SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

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

1. For the quarterly period ended **March 31, 2011**

2. SEC Identification Number **0199701848**

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

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

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

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

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	232,817,917 (Authorized 300,000,000 shares @P1.00 par value)

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

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

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

AGRINURTURE, INC. AND SUBSIDIARIES

Securities and Exchange Commission Form 17 - Q

Part I FINANCIAL INFORMATION

OPERATIONAL AND FINANCIAL INFORMATION

Item 1. Financial Statements

Pls. See Exhibit A

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

REVENUE AND EXPENSES

Gross receipts generated for the 1st quarter ended March 31, 2011 amounted to **P466.9 M** while for the same quarter last year, **P261.4 M** was recorded. Of the total receipts, P46.082 M came from Export sales, while the Fresh Group contributed P225.599 M and the rest came from Local sales-Processed Foods and the Farming Group. Parallel to the augmentation in sales are the increase of direct costs to P368.514 M in the current quarter compared to the last year's quarter of 218.382 M. Operating expenses was likewise raised to P68.859 M compared to the same quarter last year's P36.608 M. The company anticipated a higher operating income during this period having experienced varying upward demands on agricultural produce at the initial quarter of the year.

RESULTS OF OPERATIONS

Quarterly Ended March 31, 2011 Compared to Quarterly Ended March 31, 2010

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

Net Sales

Net sales increased by 78.61% from P261.4 million in 2010 to P466.9 in 2011, reflecting an increase in domestic sales outlets, additional clients and export expansion.

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

		March 31, 2011	March 31, 2010	March 31, 2009
Net sales		466,939,689	261,401,108	168,414,107
Cost of sales	20	(368,514,177)	(218,381,917)	(138,872,065)
Gross profit		98,425,512	43,019,191	29,542,042
Operating expenses	21	(68,859,497)	(35,104,098)	(27,025,946)
Other operating income (expenses) net		49,009,749	(1,503,495)	(3,002,011)

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

DIRECT COST

For the 1st quarter of 2011, direct costs amounted to P368.514 million and P218.382 million for the same period last year where increase is parallel to the increase in sales. The demand for ANI's products may be affected by the fluctuations in prices, as determined by seasonality, weather, quality and farm productivity. While the company deals in widely consumed agricultural products, especially fruits and vegetables, it may be argued that a large portion of these products represent discretionary purchases.

Cost of sales increased by 68.75% from P218.382 million in 2010 to P368.514 million in 2011. This increase was primarily the results of the increase volume of production consonance with the increase in sales.

Cost of sales consists of:

- the cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- the cost of taxes and licenses;
- depreciation and amortization costs, which relate primarily to the depreciation of production equipment, vehicles, facilities and buildings;
- personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- repairs and maintenance costs relating to production equipment, facilities, vehicles and buildings;
- fuel and oil costs relating to the production and distribution process;
- communications, light and water expenses relating to the Company's distribution and production processes and facilities; and
- other costs of sales, which include miscellaneous expenses such as supplies, rental, insurance and freight expenses.

OPERATING EXPENDITURES

The Group incurred normal operating expenses in relation to the volume of sales and the corresponding revenue generated. (See details). Normally most of the Company's costs are variable, with fixed costs comprising mainly of salaries and production and logistics assets. The company has begun relying on billboard, radio, participation in sports league, non-traditional ads, print and television (cooking show) advertising to push its "Fresh Choice Always" brand. Advertising and promotions are important factors for consumer buying choices. Advertising affects consumer awareness of the Company's products by distinguishing it from other fresh produce, some of which are sold unbranded.

The Company's operating expenses for the first quarter of 2009, 2010 and 2011 consist of selling and administrative expenses amounted to P27.026M, P35.104M and P68.859M 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.

	March 2011	March 2010	March 2009
Salaries, wages and other employee benefits	**P 15,725,855**	P 9,772,841	P 3,296,872
Depreciation and amortization	**9,790,119**	2,234,922	1,491,610
Advertising and promotion	**9,571,074**	7,902,728	1,229,738
Deliveries	**8,950,972**	5,028,543	7,541,222
Securities services and other contracted services	**6,413,420**	492,921	4,270,355
Professional fees	**3,747,759**	1,385,238	522,834
Office and farm supplies	**2,308,396**	1,207,697	187,837
Rental	**2,144,674**	30,100	99,075
Repairs and maintenance	**2,040,340**	2,940,645	2,004,412
Transportation and travel	**1,539,710**	757,618	318,127
Taxes and licenses	**1,506,153**	653,389	475,000
Communications, light and water	**1,479,443**	361,766	1,312,761
Representation and entertainment	**1,273,200**	1,306,420	380,548
commission	**857,050**		
SSS, Philhealth and Pag-ibig contributions	**673,013**	554,931	467,067
Miscellaneous	**496,423**	439,339	3,361,359
Research and development	**130,000**		
Insurance	**97,101**		
Bank charges	**60,438**		32,156
Pension expense	**54,358**	35,000	34,971
Impairment loss on trade and other receivables			
	P 68,859,497	P 35,104,098	P 27,025,944

Top Four (4) Key Performance Indicators

1. Sales Efficiency Ratio

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

2. Gross Profit Ratio

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

3. Operating Ratio

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

4. Operating Margin

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

Discussion and Analysis of Material Events and Uncertainties

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

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

PLAN OF OPERATIONS

Management Plans

ANI as a Parent

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

Beginning in 2001, the Company diversified into other various agro-commercial businesses, specifically focusing on the export trading of fresh Philippine Carabao Mangoes “kinalabaw variety” as its main revenue stream. It acquired its new name, **Agrinurture, Inc.,** on February 8, 2008. Since then, ANI has become one of the Philippines’ top fresh mango exporters and only exporter of coconut water in can and fresh tamarind to the world market. At present, ANI also supplies other homegrown fruits such as coconut, banana, pineapple and papaya to customers in Greater China Region, the Middle East, North America and European Union under the "Fresh Distribution Group".

