories	8	**77,536,576**	37,749,478
Biological assets	9	**454,859,523**	-
Advances to projects	10	**64,255,063**	53,412,422
Prepayments and other current assets		**26,746,611**	13,151,138
Total current assets		**1,091,260,798**	604,168,994
Non-current assets			
Property and equipment, net	11	**521,670,051**	145,761,509
Deferred tax assets	24	**1,249,848**	225,777
Intangibles	12	**809,521,267**	19,717,223
Other non-current assets		**541,651**	31,501
Total non-current assets		**1,332,982,817**	165,735,510
Total assets		**P2,424,243,615**	P769,904,504
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	**P53,698,096**	P50,398,309
Interest-bearing loans and borrowings	14	**519,442,200**	166,734,989
Advances from related parties	16	**215,208**	3,182,227
Income tax payable	24	**12,329,700**	2,553,993
Other current liabilities		**976,789**	-
Total current liabilities		**586,661,993**	222,869,518
Non-current Liabilities			
Pension liability	15	**950,645**	733,215
Deferred tax liability	24	**251,438,343**	-
Total non-current liabilities		**252,388,988**	733,215
Total liabilities		**P839,050,981**	P223,602,733
Equity			
Equity attributable to equity holders of the parent			
Share capital	17	**217,993,119**	191,868,445
Share premium	18	**675,502,960**	306,832,220
Revaluation surplus	18	**545,170,826**	-
Retained earnings			
Appropriated	18	**19,000,000**	19,000,000
Unappropriated	18	**119,958,011**	28,601,106
		1,577,624,916	546,301,771
Non-controlling interest		**7,567,718**	-
Total equity		**1,585,192,634**	546,301,771
Total liabilities and equity		**P2,424,243,615**	P769,904,504

(The notes on pages 1 to 45 are an integral part of these financial statements.)

AGRINURTURE, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

	Note	2010	2009	2008
Sales		**P1,585,011,759**	P1,017,682,209	P777,964,691
Cost of sales	20	**(1,314,304,215)**	(865,966,271)	(643,940,906)
Gross profit		**270,707,544**	151,715,938	134,023,785
Operating expenses	21	**(176,493,028)**	(95,043,892)	(110,166,155)
Other operating income (expenses), net	22	**57,166,068**	209,490	3,487,189
Profit from operations		**151,380,584**	56,881,536	27,344,819
Finance income		**95,032**	3,837,569	36,620
Finance costs	14	**(16,687,620)**	(20,340,457)	(13,880,886)
Profit before tax		**134,787,996**	40,378,648	13,500,553
Provision for income tax	24	**(41,236,531)**	(4,688,680)	(4,763,434)
Profit for the year		**93,551,465**	35,689,968	8,737,119
Other comprehensive income		**-**	**-**	-
Gain on change of fair value of trademark	**12**	**545,170,823**	**-**	-
Total comprehensive income		**P638,722,288**	P35,689,968	P8,737,119
Profit for the year attributable to :				
Equity holders of parent		**P90,813,545**	P35,689,968	P8,737,119
Non-controlling interest		**2,737,920**	-	-
		P93,551,465	P35,689,968	P8,737,119
Total comprehensive income for the year attributable to :				
Equity holders of parent		**P635,984,368**	P35,689,968	P8,737,119
Non-controlling interest		**2,737,920**	-	-
		P638,722,288	P35,689,968	P8,737,119
Earnings per share	19	**P0.45**	P0.19	P0.06

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(The notes on pages 1 to 45 are an integral part of these financial statements.)

AGRINURTURE, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31 2010, 2009 AND 2008

	Share capital (Note 17)	Deposits for future subscriptions	Share premium (Note 18)	Revaluation surplus (Notes 12 and 18)	Retained earnings (Note 18)		Total equity attributable to equity holders of the parent	Non-controlling interest	Total
					Appropriated	Unappropriated			
At January 1, 2008	P10,000,000	P95,898,440	P-	P-	P-	P3,562,842	P109,461,282	P17,095,885	P126,557,167
Issuance of common shares	72,638,162	-	-	-	-	-	72,638,162	-	72,638,162
Transfer of deposits for future stocks subscriptions to share capital	95,898,440	(95,898,440)	-	-	-	-	-	-	-
Acquisition of remaining equity shares of FCAC	-	-	-	-	-	-	-	(17,095,885)	(17,095,885)
Appropriation for future dividends	-	-	-	-	19,000,000	(19,000,000)	-	-	
Total comprehensive income	-	-	-	-	-	8,737,119	8,737,119	-	8,737,119
At December 31, 2008	178,536,602	-	-	-	19,000,000	(6,700,039)	190,836,563	-	190,836,563
Prior period adjustments	-	-	-	-	-	(368,423)	(368,423)		(368,423)
Issuance of common shares	13,331,843	-	306,832,220	-	-	-	320,164,063	-	320,164,063
Total comprehensive income	-	-	-	-	-	35,689,967	35,689,967	-	35,689,967
At December 31, 2009	191,868,445	-	306,832,220	-	19,000,000	28,621,505	546,322,170	-	546,322,170
Prior period adjustment	-	-	-	-	-	522,961	522,961		522,961
Issuance of common shares	26,124,674	-	368,670,740	-	-	-	394,795,414	-	394,795,414
Revaluation of trademark (Note 12)	-	-	-	545,170,823	-	-	545,170,823	-	545,170,823
Investment of non-controlling interest	-	-	-	-	-	-	-	4,829,801	4,829,801
Total comprehensive income	-	-	-	-	-	90,813,545	90,813,545	2,737,920	93,551,465
At December 31, 2010	P217,993,119	P-	P675,502,960	P545,170,823	P19,000,000	P119,958,011	P1,577,624,913	P7,567,721	P1,585,192,634

(The notes on pages 1 to 45 are an integral part of these financial statements.)

AGRINURTURE, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

	Notes	**2010**	2009	2008
Cash flows from operating activities				
Profit before tax		**P134,787,995**	P40,378,647	P13,500,553
Adjustments for:				
Depreciation and amortization	11,12	**17,969,124**	5,431,999	4,295,220
Pension expense	15	**217,429**	207,921	141,998
Prior period adjustment		**522,961**	(368,423)	-
Bad debts expense	7	**3,215,517**	-	-
Goodwill		**-**	-	10,593,983
Gain on change of fair value of biological assets	9	**(131,945,846)**	-	-
Finance cost	14	**16,687,620**	20,340,457	13,880,886
Finance income		**(95,032)**	(3,837,569)	(36,620)
Operating profit before working capital changes		**41,359,768**	62,153,032	42,376,020
Decrease (increase) in				
Trade and other receivables		**25,351,629**	(18,735,175)	(132,552,417)
Notes receivable		**-**	-	(8,000,000)
Inventories		**48,499,171**	(3,599,246)	(17,827,058)
Advances to related parties		**8,942,982**	(45,517,040)	76,266,456
Advances to projects		**(333,756,318)**	(21,414,654)	(22,830,327)
Prepayments and other current assets		**(13,595,473)**	(5,806,261)	(4,207,733)
Increase (decrease) in:				
Trade and other payables		**(166,579,116)**	(39,326,745)	19,050,336
Advances from related parties		**(2,967,019)**	(11,470,457)	(2,788,946)
Other current liabilities		**976,788**	-	-
Cash used in operations		**(391,767,588)**	(83,716,546)	(50,513,669)
Finance cost paid	14	**(16,687,620)**	(20,340,457)	(13,880,886)
Finance income received		**95,032**	3,837,569	36,620
Income taxes paid	24	**(14,209,024)**	(2,048,605)	(5,595,963)
Net cash used in operating activities		**(422,569,200)**	(102,268,039)	(69,953,898)
Cash flows from investing activities				
Increase in investment in subsidiaries		**(9,144,016)**	-	(17,095,885)
Acquisition of property and equipment		**(355,921,170)**	(17,813,327)	(92,338,017)
Acquisition of intangibles		**(598,079)**	-	-
Increase in other non-current assets		**(510,150)**	3,892,961	(3,186,349)
Net cash used in investing activities		**(366,173,415)**	(13,920,366)	(112,620,251)
Cash flows from financing activities				
Proceeds from loans	14	**519,442,200**	(15,680,391)	109,402,671
Repayments on loans		**(166,734,989)**	(44,506,396)	(2,133,942)
Proceeds from issuance of share capital	17	**357,625,414**	320,164,063	72,638,162
Net cash provided by financing activities		**710,332,625**	259,977,276	179,906,891
Net increase(decrease) in cash		**(78,409,990)**	143,788,871	(2,667,258)
Cash on hand and in banks				
January 1		**152,186,392**	8,397,521	11,064,779
December 31		**P73,776,402**	P152,186,392	P8,397,521

(The notes on pages 1 to 45 are an integral part of these financial statements.)