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

Operations of the Parent Company

At present, ANI is engaged primarily in the trading and exporting of commercial crops with Philippine Carabao Mangoes as the top exported item. Other crops include banana, pineapple, papaya, and tamarind which are sold to various clients worldwide. Over the last three (3) years, total sales showed an increasing trend with an average annual growth rate of 74% from 2008 to 2010. Export sales averaged 93% of the reported revenue for the period 2009-2011. Local sales were slowly passed on to fresh distribution group.

	ANI Parent Revenues		
Particulars	2008	2009	2010
Sales	**178,249,812**	**201,732,676**	**309,723,020**
Export Sales	132,220,000	197,698,022	309,723,020
Local Sales	46,029,812	4,034,654	
% of Total Sales			
Export Sales	74%	98%	100%
Local Sales	26%	2%	
Net Income	504,925	9,852,280	57,713,379

For 2011, approximately 40% of ANI's export revenues were exported to Greater China, 30% to the rest of Asia and Pacific and 30% to the North America and Europe. ANI expects these countries to continue to be its largest exports markets.

Operations through Subsidiaries

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

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

Fresh Distribution Group

ANI has three subsidiaries under its Fresh Distribution Group:

- First Class Agriculture Corporation (FCAC), a wholly-owned subsidiary of ANI, is engaged in the distribution of fruits and vegetables to supermarket chains, where it markets its produce under the "FCA" (First Choice Always) brand. It supplies more than 100 varieties of vegetables and local fruits daily to more than 20 outlets in NCR and in some provinces in Luzon. FCAC. FCAC earned revenues of P**431.042**in 2010, **Php402.5Mn** in 2009 and **Php331.5** in 2008; and Net Income of Php575.618Mn in 2010, Php10.9Mn in 2009 and Php4.9Mn in 2008. The abrupt increased in net income was mainly due to brand revaluation.

- Fresh and Green Harvest Agricultural Corp. (FG) is a wholly-owned subsidiary of FCAC. Fresh and Green Harvest (F&G) is engaged in the commercial distribution of fresh vegetables and fruits to the SM Hypermarket chain and Makro outlets. It supplies more than 100 varieties of vegetables and local fruits daily to more than 20 branches in NCR. FGHAC earned revenues of **Php333.5Mn** in 2010, **Php301.3Mn** in 2009 and **Php221.9Mn** in 2008; and Net Income of Php10.2Mn in 2010, Php7.8Mn in 2009 and Php4.0Mn in 2008.

- Lucky Fruit and Vegetable Products Inc. ("LF") is wholly-owned by ANI and is engaged in the wholesale trading and distribution of commercial crops to various supermarkets and institutional accounts such as hotels, restaurants, public markets and catering companies throughout Luzon and the Visayas region. Lucky Fruits earned revenues of **Php169.6Mn** in 2010, **Php20.9Mn** in 2009 and **Php21.4Mn** in 2008; and Net Income of Php4.3Mn in 2010, Php.937Mn in 2009 and Php.089Mn in 2008.

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

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

Processed Food Group

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

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

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

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

M2000 earned revenues of **Php121.034MN** in 2010, **Php22.2Mn** in 2009; Net Income of **Php7.5Mn** in 2010, **Php1.48Mn** in 2009.

- Fruitilicious Inc. is 90%-owned by ANI. It operates a fruit freezing and processing facility to produce frozen and dried fruit products and by-products for local and international clients. Its plant is located in Cagayan de Oro at the corner of the fruit bountiful provinces of Bukidnon, Davao, Lanao del Norte and Agusan del Sur in Mindanao. Fruitilicious also serves as the ANI group's logistics and sourcing hub for its Mindanao operations. It operates a 7 hectare farmland and also operates a cold storage.

Farming Group

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

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

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

Strengths

The Company believes that its principal strengths include the following:

Competitive Strengths

Complete and strategic integration of its operations

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

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

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

ANI will soon launch its ecommerce store, http://www.ani.com.ph/, which will allow buyers from the food services sector, namely, hotels, restaurants, catering companies, and canteens to book their orders online, with the guarantee of next day delivery.

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

Established reputation of offering quality products and services

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

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

Exceptional human resource pool and philosophy

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

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

Economies of Scale

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

STRATEGIES

Business Strategy

Over the past years, the increased in ANI's number of customers is attributable to foreign accounts in Greater China including Hong Kong. With the recent acquisition of 2 Chinese firms, ANI expects a continued and strengthened growth in international business in Japan and Europe not only in exporting Philippine mangoes but also a new player in banana industry.

ANI's primary market for mangoes for the past 2 to 3 years was in Greater China. In 2009, ANI reported total sales of approximately Php88M or 1.6M kilograms of mango at Php55 per kilogram. With the opportunity to export directly to China and other Asian countries including in Europe, management expects growth rate of 20% in 2011 and 10% from 2012 to 2015.

In the later part of 2010, the Company started to export banana in the Middle East, making it the second top exported item. Management is positive that it will post an increase in revenue in the coming years resulting in sales by Sunshine Supplies and Wantaixing and the opening of other distribution channel

With the grant of an exclusive right to market a particular brand of pineapple in China, the management expects to export 1 million boxes of pineapple in 2011. With an expected expansion of its distribution channel in Macau and Hong Kong in the following year, volume is expected to increase to 2 million boxes in 2012 and increasing by 30% in the succeeding years. Note: 1 container (40 ft) contains 1,500 boxes.

Construction of Blast Freezing Facility phase 1 of the project was completed in 2010 and phase 2 will be completed in 2011. Beginning the second half of 2011, Management assumed a monthly capacity of 20 containers and 20% annual growth rate starting in 2012.

The company has tied up with Saudi - based East Asia Development and Agricultural Investment (EADACO) and Philippine Agricultural Development and Commercial Corp. for the operation of processed fruits and vegetables plantations which will supply the materials to be used for the exportation of processed fruits and vegetables. It is expected to generate revenue starting in 2012 at an estimated amount of P800,000,000 with a stable growth of 20% for the next four years.