AGRINURTURE, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1 - CORPORATE INFORMATION

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

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

On March 30, 2009, the SEC approved the change in the Parent Company's primary purpose to engage in corporate farming, in all its branches for the planting, growing, cultivating and producing of crops, plants and fruit bearing trees, of all kinds and in connection to engage in agri-tourism and other pleasurable pursuits for the enjoyments and appreciation of mother nature and ecology and to engage in the establishment, operation and maintenance of equipment, structures and facilities for the preservation, conservation and storage of foods, grains and supplies, like cold storage and refrigeration plants.

The Parent Company's registered business address is at Unit 30A Washington Tower, Asiaworld Complex, Marina, Paranaque City. The Parent Company's principal place of business is at 54 National Road Dampol 2A, Pulilan, Bulacan.

The principal subsidiaries of the Parent Company, all of which have been included in these consolidated financial statements, are as follows:

	Country of Incorporation	Principal Activity	Percentage of Ownership	
			2010	2009
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	**100%**	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Manufacturing and export	**100%**	100%
Hansung Agro Products Corporation (HAPC)	Philippines	Processing (Agricultural goods)	**100%**	100%
Best Choice Harvest Agricultural Corp. (BCHAC) [1]	Philippines	Farm management	**100%**	100%
Fresh and Green Harvest Agricultural Company, Inc. (FG) [1]	Philippines	Trading (Agricultural goods)	**100%**	100%
Lucky Fruit & Vegetable Products, Inc. (LFVPI)	Philippines	Trading (Agricultural goods)	**100%**	100%
Fruitilicious Incorporated (FI)	Philippines	Manufacturing/processing/trading frozen agricultural products	**90%**	90%
Xiamen Waintaixing Trading Corp.(WTX)	China	Trading (Agricultural goods)	**51%**	-
Sunshine Supplies International Co., Ltd (SSIC)	China	Trading (Agricultural goods)	**51%**	-
Qualis Logistics and Transport Services Inc. (QLTS)	Philippines	Logistics	**51%**	-
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (Agricultural goods)	**51%**	-
Ocean Biochemistry Technology Research, Inc. (OBT) [2]	Philippines	Farm management	**51%**	51%
Fresh and Green Palawan Agriventure, Inc. (FGP) [3]	Philippines	Farm management	**51%**	51%

[1] *Indirectly owned through FCAC*
[2] *Indirectly owned through Imex*
[3] *Indirectly owned through FG*

Status of operation

On January 2, 2008, the majority of the stockholders and Board of Directors (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.

On October 11, 2010, the Parent Company's BOD approved the execution of the Memoranda of Agreement pertaining to the Company's acquisition of 51% of Sunshine Supplies Int'l Company Ltd. (SSIC) and Xiamen Waintaixing Trading Corporation (WTC). Under these agreements, in exchange for fifty-one percent (51%) equity ownership of SSIC and WTC, ANI shall pay, on installment, 5,100 shares of SSIC for US$1 million and 255,000 shares WTC for US$1.5 million.

Compliance Listing of Securities with a Foreign Stock Exchange - the National Stock Exchange of Australia (NSX)

On January 09, 2009, the Parent Company's application for compliance listing with the NSX has been approved with its Chess Depository Instruments being listed and have subsequently been traded.

Initial Listing of Securities with a Local Stock Exchange – the Philippine Stock Exchange, Inc (PSE)

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

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

Approval of consolidated financial statements

The accompanying consolidated financial statements of the Group for the years ended December 31, 2010 and 2009 were authorized and approved for issuance by the BOD on March 11, 2010.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

2.1 Basis of preparation

Basis of measurement

The consolidated financial statements of the Group have been prepared on historical cost basis except for biological assets that have been measured at fair value less estimated point of sale costs and trademark measured at fair value.

Statement of compliance

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

(a) PFRS - correspond to International Financial Reporting Standards;
(b) Philippine Accounting Standards (PAS) – 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 consolidated financial statements are presented in Philippine Peso (P), which is also the functional currency of the Group. All amounts have been rounded to the nearest peso, unless otherwise indicated.

Changes in accounting policies

a) New standards, interpretations and amendments effective from January 1, 2010

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and IFRIC interpretations effective as of January 1, 2010:

- PFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective January 1, 2010
- PFRS 3 Business Combinations (Revised) and PAS 27 Consolidated and Separate Financial Statements (Amended) effective July 1,2009, including consequential amendments to PFRS 2, PFRS 5, PFRS 7, PAS 7, PAS 21, PAS 28, PAS 31 and PAS 39
- PAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective July 1, 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners effective July 1, 2009
- Improvements to PFRS (May 2008)
- Improvements to PFRS (April 2009)

The adoption of the standards or interpretations is described below:

- **PFRS 2 Share-based Payment (Revised)**: The FRSC issued an amendment to PFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of January 1, 2010. It did not have an impact on the financial position or performance of the Group.

- **PFRS 3 Business Combinations (Revised) and PAS 27 Consolidated and Separate Financial Statements (Amended):** PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

  PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

- **PAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items:** The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

- **IFRIC 17 Distribution of Non-cash Assets to Owners:** This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Group.

Improvements to PFRS

In April 2009, the FRSC issued amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- PFRS 2 Share-based Payment;
- PAS 1 Presentation of Financial Statements;
- PAS 17 Leases;
- PAS 34 Interim Financial Reporting;
- PAS 38 Intangible Assets;
- PAS 39 Financial Instruments: Recognition and Measurement;
- IFRIC 9 Reassessment of Embedded Derivatives; and,
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation.

b) New standards, interpretations and amendments issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

- **PAS 24 Related Party Disclosures (Amendment):** The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The Group does not expect any impact on its financial position or performance.

- **PAS 32 Financial Instruments: Presentation - Classification of Rights Issues (Amendment):** The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

- **PFRS 9 Financial Instruments: Classification and Measurement:** PFRS 9 as issued reflects the first phase of the FRSC work on the replacement of PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the FRSC will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- **IFRIC 14 Prepayments of a minimum funding requirement (Amendment):** The amendment to IFRIC 14 is effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments:** IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvement to IFRS (Issued in May 2010)

The FRSC issued improvements to PFRS, an omnibus of amendments to its PFRS. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- PFRS 3 Business Combinations;
- PFRS 7 Financial Instruments: Disclosures;
- PAS 1 Presentation of Financial Statements;
- PAS 27 Consolidated and Separate Financial Statements; and,
- IFRIC 13 Customer Loyalty Programmers.

2.2 Basis of consolidation

Basis of consolidation from January 1, 2010

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to January 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 has not been restated.

2.3 Business combinations

Business combinations from January 1, 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to January 1, 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

2.4 *Business segments*

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6 to the consolidated financial statements.

2.5 Financial instruments

Financial assets

The Group classifies its financial assets into loans and receivables category as discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as fair value through profit or loss (FVPL), held to maturity (HTM) and available for sale investments (AFS).

Financial assets at FVPL

This category comprises only in-the-money derivatives which are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statement of income in the finance income or cost line item. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at FVPL.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognized within operating expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognized in the consolidated statement of comprehensive income (operating profit).

The Group's loans and receivables comprise cash in banks, trade and other receivables, notes receivable and advances to related parties in the consolidated statements of financial position.

AFS Investments

AFS investments are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. AFS investments are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported in the "Unrealized gain (loss) on AFS investments" in the consolidated statement of financial position until the investment is derecognized or the investment is determined to be impaired. The Group does not have any assets under this category.