In 2011, the company will enter into an agreement with the public sector for the purpose of coordinating and cooperating in processing coconut water for local and/or foreign market. In relation to this, the company will also enter into an agreement with a private entity for the right to supply processed coconut water. The management expects to produce 10 million liters of processed coconut water in 2011 and 2012 and to increase to 18 million liters in the succeeding years.

It is expected that at least two (2) major supermarkets opening in 2011 and every year thereafter will be served by FCAC.

It is expected the number of wet market stores rented and wholesale channels will increase in the coming years. Management forecasts annual sales at an average of Php3.6 million for every wet market and Php6 million for each wholesale distribution channels

The Company will enter into agreements / partnerships with farmers and cooperatives through contract farming. In this agreement, the company will provide assistance to farmers in terms of inputs, seedlings, technology and marketing/sale of their harvest. This will provide a reliable source of supply of fruits and vegetable to Best Choice.

Management is expecting canning and/or packaging lines 2 and 3 to be in operation by 2011. Line 2 is intended for canned fruits while Line 3 is intended for processed coconut water. Outputs from both lines are to be exported to other countries.

MARKETING, SALES AND DISTRIBUTION

Marketing Activities

To further enhance its competitive strength and build a strong corporate brand, ANI intends to deepen the respective specialization and expertise of its subsidiaries and focus on a specific business area or market. LF would be groomed to be a preferred brand for both local and imported fruits and even go into innovative arrangements such as cross trading

Currently, FCA currently sponsors a basketball team at PBL with the aim of promoting sports at the same time awareness of the FCA brand among young generation.

Also, set of posters endorsed by celebrities Alfred Vargas, Connie Sison, and Chef Jeremy Favia were launched via the trucks of ANI and billboard sites located at NLEX, SCTEX, C5, SLEX, Packing Houses, and Farms.

The FCA jingle was launched to prepare in preparation for the launch of the Veggie Cart concept that which is targeted at supplying fruits and vegetables to the class A and B subdivisions in Metro Manila cities.

Lastly, fresh finds cooking demos with Chef Jeremy were launched in various outlets to help promotes company's brand name and its products.

REGULATION AND TAXATION

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

Best Choice Harvest, the farming subsidiary is expecting to be granted a 4 year tax holiday by BOI while M2000 Imex is filing an application for 4 year tax holiday owing to its expansion. AgriNurture, on the other hand, is identifying potential locations to transfer to in an appropriate Export Processing Zone to avail of an incentive that will allow the company to pay a tax rate of only 5% instead of its current rate of 30%.

EMPLOYEES

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

	Number of Employees			
Category	**For the year ended Dec. 31, 2008**	**For the year ended Dec. 31, 2009**	**For the year ended Dec. 31, 2010**	**As of March 31, 2011**
Executives (Officers and Managers)	30	40	36	38
Project employees and Consultants	3	4	5	6
All other employees	685	680	719	743
Total	718	724	760	787

There is no labor union in the organization.

INSURANCE

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

INSURANCE OF PROPERTY

		Insured Amount
1. Canning Facility Line in Pulilan	Philcharter	15,000,000.00
2. Cold Storage Facility in Pulilan	Philcharter	24,800,000.00
3. Walk In Chiller In Pulilan	Philcharter	5,256,915.00
4. Pulilan Property	Landbank	33,975,000.00
5. FCA Property Arayat	UCPB General	12,495,000.00
		91,526,915.00

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

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

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

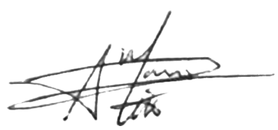
The Company is subject to a number of employee health and safety regulations in the Philippines. For example, the Company is subject to the occupational safety and health standards promulgated by the Philippine Department of Labor and Employment. The Company believes that a safe and healthy work environment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

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

SIGNATURES

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

Issuer **AGRINURTURE, INC. AND SUBSIDIARIES**



Signature and Title **MR. ANTONIO L. TIU**
Chief Executive Officer

Date May 2011

Signature and Title **MR. DENNIS SIA**
Chief Financial Officer

Date May 2011

Agrinurture, Inc. and Its Subsidiaries

EXHIBITS

INTERIM FINANCIAL STATEMENTS

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2011, 2010 and 2009
(With Comparative Figures as of December 31, 2010)

		March 31, 2011	March 31, 2010	March 31, 2009	December 31, 2010
ASSETS					
Current assets					
Cash	6	65,366,586	89,581,912	31,714,359	73,776,402
Trade and other receivables	7	221,841,579	283,616,373	129,533,422	294,329,640
Note receivable		58,000,000	58,000,000	58,000,000	58,000,000
Advances to related parties	16	33,952,444	51,198,665	192,872	41,756,983
Inventories	8	95,108,594	41,404,383	31,109,916	77,536,576
Biologial assets	9	565,518,734	-	-	454,859,523
Advances to Project	10	223,129,237	70,798,189	96,329,914	64,255,063
Prepayments and other current assets		33,691,523	15,755,703	7,162,457	26,746,611
Total current assets		1,296,608,697	610,355,226	354,042,940	1,091,260,798
Non-current assets					
Property and equipment, net	11	517,429,035	147,386,665	147,088,570	521,670,051
Intangibles	12	809,521,267	19,509,913	19,509,913	809,521,267
Deferred tax asset	24	1,657,415	225,777	945,608	1,249,848
Other non-current assets		-	232,368	7,907,098	541,651
Total non-current assets		1,328,607,718	167,354,724	175,451,189	1,332,982,817
Total assets		2,625,216,415	777,709,950	529,494,129	2,424,243,615
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	13	71,696,388	29,118,158	56,451,522	53,698,096
Loans payable	14	629,055,947	189,687,479	176,077,640	519,442,200
Advances from related parties	16	308,926	4,752,991	14,652,684	215,208
Income tax payable		14,583,333	4,477,472	633,751	12,329,700
Other current liabilties		2,216,451	14,032	-	976,789
Total current liabilities		717,861,045	228,050,131	247,815,597	586,661,993
Non-current liability					
Pension liability	15	1,005,001	768,215	560,265	950,645
Long term notes payable				15,680,391	
Deferred tax liability	24	266,169,428	-	-	251,438,343
Total non-current liabilities		267,174,429	768,215	16,240,656	252,388,988
Total liabilities		985,035,474	228,818,346	264,056,253	839,050,981
Equity					
Share capital		217,993,119	191,868,445	178,536,602	217,993,119
Additional Paid in Capital		675,502,960	306,832,220	75,087,228	675,502,960
Revaluation surplus		545,170,826	-	-	545,170,826
Retained earnings	18	188,472,846	50,190,939	11,814,046	138,958,011
Non-controlling interest		13,041,190	-	-	7,567,718
Total equity		1,640,180,941	548,891,604	265,437,876	1,585,192,634
Total liabilities and equity		2,625,216,415	777,709,950	529,494,129	2,424,243,615

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED MARCH 31, 2011, 2010 and 2009
(With Comparative Figures for the Year ended December 31, 2010)

		March 31, 2011	March 31, 2010	March 31, 2009	December 31, 2010
Net sales		466,939,689	261,401,108	168,414,107	1,585,011,759
Cost of sales	20	(368,514,177)	(218,381,917)	(138,872,065)	(1,314,304,215)
Gross profit		98,425,512	43,019,191	29,542,042	270,707,544
Operating expenses	21	(68,859,497)	(35,104,098)	(27,025,946)	(176,493,028)
Other operating income (expenses) net		49,009,749	(1,503,495)	(3,002,011)	57,166,068
Profit from operations		78,575,765	6,411,598	(485,915)	151,380,584
Finance Income		-	-	-	95,032
Finance expense		(3,471,810)	-	-	(16,687,620)
Profit before tax		75,103,955	6,411,598	(485,915)	134,787,996
Income tax expense	24	(20,115,648)	(1,923,480)	-	(41,236,531)
Profit for the period		54,988,307	4,488,118	(485,915)	93,551,465
Other comprehensive income					
Gain on change of fair value of trademark		-	-	-	545,170,823
Total comprehensive income		54,988,307	4,488,118	(485,915)	638,722,288
Profit for the year attributable to:					
Equity holders of parent		49,514,838	4,488,118	(485,915)	90,813,545
Non-controlling interest		5,473,469	-	-	2,737,920
		54,988,307	4,488,118	(485,915)	93,551,465
Total comprehensive income attributable to:					
Equity holders of parent		68,535,331	4,488,118	(485,915)	635,984,368
Non-controlling interest		6,568,624	-	-	2,737,920
		75,103,955	4,488,118	(485,915)	638,722,288
Earnings per share	19	0.252	0.023	(0.003)	0.450

AGRINURTURE, INC. AND ITS SUBSIDIARIES

(Formerly Mabuhay 2000 Enterprises, Inc.)

CONSOLIDATED STATEMENTS Off CHANGES IN EQUITY

FOR THE QUARTERS ENDED MARCH 31, 2011, 2010 and 2009

		Deposits for Future		Revaluation	Retained Earnings		Total equity	Non-	
	Share Capital	Subscriptions	Share Premium	Surplus	Appropriated	Unappropriated	attributable to	controlling	Total
At January 1, 2009	178,536,602				19,000,000	(6,700,039)	190,836,563	17,095,885	207,932,448
Issuance of common shares							-		-
Transfer of deposits for future stock									
subscriptions to share capital		75,087,228					75,087,228		75,087,228
Acquisition of remaining equity shares of FCAC							-	(17,095,885)	(17,095,885)
Issuance of common shares							-		-
Total comprehensive income						(485,915)	(485,915)		(485,915)
At March 31, 2009	**178,536,602**	**75,087,228**	**-**	**-**	**19,000,000**	**(7,185,954)**	**265,437,876**	**-**	**265,437,876**
At January 1, 2010	498,700,665				19,000,000	28,621,505	546,322,170		546,322,170
Issuance of common shares							-		-
Dividends declared						(1,918,684)	(1,918,684)		(1,918,684)
Total comprehensive income						4,488,119	4,488,119		4,488,119
At March 31, 2010	**498,700,665**	**-**	**-**	**-**	**19,000,000**	**31,190,940**	**548,891,605**	**-**	**548,891,605**
At January 1, 2011	217,993,119	-	675,502,960	545,170,823	19,000,000	119,958,011	1,577,624,913	7,567,721	1,585,192,634
Prior period adjustments							-		-
Issuance of common shares							-		-
Revaluation of trademarks							-		-
Investment of non-controlling interest							-		-
Total comprehensive income						49,514,838	49,514,838	5,473,469	54,988,307
At March 31, 2011	**217,993,119**	**-**	**675,502,960**	**545,170,823**	**19,000,000**	**169,472,849**	**1,627,139,751**	**13,041,190**	**1,640,180,941**

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

CONSOLIDATED STATEMENTS OF CASHFLOW
FOR THE QUARTERS ENDED MARCH 31, 2011 AND 2010
(With Comparative Figures for the Year ended December 31, 2010)