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

HTM investments

HTM Investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the statements of operations when the HTM investments are derecognized or impaired, as well as through the amortization process. The Group does not have any assets under this category.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVPL , loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are acquired for the purpose for selling the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instrument in hedge relationship as defined by IAS 19. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or loss on liabilities held for trading are recognized in the profit or loss. The Group has not designated any financial liabilities upon initial recognition as FVPL.

Loans and borrowings

The Group classifies its financial liabilities into loans and borrowings which includes the following items:

- Interest-bearing loans and borrowings are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

- Other financial liabilities, which are initially recognized at fair value and subsequently carried at amortized cost using the EIR method.

PFRS 7 fair value measurement hierarchy

PFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see Note 3). The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

2.6 Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method and comprises all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. 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.

Harvested agricultural produce are carried at fair value less estimated point-of-sale costs. The Group directly writes off inventory obsolescence due to spoilage, damage, and bad quality.

2.7 Advances to projects

Advances to projects represent unliquidated expenditures for unutilized farm locations. Advances to projects are initially recorded as asset and measured based on actual cash outlay. Subsequently, said advances are reclassified to biological assets or property and equipment once the recognition criteria for those assets are met. Other liquidated advances to projects are recorded as period costs in the statement of comprehensive income.

Advances to project are classified in the consolidated statement of financial position as current assets when these advances are expected to be liquidated within one year or the Group’s normal operating cycle, whichever is longer. Otherwise these are classified as non-current asset.

2.8 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash**.** Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged against income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Group’s normal operating cycle, whichever is longer. Otherwise prepayments are classified as non-current assets.

2.9 Biological assets

Biological assets or agricultural produce are recognized only when the Group controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the Group and the fair value or cost of the assets can be measured reliably.

The Group classifies its biological assets between consumable and bearer biological assets. Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. The Company further classifies its bearer biological assets between mature or immature biological assets.

The Group measures its biological assets at cost on initial recognition and at the end of each reporting period, at fair value less estimated point-of-sale costs. Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, transportation costs and transfer taxes and duties. Subsequent expenses relating to agricultural activity such as planting, weeding, irrigation, fertilizers and harvesting costs are recorded as cost of production of that period. Harvested agricultural produce are transferred to inventory at its fair value less estimated point-of-sale costs.

Gains or losses arising from the change in fair value less estimated point-of-sale costs of a biological asset are included in profit or loss for the period in which they arise.

2.10 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 only when it is probable that future economic benefits associated with the item, 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:

	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
Other equipment	3 – 12 years
Land & 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 asset is completed and ready for intended use.

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

2.11 Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized in the Group's statement of financial position.

Group as lessor

Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expense in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

2.12 Intangible assets

Trademark

Trademark is measured initially at cost which includes, but not limited to, costs of material and services used or consumed in generating the asset, costs of employee benefits arising from the generation of the asset and fees paid to register the legal right to own the asset. After initial recognition, the trademark is carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated amortization. For purposes of revaluation, fair value shall be determined by reference to an active market of that asset; where an active market is not available, appropriate valuation technique is employed to estimate the fair value of the asset as of the consolidated statement of financial position date. The trademark has been granted for a period of 10 years by the relevant government agency with the option of renewal at the end of that period.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of the trademark are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Computer software

Computer software are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives. Amortizations are computed using the straight-line method over the estimated useful lives of 5 years.

2.13 Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

2.14 Provisions and contingencies

The Group has recognized provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

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

2.15 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 statement of comprehensive income.

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

2.16 Pension benefit cost

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

2.17 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. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when all the following conditions are satisfied:

a. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c. the amount of revenue can be measured reliably;
d. it is probable that the economic benefits associated with the transaction will flow to the Group; and
e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sale is recognized.

Finance income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.18 Expense recognition

Expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the consolidated statements of comprehensive income are presented using the function of expense method. Cost of sales are expenses incurred that are associated with the goods sold and includes freight in, purchases and direct labor. Operating expenses are costs attributable to selling and administrative activities of the Group.

2.19 Foreign currency translation

The Group's consolidated financial statements are presented in Philippine Peso (P), which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in the profit or loss.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Prior to January 1, 2005, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are already expressed in the functional currency or are non-monetary items and no further translation differences occur.

ii) Group companies

The assets and liabilities of foreign operations are translated into Philippine Peso (P) at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the profit or loss.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.21 Related parties

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

2.22 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 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, carry-forward 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 carry-forward of unused tax credits and NOLCO can be utilized.

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

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

2.23 Earnings per share (EPS)

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.

For the purpose of calculating diluted earnings per share, profit or loss for the year attributable to ordinary equity holders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

2.24 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.

2.25 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, and equipment, and intangible assets other than goodwill.

NOTE 3 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Determination of functional currency

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

Classification of financial instruments

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

Determination of fair value of financial instruments

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

The fair value of financial assets and liabilities as of December 31, 2010 and 2009 amounted to P467,863,025 and P573,355,504 and P500,083,165 and P200,315,522, respectively (see Note 25).

Determination of fair value of biological asset

The Group's biological asset is measured on initial recognition and adjusted to its fair value less estimated point-of-sale costs at the end of each reporting period. In measuring the fair value less estimated point-of-sale costs, the following factors are considered:

- Quoted price in an active market
- Most recent market transaction price
- Market price for similar asset with adjustment to reflect any differences
- Sector benchmark
- Present value of expected net cash flows from the asset

The fair value less estimated point-of-sale costs of the Group's biological assets amounted to P454,859,523 as of December 31, 2010 (see Note 9).

Determination of fair value of trademark

Income approach is the conversion of the property's anticipated future income or expected periodic benefits of ownership into an indication of value. It is based on the premise that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future income from the same or equivalent property with similar risk. The income approach capitalizes the net future benefits accruing to the asset or group of assets. The term "net future benefits" means that all measurable costs — including estimation of risks — related to gainfully exploiting the assets are duly factored out. This approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Relief from royalty method, the most comprehensive method to value brand, is a method that assumes the owner of the intangible asset saves from operating costs by possessing the intangible asset. The underlying premise of this method is that the economic value of the asset is directly related to the amount and timing of the future net cash flows resulting from the asset.

The valuation process consisted of the following:

- Estimation of the net sales attributable to the brand;
- Estimation of the acceptable royalty rate;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value of the brand.

The Valuation assumptions used were as follows:

- The discount rate was computed using the build up method; discount rate in the valuation is 13.10%
- Discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain level throughout the life of investment, a capitalization rate is often used.
- The valuation is based on the Company's historical and projected financial assumptions and projection. Projections prepared reflect the current and expected future market conditions avoiding excessive optimism.

The fair value of the Group's trademark as of December 31, 2010 amounted to P779,000,000 respectively (see Note 12).

Estimation of useful lives and residual value of property and equipment

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

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

The carrying value of property and equipment amounted to P521,670,051 and P145,761,509 as of December 31, 2010 and 2009, respectively (see Note 11).

Impairment loss of financial assets

The Group maintains allowance for bad debts accounts based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past due status and term) of customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2010, the Group determined that trade receivables amounting to P3,215,517 were impaired based on individual assessment.

Impairment of non-financial assets

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 2010 and 2009 (see Note 11).

Estimation of liability for retirement benefits

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 14 and include, among others, discount rate and salary increase rate.

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

The estimated liability for retirement benefits amounted to P950,645 and P733,215 as of December 31, 2010 and December 31, 2009, respectively (see Note 15).

Recognition of deferred tax assets

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

Total deferred income tax assets amounted to P1,249,848 and P225,777 as of December 31, 2010 and 2009, respectively (see Note 24).