		March 31, 2011	March 31, 2010	December 31, 2010
Cash flows from operating activities				
Profit before tax		**75,103,955**	**6,411,598**	134,787,995
Adjustments for:				
Depreciation and amortization	11	**9,790,119**	**2,234,922**	17,969,124
Pension expense	15	**54,358**	**35,000**	217,429
Prior period adjustment				522,961
Bad debts expense				3,215,517
Goodwill				
Gain on change on fair value of biological asset	9	**(49,035,604)**	**-**	(131,945,846)
Finance cost		**3,471,810**	**1,503,495**	16,687,620
Finance income				(95,032)
Operating income before working capital changes		**39,384,638**	**10,185,015**	41,359,768
Changes in working capital accounts:				
Decrease (increase) in				
Trade and other receivables		**72,488,061**	**(44,419,565)**	25,351,629
Advances to projects		**(220,497,781)**	**(17,385,767)**	(333,756,318)
Advances to related parties		**7,804,539**	**(498,700)**	8,942,982
Inventories		**(17,572,018)**	**(3,654,905)**	48,499,171
Prepayments and other current assets		**(6,944,912)**	**(2,604,565)**	(13,595,473)
Increase (decrease) in				
Trade and other payables		**17,998,290**	**(21,280,151)**	(166,579,116)
Advances from related parties		**93,718**	**1,570,764**	(2,967,019)
Other current liabilities		**1,239,662**	**1,937,511**	976,788
Cash generated from (used in) operations		**(106,005,803)**	**(76,150,363)**	(391,767,588)
Finance income received				95,032
Finance cost paid		**(3,471,810)**	**(1,503,495)**	(16,687,620)
Income tax paid		**(3,130,931)**	**-**	(14,209,024)
Net cash provided by (used in) operating activities		**(112,608,543)**	**(77,653,858)**	(422,569,200)
Cash used in investing activities				
Increase in investment in subsidiaries				(9,144,016)
Additions to property and equipment	11	**(5,549,103)**	**(3,860,078)**	(355,921,170)
Acquisition of intangibles				(598,079)
Decrease (Increase) in other non-current assets		**134,084**	**(200,867)**	(510,150)
Net cash provided by (used in) investing activities		**(5,415,019)**	**(4,060,945)**	(366,173,415)
Cash provided by financing activities				
Proceeds from loans		**543,935,254**	**20,266,167**	519,442,200
Repayment of loans		**(434,321,508)**		(166,734,989)
Payment of dividends			**(1,155,842)**	
Proceeds from issuance of share capital				357,625,414
		109,613,747	19,110,325	710,332,625
Net increase in cash on hand and in bank		**(8,409,816)**	**(62,604,478)**	(78,409,990)

AGRINURTURE, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE QUARTER ENDED MARCH 31, 2011
(With Comparative Figures as of December 31, 2010)

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%
Wantaixing 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 Wantaixing 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 PFRSs. 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

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 March 31, 2011 and December 31, 2010 amounted to P439,160,609 and P735,402,565 and P467,863,025 and P220,315,525, 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 P565,718,734 as of March 31, 2011 (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 March 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 P517.429,035 and P521,670,051 as of March 31, 2011 and December 31, 2010, 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 2011 and 2010 (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 15 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 P1,005,645 and P950,645 as of March 31, 2011 and December 31, 2010, 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 P1,657,415 and P1,249,848 as of March 31, 2011 and December 31, 2010, 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:

	March 2011	2010
Loans and receivables		
Cash in banks	**P68,454,227**	P53,274,425
Trade and other receivables, net	**221,841,579**	294,329,640
Note receivable	**58,000,000**	58,000,000
Advances to related parties	**63,952,444**	41,756,983
	P412,248,250	P447,361,048

Aging analyses of financial assets are as follows:

	March 2011					
			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)	**P221,841,579**	**P166,381,184**	**P22,193,565**	**P2,883,940**	**P**	**30,382,890**
Note receivable	**58,000,000**			**58,000,000**	**-**	**-**
Advances to related parties (Note 16)	**33,952,444**	**33,952,444**	**-**	**-**	**-**	**-**
	P313,794,023	**P200,333,628**	**22,193,565 P**	**60,883,940 P**	**P**	**30,382,890**

	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-

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 March 31, 2011 and December 31, 2010:

	March 2011						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated*	Past Due but Not Impaired	Impaired	Total
Cash in bank	P 68,454,227	P-	P-	P-	P-	P-	68,454,227
Advances to related parties	33,952,444	-	-	-	-	-	33,952,444
Trade and other receivables	160,957,639		60,883,940	-	-	-	221,841,579
Note receivable	58,000,000	-	-	-	-	-	58,000,000
	P321,364,310	P	60,883,940 P	P-	P-	P	P 392,248,250

	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

(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 March 31, 2011 and December 31, 2010:

			March 2011		
	On Demand	**Less than 3 months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Trade and other payables (Note 13)	**P71,696,388**	**P**	**P**	**P-**	**P71,696,388**
Interest bearing loans and borrowings (Note 14)*		**-**	**629,055,947**		**629,055,947**
Advances from related parties (Note 16)	**308,926**	**-**	**-**	**-**	**308,926**
	P72,005,315	**P**	**P612,857,877**	**P-**	**P701,061,261**

			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**

**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 March 31:

	March 2011					
	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	**P104,776,133**	**P-**	**P-**	**P-**	**P-**	**P104,776,133**
BPI	**118,034,000**	**-**	**-**	**-**	**-**	**118,034,000**
BDO	**120,000,000**	**-**	**-**	**-**	**-**	**120,000,000**
BOC	**57,278,960**					**57,278,960**
UCPB	**50,000,000**	**-**	**-**	**-**	**-**	**50,000,000**
LBP	**99,500,000**	**-**	**-**	**-**	**-**	**99,500,000**
China Trust	**79,466,854**	**-**	**-**	**-**	**-**	**79,466,854**
	P629,055,947	**P-**	**P-**	**P-**	**P-**	**P629,055,947**

	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**

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:

	March 2011		2010	
	US Dollar (US$)	**Peso equivalent (P)**	US Dollar (US$)	Peso equivalent (P)
Cash on hand and in banks	**US$148,490**	**P6,449,237**	US$136,362	P5,982,472
Trade and other receivables	**1,723,918.58**	**74,873,232**	920,329	40,810,577
	US$1,872,408	**P81,322,469**	US$1,056,691	P46,793,049

	March 2011		2010	
	Hong Kong Dollar (HK$)	**Peso equivalent (P)**	Hong Kong Dollar (HK$)	Peso equivalent (P)
Cash on hand and in banks	**HK$287,857**	**P1,606,070**	HK$-	P-
Trade and other receivables	**1,349,360**	**7,528,623**	2,143,783	12,106,486
	HK$1,637,217	**P9,134,693**	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**	
		March 2011	2010
Cash on hand and in banks	+10%	**P805.530**	**P598,424**
	-10%	**(805,530)**	**(598,424)**
Trade and other receivables	+10%	**8,240,185**	**4,038,862**
	-10%	**(8,240,185)**	**(4,034,720)**

** 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.

	March 31 2011	March 31 2010	December 31 2010
Debt	1,045,035,474	228,818,346	839,050,979
Cash	(95,366,586)	(89,581,912)	(73,776,402)
Net Debt	949,668,888	139,236,434	765,274,577
Equity	1,640,180,941	548,891,604	1,585,192,636
Net Debt to Equity Ratio	0.58	0.25	0.48

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 quarter ended March 31 2011 and for the year ended December 31, 2010 (amounts in '000).

	Farming		Production		Distribution		Export		Others		Total	
	March 2011	December 2010	**March 2011**	December 2010	**March 2011**	December 2010	**March 2011**	December 2010	**March 2011**	December 2010	**March 2011**	December 20
Sales	**P 54,574**	P 148,069	**P 27,741**	P 72,076	**P 219,486**	P 918,518	**P 121,287**	P 388,332	**P 43,852**	P 58,016	**P 466,940**	P 1,585,
Cost of sales	**(49,550)**	(141,129)	**(20,330)**	(101,612)	**(182,261)**	(772,670)	**(92,596)**	(247,523)	**(23,777)**	(51,370)	**(368,514)**	(1,314,
Operating Income (Expenses)	**44,950**	48,936	**(4,678)**	(21,504)	**(30,163)**	(62,978)	**(26,813)**	(95,386)	**(6,618)**	(4,986)	**(23,322)**	(135,
Income taxes	**(14,992)**	(19,660)	**(175)**	(1,251)	**(2,166)**	(13,519)	**(563)**	(6,130)	**(2,267)**	(678)	**(20,163)**	(41,
Profit (loss) for the year	**P 34,982**	P 36,216	**P 2,558**	P (52,291)	**P 4,897**	P 69,351	**P 1,315**	P 39,293	**11,190**	P 982	**P 54,941**	P 93,
Segment assets	**P 643,603**	P 585,886	**P 97,219**	P 138,068	**P 1,178,388**	P 1,138,717	**P 553,755**	P 518,834	**P 190,394**	P 42,738	**P 2,663,360**	P 2,424,
Segment liabilities	**38,963**	20,995	**2,623**	17,891	**549,129**	566,827	**351,285**	227,802	**81,226**	5,536	**1,023,226**	839,

NOTE 6 - CASH ON HAND AND IN BANKS

	March 31 2011	December 31 2010
Cash on hand	26,912,359	20,501,977
Cash in bank	68,454,228	53,274,425
	95,366,586	73,776,402

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

NOTE 7 - TRADE AND OTHER RECEIVABLES, NET

	2011	2010
Trade	**P 160,957,639**	P 201,273,435
Deposit to suppliers	**60,883,940**	88,094,259
Others	**8,177,463**	8,177,463
	225,017,957	297,545,157
Allowance for bad debts	**(3,215,517)**	(3,215,517)
	P 221,841,579	P 294,329,640

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

	March 2011	December 2010
Vegetables and fruits	**P 53,162,561**	P 67,808,391
Packaging materials and other supplies	**12,663,157**	6,802,780
Finished Goods and merchandise invty	**29,282,877**	2,925,405
	P 95,108,594	P 77,536,576

NOTE 9 - BIOLOGICAL ASSETS

	Consumable	Bearer	Total
Transfer from advances to projects	188,817,909	268,284,860	457,102,769
Change in fair value of biological assets	60,129,888	189,665,761	249,795,649
Estimated point-of-sale costs	(49,789,559)	(91,590,124)	(141,379,684)
	199,158,237	366,360,497	565,518,734

Gain on changes of fair value of the biological assets are shown below:

	Consumable	Bearer	Total
Fair value of biological assets	248,947,797	457,950,621	706,898,418
Estimated point of sale costs	(49,789,559)	(91,590,124)	(141,379,684)
Fair value less point of sale costs of biological assets	199,158,237	366,360,497	565,518,734
Initial costs/Transfer from advances to projects	188,817,909	268,284,860	457,102,769
Gain (loss) on changes of fair value of biological assets	10,340,328	98,075,637	108,415,965
Gain (loss) on changes recognized in previous period	86,751,105	(27,370,744)	59,380,361
Gain (loss) on changes recognized in this period	(76,410,777)	125,446,381	49,035,604

Consumable biological assets include rice, corn, pineapple, mushroom and cassava. 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
Cassava	1200

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	134

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 P223,129,237 and P64,255,063 as of March 31, 2011 and December 31, 2010, respectively.