NOTE 4 – FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk management structure

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

Financial risk management objectives and policies

The Group is exposed to a variety of financial risks, which result from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash in banks, trade and other receivables and payables, note receivable, interest bearing loans and borrowings and advances to and from 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 relationship. 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 related parties 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:

	2010	2009
Loans and receivables		
Cash in banks	**P53,274,425**	P144,072,373
Trade and other receivables, net	**294,329,640**	238,969,099
Note receivable	**58,000,000**	58,000,000
Advances to related parties	**41,756,983**	50,699,965
	P447,361,048	P491,741,437

Aging analyses of financial assets are as follows:

2010

			Past due but not impaired			
	Carrying amount	**Neither impaired nor past due on the reporting date**	**1 to 60 days**	**61 to 90 days**	**91 to 120 days**	**More than 120 days**
Trade and other receivables, net (Note 7)	**P294,329,640**	**P236,569,878**	**P 25,995,677**	**P 1,381,195**	**P 30,382,890**	**P -**
Note receivable	**58,000,000**	**58,000,000**	**-**	**-**	**-**	**-**
Advances to related parties (Note 16)	**41,756,983**	**41,756,983**	**-**	**-**	**-**	**-**
	P394,086,623	**P336,326,861**	**P25,995,677**	**P1,381,195**	**P30,382,890**	**P-**

2009

			Past due but not impaired			
	Carrying amount	Neither impaired nor past due on the reporting date	1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days
Trade and other receivables (Note 7)	P238,969,099	P 85,894,149	P 10,041,044	P 7,056,475	P 69,283,154	P 66,694,277
Note receivable	58,000,000	58,000,000	-	-	-	-
Advances to related parties (Note 16)	50,699,965	50,699,965	-	-	-	-
	P347,669,064	P194,594,114	P10,041,044	P7,056,475	P69,283,154	P66,694,277

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.

Credit quality per class of financial assets

The Company's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard - These are receivables that can be collected provided the Company makes persistent effort to collect them.

The table below shows the credit quality by class of financial assets (gross of allowance for credit losses) of the Company based on their historical experience with the corresponding third parties as of December 31, 2010 and 2009:

	2010						
	Neither Past Due nor Impaired						
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated***	**Past Due but Not Impaired**	**Impaired**	**Total**
Cash in bank	**P 53,274,425**	**P-**	**P-**	**P-**	**P-**	**P-**	**P 53,274,425**
Advances to related parties	**41,756,983**	**-**	**-**	**-**	**-**	**-**	**41,756,983**
Trade and other receivables	**262,565,555**	**1,381,195**	**30,382,890**	**-**	**-**	**-**	**294,329,640**
Note receivable	**58,000,000**	**-**	**-**	**-**	**-**	**-**	**58,000,000**
	P415,596,963	**P1,381,195**	**P30,382,890**	**P-**	**P-**	**P**	**P 447,361,048**

	2009						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated*	Past Due but Not Impaired	Impaired	Total
Cash in bank	P38,114,019	P-	P-	P-	P-	P-	P38,114,019
Advances to related parties	50,699,965	-	-	-	-	-	50,699,965
Trade and other receivables	96,162,902	7,056,475	135,750,222	-	-	-	238,969,599
Note receivable	58,000,000	-	-	-	-	-	58,000,000
	P242,976,886	P7,056,475	P135,750,222	P-	P-	P-	P342,943,989

**Financial instruments that the Company did not rate such as unquoted equity investments*

Impairment assessment

Impairment losses are recognized based on the results of specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a presence of known difficulties in the payments of obligation by counterparties. This and other factors, either singly or in tandem with other factors, constitute observable events or data that meet the definition of objective evidence of impairment.

The Group applied specific (individual) assessment methodology in assessing and measuring impairment.

Specific (individual) assessment

The Company determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining amounts of allowances include payment and collection history, timing of expected cash flows and realizable value of collateral, if any.

The Company sets criteria for specific loan impairment testing and uses the Discounted Cash Flow method to compute for impairment loss. Accounts subjected to specific impairment and are found to be impaired shall be excluded from the collective impairment computation.

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 as of December 31:

	2010				
	On Demand	**Less than 3 months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Trade and other payables (Note 13)	**P49,727,666**	**P3,920,656**	**P49,774**	**P-**	**P53,698,096**
Interest bearing loans and borrowings (Note 14)*	**-**	**-**	**519,442,200**		**519,442,200**
Advances from related parties (Note 16)	**215,208**	**-**	**-**	**-**	**215,208**
	P49,942,874	**P3,920,656**	**P519,491,974**	**P-**	**P573,355,504**

	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	P-	P50,398,309
Interest bearing loans and borrowings (Note 14)*	-	-	166,734,989	-	166,734,989
Advances from related parties (Note 16)	-	-	3,182,227	-	3,182,227
	P512,199	P29,585,545	P190,217,781	P-	P220,315,525

**The Group has the option to roll forward these loans and borrowings, which are normally due within 3 months or less.*

Market risk

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.

Interest rate risk

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 reprising. 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 December 31:

	2010					
	Within 1 year	**1 to 2 Years**	**2 to 3 Years**	**3 to 4 Years**	**4 to 5 Years**	**Total**
Fixed rate						
Loans and borrowings						
MICB	**P55,254,652**	**P-**	**P-**	**P-**	**P-**	**P55,254,652**
BPI	**131,538,900**	**-**	**-**	**-**	**-**	**131,538,900**
BDO	**100,000,000**	**-**	**-**	**-**	**-**	**100,000,000**
BOC	**42,720,140**					**42,720,140**
UCPB	**50,000,000**	**-**	**-**	**-**	**-**	**50,000,000**
LBP	**49,000,000**	**-**	**-**	**-**	**-**	**49,000,000**
China Trust	**69,930,295**	**-**	**-**	**-**	**-**	**69,930,295**
ORIX	**20,998,213**	**-**	**-**	**-**	**-**	**20,998,213**
	P519,442,200	**P-**	**P-**	**P-**	**P-**	**P519,442,200**

	2009					
	Within 1 year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Total
Fixed rate						
Loans and borrowings						
MICB	P6,047,966	P-	P-	P-	P-	P6,047,966
BPI	60,000,000	-	-	-	-	60,000,000
BDO	43,000,000	-	-	-	-	43,000,000
MBTC	10,000,000	-	-	-	-	10,000,000
LBP	17,000,000	-	-	-	-	17,000,000
BOC	868,712	-	-	-	-	868,712
RCBC	15,000,000	-	-	-	-	15,000,000
ORIX	14,818,311	-	-	-	-	14,818,311
	P166,734,989	P-	P-	P-	P-	P166,734,989

Foreign exchange risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars and Hongkong Dollars. Foreign exchange risk arises future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current rates so as to minimize the risks related to these foreign currency denominated assets and liabilities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2010		2009	
	US Dollar (US$)	**Peso equivalent (P)**	US Dollar (US$)	Peso equivalent (P)
Cash on hand and in banks	**US$136,362**	**P5,982,472**	US$ 498,562	P12,339,399
Trade and other receivables	**920,329**	**40,810,577**	912,844	545,808
	US$1,056,691	**P46,793,049**	US$ 1,411,406	P12,885,207

	2010		2009	
	Hongkong Dollar (HK$)	**Peso equivalent (P)**	Hongkong Dollar (HK$)	Peso equivalent (P)
Cash on hand and in banks	**HK$-**	**P-**	HK$15,400	P96,461
Trade and other receivables	**2,143,783**	**12,106,486**	2,987,355	18,304,420
	HK$2,143,783	**P12,106,486**	HK$3,002,755	P18,400,881

The following table details the Group's sensitivity to a 10% increase and decrease in Peso against the relevant foreign currencies. The sensitivity rate used reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% in foreign currency rates. The sensitivity analysis includes all of the Group's foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in profit and other equity when the Peso strengthens 10% against the relevant currency. For a 10% weakening of the Peso against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	Change in foreign currency rates	**Effect on profit before tax**	
		2010	2009
Cash on hand and in banks	+10%	**P598,424**	P2,320,339
	-10%	**(598,424)**	(2,320,339)
Trade and other receivables	+10%	**4,038,862**	6,017,181
	-10%	**(4,034,720)**	(6,017,181)

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

Capital risk management

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

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

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities shown in the consolidated statements of financial position. Total equity comprises all components of equity including share capital, additional paid-in capital and retained earnings.

	2010	2009
Debt	**P839,050,979**	P218,482,533
Cash	**(73,776,402)**	(152,186,392)
Net debt	**765,274,577**	66,296,141
Equity	**1,585,192,636**	546,322,170
Net debt to equity ratio	**0.48**	0.12

There were no changes in the Group's approach to capital management during the periods.The Group is not subject to externally imposed capital requirements.