	2011			
Farm Location	**At January 1**	**Additions**	**Reclassification to biological assets**	**At March 31**
Region 3	42,972,930			42,972,930
Region 4	13,327,023	118,659,517	(61,023,607)	70,962,933
Region 8	-	47,250,000	(600,000)	46,650,000
Region 9	7,955,110	54,588,264		62,543,374
	64,255,063	220,497,781	(61,623,607)	223,129,237

	2010			
Farm Location	**At January 1**	**Additions**	**Reclassification to biological assets**	**At December 31**
Region 3	51,762,422	195,904,017	(204,693,509)	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
	53,412,422	406,321,803	(395,479,162)	64,255,063

NOTE 11 - PROPERTY AND EQUIPMENT, NET

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Construction in progress	Total
Cost									
At January 1, 2010	P 33,917,000	P 56,765,227	P 6,265,116	P 10,870,710	P 41,986,614	P 4,105,345	P 2,729,494	P 7,731,811	P 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	81,792,830	105,172,562	19,734,946	46,540,400	199,567,257	14,694,730	67,499,292	23,157,969	558,159,986
Reclassifications									
Additions	-	117,930	682,041	922,547	1,348,500	1,396,497	1,081,588	-	5,549,103
At March 31, 2011	P 81,792,830	P 105,290,492	P 20,416,987	P 47,462,947	P 200,915,757	P 16,091,227	P 68,580,880	P 23,157,969	P 563,709,089
Accumulated depreciation									
At January 1, 2010	P -	P 1,910,559	P 3,366,808	P 4,133,340	P 4,134,171	P 2,564,242	P 2,500,687	P -	P 18,609,807
Reclassifications					(3,933)	2,500	1,433		-
Additions		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	-	4,017,376	4,592,660	7,170,199	11,731,144	4,263,719	4,714,837	-	36,489,935
Reclassifications									
Additions	-	1,410,238	850,703	1,973,825	3,513,188	939,319	1,102,847	-	9,790,119
At March 31, 2011	P -	P 5,427,614	P 5,443,363	P 9,144,024	P 15,244,332	P 5,203,038	P 5,817,684	P -	P 46,280,054
At March 31, 2011	**P 81,792,830**	**P 99,862,878**	**P 14,973,624**	**P 38,318,923**	**P 185,671,425**	**P 10,888,189**	**P 62,763,196**	**P 23,157,969**	**P 517,429,035**
At December 31, 2010	P 81,792,830	P 101,155,186	P 15,142,286	P 39,370,201	P 187,836,113	P 10,431,011	P 62,784,455	P 23,157,969	P 521,670,051

Construction in progress

This pertains to the capitalizable expenses amounting to P15,714,079 as of December 31, 2010 , respectively, in connection with the future tran sfer and use of a real property, which wa s 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, 2010	P 227,709	P 19,509,913	P -	P 19,737,
Additional		10,479,501	598,080	11,077,
Change in fair value during the period	778,815,461			778,815,
At December 31, 2010	779,043,170	29,989,414	598,080	809,630,
Additional				
Change in fair value during the period				
At March 31, 2011	**P 779,043,170**	**P 29,989,414**	**P 598,080**	**P 809,630,**
Comprising				
At cost	**P 227,709**		**P 598,080**	**P 825,**
At revaluation	**778,815,461**	**29,989,414**		
	P -	**P -**	**P -**	**P**
Accumulate amortization				
At January 1, 2010	P 20,399	P -	P -	P 20,
Additional	22,771		66,227	88,
At December 31, 2010	43,170	-	66,227	109,
Additional				
Change in fair value during the period				
At March 31, 2011	**P 43,170**	**P -**	**P 66,227**	**P 109,**
Comprising				
At cost	**P 43,170**		**P 66,227**	**P 109,**
At revaluation		**-**		
	P 43,170	**P -**	**P 66,227**	**P 109,**
Carrying amount				
March 31, 2011				
At cost	**P 184,539**	**P -**	**P 531,853**	**P 716,**
At revaluation	**778,815,461**	**29,989,414**	**-**	
	P 779,000,000	**P 29,989,414**	**P 531,853**	**P 809,521,**

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 M arch 9, 2009 by the said office; initi capitalized cost amounted to P227,709 upon approval of the said trademark in 2009.

In January 2011, the Group has engaged CB Richard Ellis Phi ls., Inc. (CBREPI) to carry out a brand valuation of FCA as of December 31, 2010 in compliance with the Securities and Exchange Commissio (SEC) requirements. On their (CBREPI) report dated March 11, 2011, the value of the said tradema amounted to P779,000,000 as of December 31, 2010. This has resulted to the increase in t value of the trademark amounting to P778,815,461 and a corresponding increase in revaluation surplu 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 a nd assumptions used in the said valuation are set out i Note 3.

NOTE 13 – TRADE AND OTHER PAYABLES

	March 2011	2010
Trade	**P47,353,041**	P47,144,137
Customer's deposit	**620,238**	1,619,239
Government dues and remittances	**439,630**	1,401,208
Accrued expenses	**5,254,026**	1,107,106
Others	**18,029,453**	2,426,406
	P 71,696,388	P 53,698,096

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.

	March 2011	2010
Bank of the Philippine Islands (BPI)	**P118,034,000**	P131,538,900
Banco De Oro (BDO)	**120,000,000**	100,000,000
China Trust and Banking Corporation	**79,466,854**	69,930,295
Mega International Commercial Bank (MICB)	**104,776,133**	55,254,652
United Coconut Planters Bank (UCPB)	**50,000,000**	50,000,000
Land Bank of the Philippines (LBP)	**99,500,000**	49,000,000
Bank of Commerce (BOC)	**57,278,959**	42,720,140
Orix Metro Leasing Finance Corporation (ORIX)	**-**	20,998,213
	P 629,055,946	P 519,442,200

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
LBP*	6 months	Unsecured
Chinatrust	3 – 6 months	Unsecured
UCPB	6 months	Unsecured
ORIX**	3 years***	Machinery and equipment

** Subject to quarterly repricing at the prevailing market interest rates.*
*** Equivalent to Philippine Dealing Exchange Rate of 9.16% or an average one-year rate plus 7.63% per annum, and is subject to annual repricing.*
****Loan is 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 P3,471,810 and P16,687,620 for the quarter ended March 31, 2011 and for the year ended December 31, 2010, 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:

	2011
Pension liability at January 1	P 950,645
Pension cost of the quarter	54,356
Pension liability at March 31	**P 1,005,001**

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

	2011
Present value of obligation at January 1	P 1,057,517
Current service cost	49,223
Interest cost	10,592
Actuarial (gain) loss	107,392
Present value of obligation at March 31	**P 1,224,724**

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

	2011
Current service cost	P 49,222
Interest cost	10,592
Net actuarial loss (gain)	(5,458)
Pension expense	**P 54,356**

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:

	2011
Present value of defined benefit obligation	P 1,224,724
unrecognized actuarial gains	(219,723)
	P 1,005,001

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	
	March 2011	2010	**March 2011**	2010
Officers and employees	**-**	**P 6,632,028**		P9,820
Subsidiaries and stockholders	**63,952,444**	**35,124,955**	**308,926**	205,388
	63,952,444	**P41,756,983**	**308,926**	P215,208

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 quarter ended March 31, 2011 and for the year ended December 31, 2010, 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 P3,625,878 for the quarter ended March 2011 and P8,832,000 and P3,045,000 for the years ended December 31, 2010, and 2009, respectively.