NOTE 5 - OPERATING SEGMENTS

During the year, management reorganized the Group into five segments – Supply Chain/Farming Group, Production Group, Distribution (local) Group, Export Group and the Others Group. 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.

Operating segment	**Description**
Supply Chain/Farming	growing and sourcing of fresh fruits and vegetables throughout the Country
Production	production of export quality processed fruits and vegetables, and other processed food, using homegrown agricultural products as ready to consume, frozen raw material and ingredients mixes
Distribution (local)	distribution and warehousing of fresh fruits and vegetables, and processed foods, throughout the Country
Export	distribution and sales of the Group's products outside of the Country
Others	handles trucking, logistics, food processing, and other activities that do not fall under the previous Group categories

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 sales, 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.

The following table presents sale and expense information and certain asset and liability information regarding business segments for the years ended December 31, 2010 and 2009 (amounts in '000).

	Farming		Production		Distribution		Export		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Sales	**P148,069**	P84,515	**P72,076**	P22,179	**P918,518**	P724,961	**P388,332**	P201,734	**P58,016**	P-	**P1,585,011**	P1,017,682
Cost of sales	**(141,129)**	(77,693)	**(101,612)**	(12,989)	**(772,670)**	(646,957)	**(247,523)**	(144,034)	**(51,370)**	-	**(1,314,304)**	(865,966)
Operating Income (expenses)	**48,936**	(2,926)	**(21,504)**	(6,913)	**(62,978)**	(47,981)	**(95,386)**	(44,523)	**(4,986)**	-	**(135,918)**	(102,343)
Income taxes	**(19,660)**	(890)	**(1,251)**	(798)	**(13,519)**	(8,670)	**(6,130)**	(3,325)	**(678)**	-	**(41,238)**	(13,683)
Profit (loss) for the year	**P36,216**	P3,006	**P(52,291)**	P1,479	**P69,351**	P21,353	**P39,293**	P9,852	**P982**	P-	**P93,551**	P35,690
Segment assets	**P585,886**	P55,780	**P138,068**	P62,513	**P1,138,717**	P308,343	**P518,834**	P596,250	**P42,738**	P-	**P2,424,243**	P 769,924
Segment liabilities	**20,995**	42,744	**P17,891**	12,734	**566,827**	161,476	**227,802**	86,640	**5,536**	-	**839,051**	223,603

NOTE 6 - CASH ON HAND AND IN BANKS

	2010	2009
Cash on hand	**P20,501,977**	P38,114,019
Cash in banks	**53,274,425**	114,072,373
	P73,776,402	P152,186,392

Cash in banks earn interest at the respective bank deposit rates.

NOTE 7 - TRADE AND OTHER RECEIVABLES, NET

	2010	2009
Trade	**P 201,273,435**	P 169,830,939
Deposit to suppliers	**88,094,259**	57,390,435
Others	**8,177,463**	11,747,725
	297,545,157	238,969,099
Allowance for bad debts	**(3,215,517)**	-
	P 294,329,640	P 238,969,099

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 allowance for bad debts during the year is based on specific impairment assessments performed by the Group.

NOTE 8 - INVENTORIES

	2010	2009
Vegetables and fruits	**P67,808,391**	P20,418,251
Packaging materials and other supplies	**6,802,780**	12,392,840
Finished goods	**2,925,405**	-
Raw materials	**-**	4,938,387
	P77,536,576	P37,749,478

NOTE 9 - BIOLOGICAL ASSETS

	Consumable	Bearer	Total
Transfer from advances to projects	P188,217,909	P207,261,253	P395,479,162
Gain (loss) on changes in fair value of biological assets	86,751,105	(27,370,744)	59,380,361
	P274,969,014	P179,890,509	P454,859,523

Gain (loss) on changes in fair value of the biological assets are shown below:

	Consumable	Bearer	Total
Fair value of biological assets	P 313,998,054	P254,576,350	P568,574,404
Estimated point of sale costs	(39,029,040)	(74,685,841)	(113,714,881)
Fair value less point of sale costs of biological assets	274,969,014	179,890,509	P454,859,523
Initial costs/Transfer from advances to projects	188,217,909	207,261,253	395,479,162
Gain (loss) on changes of fair value of biological assets	P86,751,105	(P27,370,744)	59,380,361

Consumable biological assets include rice, corn, pineapple and mushroom. Aside from producing crops, the Group is also engaged in introduction, field-testing and commercialization of new and imported crop varieties that are high yielding. Relevant agricultural activities data pertaining to consumable biological assets shown below:

Consumables	Utilized area (ha)
Rice	520
Corn and pineapple	130
Mushroom	7

The Group's bearer biological assets include vegetable bearing plants, mango and other fruit trees. A total of 5,800 mango trees are managed by the BCHAC in Bulacan and Guimaras. Demo farms have been set up in different parts of Luzon for fruit and vegetable growing. Other relevant agricultural activities data pertaining to bearer biological assets shown below:

Bearers – immature	Utilized area (ha)
Highland and lowland vegetables	109

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

The Group procures its vegetables and fruits (mangoes, banana, and pineapple) from various sources, ranging from small farmers to cooperatives and big producers. Currently, part of the Group's internal supply requirement is provided for by its farming subsidiary, BCHC. As a policy, volume and quality is the main consideration in the sourcing of all the products handled by ANI. However, the risk of supply shortage poses significant threat to the continuity of business operations and ultimately to the results of operations of the Group. To mitigate supply risks, Group does the following:

- Observes an "open line" type of communication with all its suppliers, maintaining 24/7 constant coordination and accessibility with key personnel including the Company's top management. This enables the Purchasing Division to realign sourcing activities and locations in a timely and appropriate manner should supply issues arise;

- The Group, owing to its long standing stature in the fresh foods industry, is able to attract reputable and reliable long-term suppliers. The strong relationship with its suppliers, built over years of mutually beneficial dealings, allows the Group and its suppliers to address and resolve any supply concerns that may arise, from time to time, through mutual cooperation. The Group believes that "Friendship beyond Business" works;

- The establishment of cold storage facilities in Pulilan (central Luzon) central packing house and Cagayan central depot (Mindanao) in the last quarter of 2009, provides ANI with the capacity to effectively store large volumes of fresh vegetables. Thus, the Group is better able to mitigate the risks inherent in the seasonality of supplies for certain types of produce. The cold storage prolongs shelf life and enables the Company to maintain a buffer stock for these produce;
- The Group is currently expanding its cold storage facilities to dramatically increase its capacity to stock supplies; and

- The Group intends to intensively develop the farmlands being managed by its wholly-owned subsidiary BCHC. The Group intends to develop and operate 5,000 hectares of productive farmland which would significantly reduce or eliminate its dependence on third party sources for its supplies and improve its ability to control its quality and prices.

The Group's business is affected by seasonality

The demand for and supply of many fruits and vegetables is seasonal, and the price of any particular commodity may change significantly, depending on the season. Market demand is especially strong during the Yuletide season in the last quarter of the calendar year. Because of seasonality, the results of operations of the Group may fluctuate significantly from one quarter to another.

To mitigate the risks of seasonality of supplies and prices, the Group has diversified its source or products geographically, so seasonal fluctuations in one region can be offset by those in another region. The setting-up of additional cold storage facilities also allows the Group to stock up on certain produce when they are "in season" and therefore relatively inexpensive, so such produce can be sold in the market when they are "off season" and can command higher prices and provide wider gross profit margins.

Risk of inadequate supply in the event of inclement weather

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

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

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

Risks of pest and insect infestation

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

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

NOTE 10 - ADVANCES TO PROJECTS

This account pertains to cash advances provided for farm projects. Balance amounted to P64,255,063 and P53,412,422 as of December 31, 2010 and 2009, respectively.

2010

Farm Location	At January 1	Additions	Reclassification to biological assets (Note 9)	At December 31
Region 3	P51,762,422	P195,904,017	(P 204,693,509)	P 42,972,930
Region 4	1,650,000	88,616,731	(76,939,708)	13,327,023
Region 8	-	97,975,855	(97,975,855)	-
Region 9	-	23,825,200	(15,870,090)	7,955,110
	P53,412,422	P406,321,803	(P395,479,162)	P64,255,063

2009

Farm Location	At January 1	Additions	Reclassification to biological assets (Note 9)	At December 31
Region 3	P31,997,768	P19,764,654	P-	P51,762,422
Region 4	-	1,650,000	-	1,650,000
	P31,997,768	P21,414,654	P-	P53,412,422

NOTE 11 - PROPERTY AND EQUIPMENT, NET

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost									
At January 1, 2009	P 20,917,000	P56,689,891	P5,514,854	P10,241,064	P39,341,172	P3,775,627	2,787,632	P7,276,170	P146,543,410
Additions	13,000,000	75,336	750,262	629,646	2,645,442	329,718	14,579	455,641	17,900,624
							(72,717)		(72,717)
At December 31, 2009	33,917,000	56,765,227	6,265,116	10,870,710	41,986,614	4,105,345	2,729,494	7,731,811	164,371,317
Reclassifications					258,917	11,807	17,198	(287,922)	-
Additions	47,875,830	48,407,335	13,469,830	35,669,690	157,321,726	10,577,578	64,752,600	15,714,080	393,788,669
At December 31, 2010	P81,792,830	P105,172,562	P19,734,946	P46,540,400	P199,567,257	14,694,730	P 67,499,292	P 23,157,969	P 558,159,986
Accumulated depreciation									
At January 1, 2009	P-	P587,969	P2,267,323	P2,967,756	P3,456,260	P1,639,987	P2,348,805	P-	P13,268,100
Provision	-	1,322,590	1,099,485	1,165,584	677,911	924,255	151,883	-	5,341,708
At December 31, 2009	-	1,910,559	3,366,808	4,133,340	4,134,171	2,564,242	2,500,687	-	18,609,807
Reclassifications					(3,933)	2,500	1,433		-
Provision	-	2,106,817	1,225,852	3,036,859	7,600,906	1,696,977	2,212,716	-	17,880,127
At December 31, 2010	P-	P4,017,376	P4,592,660	P7,170,199	P11,731,144	P4,263,719	P4,714,837	P-	P36,489,935
At December 31, 2010	**P81,792,830**	**P101,155,186**	**P15,142,286**	**P39,370,201**	**P187,836,113**	**P10,431,011**	**P62,784,455**	**P23,157,969**	**P521,670,051**
At December 31, 2009	33,917,000	54,854,668	2,898,308	6,737,370	37,852,443	1,541,103	288,806	7,731,811	145,761,509

Construction in progress

This pertains to the capitalizable expenses amounting to P15,714,079, and P455,641 as of December 31, 2010 and 2009, respectively, in connection with the future transfer and use of a real property, which was used to be a collateral to an indebtedness of a third party to the Group wherein such property was subsequently foreclosed.

Management believes that there is no indication that an impairment loss has occurred on its property and equipment.

NOTE 12 - INTANGIBLES, NET

	Trademark	Goodwill	Computer Software	Total
Cost or valuation				
At January 1, 2009	P-	P19,509,913	P-	P19,509,913
Additions	227,709	-	-	227,709
At December 31, 2009	227,709	19,509,913	-	19,737,622
Additions	-	10,479,501	598,080	11,077,581
Change in fair value during the period	778,815,461	-	-	778,815,461
At December 31, 2010	**P779,043,170**	**P29,989,414**	P598,080	**P809,630,664**
Comprising:				**-**
At cost	**P227,709**	**P-**	**P598,080**	**P825,789**
At revaluation	**778,815,461**	**29,989,414**	**-**	**808,804,875**
	P779,043,170	**P29,989,414**	**P598,080**	**P809,630,664**
Accumulated amortization				
At January 1, 2009	P-	P-	P-	P-
Amortization for the period	20,399	-	-	20,399
At December 31, 2009	20,399	-	-	20,399
Amortization for the period	22,771		66,227	88,998
At December 31, 2010	**43,170**	**-**	**66,227**	**109,397**
Comprising:				
At cost	**43,170**	**-**	**66,227**	**109,397**
At revaluation	**-**	**-**	**-**	**-**
	P43,170	**P-**	**P66,227**	**P109,397**
Carrying amount				
December 31, 2010				
At cost	**P184,539**	**P-**	**P531,853**	**P716,392**
At revaluation	**778,815,461**	**29,989,414**	**-**	**808,804,875**
	P779,000,000	**P29,989,414**	**P531,853**	**P809,521,267**
December 31, 2009				
At cost	P207,310	P19,509,913	P-	P19,717,223
At revaluation	-	-	-	-
	P207,310	P19,509,913	P-	P19,717,223

On September 17, 2008, the Group registered the trademark Fresh Choice Always (FCA) with the Intellectual Property Office of the Philippines - Bureau of Trademarks in an attempt to create brand recognition for the Group which was subsequently approved on March 9, 2009 by the said office; initial capitalized cost amounted to P227,709 upon approval of the said trademark in 2009.

In January 2011, the Group has engaged CB Richard Ellis Phils., Inc. (CBREPI) to carry out a brand valuation of FCA as of December 31, 2010 in compliance with the Securities and Exchange Commission (SEC) requirements. On their (CBREPI) report dated March 11, 2011, the value of the said trademark amounted to P779,000,000 as of December 31, 2010. This has resulted to the increase in the value of the trademark amounting to P778,815,461 and a corresponding increase in revaluation surplus and deferred tax liability amounting to P545,170,823 and P233,644,638, respectively, as of December 31, 2010 (see Notes 18 and 24). The method and assumptions used in the said valuation are set out in Note 3.

NOTE 13 – TRADE AND OTHER PAYABLES

	2010	2009
Trade	**P47,144,137**	P 48,427,510
Customer's deposit	**1,619,239**	1,258,300
Government dues and remittances	**1,401,208**	512,199
Accrued expenses	**1,107,106**	200,300
Others	**2,426,406**	-
	P 53,698,096	P50,398,309

The average credit period on purchases of certain goods from suppliers is 30 days from date of invoice. Outstanding payables do not bear interest. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

NOTE 14 – INTEREST-BEARING LOANS AND BORROWINGS

This account pertains to the outstanding balances of loans and borrowings obtained by the Group, from various banks and a financing institution, for its working capital requirements and machinery and equipment acquisition.

	2010	2009
Bank of the Philippine Islands (BPI)	**P131,538,900**	P60,000,000
Banco De Oro (BDO)	**100,000,000**	30,000,000
China Trust and Banking Corporation	**69,930,295**	-
Mega International Commercial Bank (MICB)	**55,254,652**	38,547,967
United Coconut Planters Bank (UCPB)	**50,000,000**	-
Land Bank of the Philippines (LBP)	**49,000,000**	17,899,294
Bank of Commerce (BOC)	**42,720,140**	5,287,728
Orix Metro Leasing Finance Corporation (ORIX)	**20,998,213**	-
Philippine National Bank (PNB)	**-**	15,000,000
	P 519,442,200	P 166,734,989

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

Lenders	Term	Security
BDO	1 to 6 months	Suretyship agreement and line of credit
MICB	6 months	Real estate mortgage of FCAC's land and building
BPI	6 months	Unsecured
MBTC	5 months	Secured
LBP	6 months	Unsecured
RCBC	1 month	Transportation equipment
Chinatrust	3 – 6 months	Unsecured
PNB	6 months	Unsecured
UCPB	6 months	Unsecured
ORIX	3 years*	Machinery and equipment

**Currently maturing.*

Interest rates on the said loans and borrowings range from 4.7% to 9.0% per annum. Finance costs charged to operations amounted to P16,687,620, P20,340,457, and P13,880,886 in 2010, 2009 and 2008, respectively.

Management estimates the carrying amount of its loans and borrowings approximates fair value.

NOTE 15 – PENSION BENEFITS

The Group does not have a formal retirement plan yet for its employees. The most recent actuarial valuation of the retirement plan was performed by an independent actuary on March 2, 2011. Actuarial valuations are made every two years to update the retirement benefit costs and the amount of contributions.

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

	2010	2009
Pension liability at January 1	**P733,215**	P525,294
Pension cost for the period	**217,430**	207,921
Pension liability at December 31	**P950,645**	P733,215

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

	2010	2009
Present value of obligation at January 1	**P388,686**	P863,006
Current service cost	**196,896**	86,402
Interest cost	**42,367**	103,561
Actuarial (gain) loss	**429,568**	(664,283)
Present value of obligation at December 31	**P1,057,517**	P388,686

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

	2010	2009	2008
Current service cost	**P196,896**	P86,402	P44,374
Interest cost	**42,367**	103,561	81,126
Net actuarial loss (gain)	**(21,833)**	17,958	16,498
Pension expense	**P217,430**	P207,921	P141,998

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

	2010	2009
Present value of defined benefit obligations	**P1,057,517**	P388,685
Unrecognized actuarial gains	**(106,872)**	344,529
	P950,645	P733,214

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

	2010	2009	2008
Discount rate	9.90%	10.90%	11.00%
Salary increase rate	5.00%	3.00%	5.00%
Average remaining working life of plan members	14 years	14 years	17 years

NOTE 16 - RELATED PARTY TRANSACTIONS

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

a. Advances

	Advances to related parties		Advances from related parties	
	2010	2009	**2010**	2009
Officers and employees	**P 6,632,028**	P 9,747,156	**P9,820**	P3,182,227
Stockholders	**35,124,955**	40,952,809	**205,388**	-
	P41,756,983	P50,699,965	**P215,208**	P3,182,227

Advances to and from stockholders, officers and employees represent advances made in carrying out the day-to-day operations of the Group and are subject to liquidation upon utilization.

b. Significant contract agreements

In 2008, FCAC has entered into several loan agreements with BDO, resulting to the recognition of an outstanding liability amounting to P100,000,000 and P30,000,000 as of December 31, 2010 and 2009, respectively. These loans are secured by the assignment of receivables of FCAC and the suretyship agreement mentioned above.

In relation to this, the Parent Company and FCAC have entered into a suretyship agreement with the bank to act as sureties of each other. The Parent Company, being a surety, jointly and severally and irrevocably:

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

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

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

The Group has secured noted receivable from its major stockholder. The note was executed in 2008 and secured by a land located at Pulilan, Bulacan,

For the years ended December 31, 2010 and 2009, the Company has not recorded any impairment of receivable relating to the amounts owned by the related parties. The assessment is undertaken through examining the financial position of the related parties and the market in which they operate.

c. Remuneration of key management personnel

The short term benefits of the Directors and other members of key management personnel of the Group amounted to P8,832,000, P3,045,000 and P1,260,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

NOTE 17 – SHARE CAPITAL

	2010		2009	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized – P1 par value per share	**300,000,000**	P**300,000,000**	300,000,000	P300,000,000
Issued and outstanding	**217,993,119**	P**217,993,119**	191,868,445	P191,868,445

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

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.

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.

Movement in authorized common shares is as follows:

	2010		2009	
	Shares	Amount	Shares	Amount
Listed shares				
at January 1	178,536,602	178,536,602	178,536,602	178,536,602
Additional listed shares	16,767,269	16,767,269	-	-
At December 31	195,303,871	195,303,871	178,536,602	178,536,602
Issued but not listed shares				
at January 1	13,331,843	13,331,843	-	-
Issued during the year	8,257,405	8,257,405	7,931,843	7,931,843
Warrants exercised	1,100,000	1,100,000	5,400,000	5,400,000
at December 31	22,689,248	22,689,248	13,331,843	13,331,843
Unissued warrants				
At January 1	14,600,000	14,600,000	20,000,000	20,000,000
Warrants issued and Excercised	(1,100,000)	(1,100,000)	(5,400,000)	(5,400,000)
At December 31	13,500,000	13,500,000	14,600,000	14,600,000
Unissued shares	68,506,881	68,506,881	93,531,555	93,531,555
Authorized shares	300,000,000	300,000,000	300,000,000	300,000,000

The Parent Company allotted P6,500,000 warrants to its directors and officers. Warrants exercised during the year, in exchange for common shares amounted to P1,100,000 and P5,400,000 in 2010 and 2009, respectively.

NOTE 18 – RESERVES

	2010	2009
Share premium	**P675,502,960**	P306,832,220
Revaluation surplus (Note 12)	**545,170,826**	-
Retained earnings		
Appropriated	**19,000,000**	19,000,000
Unappropriated (Note 29)	**119,958,011**	28,601,106
	P1,359,631,797	P354,433,326

Share premium arises from amount subscribed for share capital in excess of nominal value. The Parent Company issued additional 26,125,674 and 13,331,843 shares of stock at a premium in 2010 and 2009, respectively, which resulted to an aggregate increase in share premium of P368,670,740 and P306,832,220, in 2010 and 2009, respectively.

The revaluation surplus arose from on the revaluation of the FCA that was carried at revalued amounts when revalued assets are sold, the portion of the revaluation surplus reserve that relates to that asset is transferred directly to retained earnings (see Note 12).

The appropriation of retained earnings pertains to the approval of FCAC's BOD on March 10, 2009 to appropriate accumulated retained earnings amounting to P19,000,000 for future dividend declaration.

Unappropriated retained earnings pertain to all other gains and losses and transactions with owners.

NOTE 19 – EARNINGS PER SHARE

	2010	2009	2008
Profit attributable to equity holders of the Parent Company	**P90,813,545**	P35,689,967	P8,737,119
Weighted average number of shares outstanding	**199,713,763**	191,868,445	150,447,168
	P0.45	P0.19	P0.06

NOTE 20 - COST OF SALES

	2010	2009	2008
Inventories at January 1	**P37,749,478**	P 34,150,232	P 16,323,174
Purchases	**1,354,091,313**	869,565,517	661,767,964
Cost of goods available for sale	**1,391,840,791**	903,715,749	678,091,138
Inventories at December 31	**(77,536,576)**	(37,749,478)	(34,150,232)
	P1,314,304,215	P865,966,271	P643,940,906

NOTE 21 – OPERATING EXPENSES

	2010	2009	2008
Salaries, wages and other employee benefits	**P 39,381,432**	P20,305,447	P17,189,772
Advertising and promotions	**22,391,910**	6,988,171	9,693,836
Deliveries	**19,397,955**	30,661,029	37,404,836
Depreciation and amortization (Note 11,12)	**17,365,336**	5,431,998	4,295,220
Office and farm supplies	**12,968,382**	1,395,053	981,065
Professional fees	**10,369,062**	4,798,941	6,493,742
Rental	**9,706,451**	937,873	529,739
Communications, light and water	**9,453,971**	5,109,309	3,970,706
Repairs and maintenance	**8,503,061**	1,483,630	6,260,387
Transportation and travel	**7,868,705**	2,880,761	4,779,106
Representation and entertainment	**5,418,327**	1,302,684	1,812,885
Impairment loss on trade and other receivables	**3,215,517**	-	-
Taxes and licenses	**3,035,572**	6,376,881	5,180,823
Security services and other contracted services	**2,338,304**	2,013,216	1,021,000
SSS, Philhealth and Pag-ibig contributions	**803,104**	1,099,203	1,477,150
Insurance	**470,911**	183,631	282,785
Bank charges	**277,556**	630,875	3,831,949
Commission	**277,311**	629,454	472,993
Pension expense (Note 15)	**217,430**	207,920	141,998
Research and development	**78,989**	218,313	162,358
Miscellaneous	**2,953,742**	2,389,503	4,183,805
	P176,493,028	P95,043,892	P110,166,155

NOTE 22 - OTHER INCOME, NET

	2010	2009	2008
Gain on changes in fair value of biological assets	**P 59,380,361**	P-	P-
Rental income	**309,840**	-	137,480
Realized foreign exchange gain (loss), net	**(78,285)**	(4,126)	28,087
Others income (expenses)	**(2,445,848)**	213,616	3,321,622
	P 57,166,068	P 209,490	P 3,487,189

NOTE 23 - LEASES

The Group leases a parcel of land with improvements thereon, where its warehouse and office buildings are located. The lease is for a period of 4 years and 5 months from August 1, 2005 and expired on December 31, 2009 at a monthly rental of P50,000. The lease includes an annual 10% escalation clause at the lessor's discretion. The Group did not renew this lease in 2010.

NOTE 24 - INCOME TAXES

a.) Details of provision for income tax for the year are as follows:

	2010	2009	2008
Current	**P 24,185,597**	P4,637,816	P4,763,434
Deferred	**17,050,934**	50,864	-
	P41,236,531	P4,688,680	P4,763,434

b.) Details of deferred tax assets and liabilities as of December 31 are as follows:

	2010	2009
Deferred tax assets		
Pension liability	**P 964,655**	P225,777
Impairment loss on trade receivables	**285,193**	-
	P1,249,848	P225,777
Deferred tax liabilities		-
Change in fair value of trademark	**P233,624,235**	-
Change in fair value of biological assets	**17,814,108**	-
	P251,438,343	P-

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

	2010	2009	2008
Profit before tax	**P134,787,996**	P40,378,648	P13,500,553
Provision for income tax computed at the statutory tax rate of 30% in 2010 and 2009 and 35% in 2008	**P40,436,399**	P12,113,594	P4,725,194
Tax effects of -			
Interest income subject to final tax	**(28,510)**	(1,151,271)	(12,817)
Tax arbitrage	**-**	1,582,997	42,341
Other nondeductible items, net	**828,642**	(7,856,640)	8,716
Provision for income tax	**P41,236,531**	P4,688,680	P4,763,434

d.) New Tax Laws

Republic Act (RA) No. 9337

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

i. Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2010;
ii. Revised invoicing and reporting requirements for VAT;
iii. Expanded scope of transactions subject to VAT; and
iv. Provided thresholds and limitations on the amounts of VAT credits that can be claimed.

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS and such other standards and/or conventions that may therefore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. These additional disclosure requirements are disclosed in the separated financial statements of the Parent Company and the subsidiaries.

NOTE 25 - FINANCIAL INSTRUMENTS

	2010		2009	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Cash on hand and in banks	**P 73,776,402**	**P 73,776,402**	P152,186,392	P152,186,392
Trade and other receivables (Note 7)	**294,329,640**	**294,329,640**	239,196,808	239,196,808
Note receivable (Note 17)	**58,000,000**	**58,000,000**	58,000,000	58,000,000
Advance to related parties (Note 16)	**41,756,983**	**41,756,983**	50,699,965	50,699,965
	P467,863,025	**P467,863,025**	P500,083,165	P500,083,165
Financial liabilities				
Trade and other payables (Note 13)	**P 53,698,096**	**P 53,698,096**	P50,398,309	P50,398,309
Interest loans and borrowings (Note 14)	**519,442,200**	**519,442,200**	166,734,989	166,734,989
Advances from related parties (Note 16)	**215,208**	**215,208**	3,182,227	3,182,227
	P573,355,504	**P573,355,504**	P220,315,525	P220,315,525

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.

NOTE 26 - BUSINESS ACQUISITIONS

Acquisitions during the period

On February 1, 2010, Parent Company incorporated QLTS to cater the logistics requirements of the Group. Total consideration paid in exchange in 2010 amounted to P510,000, owning 51% of its outstanding and issued shares.

On June 2, 2010, Parent Company established FFCI, investing P510,000 for 51% of its outstanding and issued shares.

On September 30,2010, the Parent Company acquired 100% interest in HAPC for P12,106,955. HAPC is a domestic corporation engaged in the import and export of goods, such as agricultural products on a wholesale basis, and licensed to export fresh mangoes to Japan and Korea.

On October 11, 2010, the Parent Company obtained 51% ownership in WTX and SSIC for US$160,000 and US$40,000 or P6,943,520 and P1,735,880, respectively. A Memorandum of agreement entered into by both WTX and SSIC stipulates that Parent Company will infuse fresh capital funds amounting to $1,340,000 and $960,000, respectively.

Details of FV of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	HAPC		WTC		SSIC	
	Recognized on Acquisition	Carrying Value	Recognized on Acquisition	Carrying Value	Recognized on Acquisition	Carrying Value
Cash on hand and in bank	P7,914,564	P7,914,564	P1,059,727	P1,059,727	P598,487	P598,487
Trade and other receivables	-	-	76,384,088	76,384,088	7,543,600	7,543,600
Advances to related parties	-	-	88,286,269	88,286,269	-	-
Prepayments and other current assets	-	-	697,498	697,498	-	-
Trade and other payables	-	-	(163,290,653)	(163,290,653)	(6,588,250)	(6,588,250)
FV of net identifiable assets and liabilities	P7,914,564	P7,914,564	P3,136,929	P3,136,929	P1,553,837	P1,553,837
Percentage of ownership	100%		51%		51%	
Share in net assets	P7,914,564		P1,599,834		P792,457	P792,457

Acquisitions completed in prior periods

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, 2009	40%
Parent Company	IMEX	January 1, 2009	100%

Accordingly, the 2009 consolidated financial statements include the results of operations of FCAC and FG for the year ended December 31, 2009.

On September 9, 2008 FG established FGP, to manage farm projects in Palawan, with an initial capital of P1.25 million in exchange for 51% ownership. FGP started commercial operation in 2010.

On March 23, 2009, IMEX established OBT, to manage mushroom culture, with an initial capital of P318,675 in exchange for 51% ownership. OBT started commercial operation in 2010.

NOTE 27 - NON-CASH TRANSACTIONS AND FINANCING FACILITIES

During the year, the Company issued 2,655,00 shares of stock in exchange for an equipment with a fair value of P37,170,000. Price per share during the exchange was P14, which resulted in an additional share premium of P34,515,000.

NOTE 28 - REGISTRATION WITH BOARD OF INVESTMENTS (BOI)

On September 20, 2010 IMEX was granted registration with the BOI as a new export producer of frozen fruits, root crops and leafy vegetables, a non-pioneer activity. As registered enterprise, the entity are subject to some requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

Under the terms of registration and subject to certain requirements, i.e. only income generated from the registered activity shall be entitled to ITH incentives, IMEX is entitled to the following fiscal and non-fiscal incentives:

(a) Income tax holiday (ITH) for a period of four (4) years from September 2010;
(b) For the first five (5) years of operation, additional deduction from taxable income of fifty percent (50%)of the wages corresponding to the increment in number of direct labor, if project meets prescribed ratio of capital requirement to the number of workers set by BOI; and provided that this shall not be availed simultaneously with the ITH.
(c) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations.
(d) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.
(e) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to the Custom rules and regulations provided the enterprise exports at least seventy percent (70%) of production output.
(f) exports by IMEX of its registered export products shall be exempted from wharfage dues, and any export tax, duty, import and fee for a period of ten (10) years from date of registration.
(g) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond.
(h) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production.

In addition, IMEX may qualify to import capital equipment, spare parts and accessories at zero percent (0%) duty from date of registration up to June 16, 2011 (EO 528).

NOTE 29 - RESTATEMENT

The following 2009 financial statement balances were restated to record effects of the transactions that were not recorded on the same year.

	As previously stated	Adjustments	As restated
Intangibles	P19,509,913	P206,810	P19,716,723
Trade and other receivables	239,196,808	(227,209)	238,969,099
Retained earnings - unappropriated	28,621,505	(20,399)	28,601,106

ANI

AgriNurture, Inc.

54 National Road, Dampol 2nd A, Pulilan, Bulacan 3005, Philippines
Telefax: (632)299.8305 • www.ani.com.ph
Manila Office: (632) 879.3256 • Fax (632) 879.3215

FCA

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Agrinurture, Inc. is responsible for all information and representations contained in the financial statements for the years ended December 31, 2010 and 2009. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

Alba Romeo and Co., the independent auditor appointed by the Shareholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and Shareholders.

ANTONIO L. TIU
President and Chief Executive Officer

DENNIS S. SIA
Treasurer

SUBSCRIBED AND SWORN TO before me in Makati City, Metro Manila, 18 day of April 2011, affiants exhibiting to me the following competent evidence of identity bearing their photograph and signature:

Antonio L. Tiu	Passport No. XX1478710	issued on 25 June 2008 in Manila
Dennis S. Sia	Driver's License No. N04-94-308504	issued on 25 November 2008 in Manila

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ATTY. ILDRIAN JOSEFH T. ASERON
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