NOTE 17 – SHARE CAPITAL

	March 31 2011		December 31 2010	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized – P1 par value per share	**300,000,000**	**300,000,000**	300,000,000	300,000,000
Issued and outstanding	**217,993,119**	**217,993,119**	**217,993,119**	**217,993,119**

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:

	2011		2010	
	Shares	Amount	Shares	Amount
Listed shares				
at January 1	195,303,871	195,303,871	178,536,602	178,536,602
Additional listed shares	-	-	16,767,269	16,767,269
At March 31	195,303,871	195,303,871	195,303,871	195,303,871
Issued but not listed shares				
at January 1	22,689,248	22,689,248	13,331,843	13,331,843
Issued during the year	-	-	8,257,405	8,257,405
Warrants exercised	-	-	1,100,000	1,100,000
at March 31	22,689,248	22,689,248	22,689,248	22,689,248

Unissued warrants

At January 1	13,500,000	13,500,000	14,600,000	14,600,000
Warrants issued and Excercised	-	-	(1,100,000)	(1,100,000)
At March 31	13,500,000	13,500,000	13,500,000	13,500,000
Unissued shares	68,506,881	68,506,881	68,506,881	68,506,881
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 first quarter 2011 and the year 2010, in exchange for common shares amounted to P-Nil- and P1,100,000, respectively.

NOTE 18 - RESERVES

		December 31	
	March 31 2011	**2010**	**2009**
Share premium	675,502,960	675,502,960	675,502,960
Revaluation surplus	545,170,826	545,170,826	
Retained earnings			
Appropriated	19,000,000	19,000,000	19,000,000
Unappropriated	169,425,899	119,958,012	28,601,106
	1,409,099,685	1,359,631,798	723,104,066

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 to appropriate accumulated retained earnings amounting to P19,000,000 for future dividend declaration on March 10, 2009.

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

NOTE 19 - EARNINGS PER SHARE

	March 31 2011	March 31 2010	December 31 2010
Profit for the year attributable to:			
Equity holders of parent	49,467,888	4,488,118	90,813,545
Non-controlling interest	5,473,469	-	2,737,920
	54,941,357	4,488,118	93,551,465
Earnings per share	0.252	0.023	0.450

NOTE 20 - COST OF SALES

	March 2011	2010	2009
Inventories at beginning of period	P 77,536,576	P 37,749,478	P 34,150,232
Purchases	386,086,194	1,354,091,313	869,565,517
Cost of goods available for sale	P 463,622,770	P 1,391,840,791	P 903,715,749
Inventories at end of period	95,108,593	77,536,576	37,749,478
	P 368,514,177	**P 1,314,304,215**	**P 865,966,271**

NOTE 21 - OPERATING EXPENSES

	March 2011	March 2010	December 2010
Salaries, wages and other employee benefits	**P 15,725,855**	P 9,772,841	P 39,381,432
Depreciation and amortization	**9,790,119**	2,234,922	17,365,336
Advertising and promotion	**9,571,074**	7,902,728	22,391,910
Deliveries	**8,950,972**	5,028,543	19,397,955
Securities services and other contracted services	**6,413,420**	492,921	2,338,304
Professional fees	**3,747,759**	1,385,238	10,369,062
Office and farm supplies	**2,308,396**	1,207,697	12,968,382
Rental	**2,144,674**	30,100	9,706,451
Repairs and maintenance	**2,040,340**	2,940,645	8,503,061
Transportation and travel	**1,539,710**	757,618	7,868,705
Taxes and licenses	**1,506,153**	653,389	3,035,572
Communications, light and water	**1,479,443**	361,766	9,453,971
Representation and entertainment	**1,273,200**	1,306,420	5,418,327
commission	**857,050**		277,311
SSS, Philhealth and Pag-ibig contributions	**673,013**	554,931	803,104
Miscellaneous	**496,423**	439,339	2,953,742
Research and development	**130,000**		78,989
Insurance	**97,101**		470,911
Bank charges	**60,438**		277,556
Pension expense	**54,358**	35,000	217,430
Impairment loss on trade and other receivables			3,215,517
	P 68,859,497	P 35,104,098	P 176,493,028

NOTE 22 - OTHER INCOME, NET

	2011	2010	2009
Gain on changes in fair value of biological assets	**P 49,035,604**	P59,380,361	P-
Rental income		309,840	-
Realized foreign exchange gain (loss), net		(78,285)	(4,126)
Others income (expenses)	**(25,854.29**	2,445,848	213,616
	P 49,009,749	P 57,166,068	P 209,490

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:

	March 31 2011	March 31 2010	December 31 2010
Current	5,451,917	1,923,480	24,185,197
Deferred	14,710,681		17,050,934
	20,162,598	1,923,480	41,236,131

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

Deferred Tax Assets	March 2011	December 2010
Pension Liability	P 1,005,001	P 964,655
Provision of income tax	367,221	
Impairment loss on trade receivables	285,193	285,193
	P 1,657,415	P 1,249,848

Deferred Tax Liabilities	March 2011	December 2010
Change in fair value of trademark	P 233,624,235	P 233,624,235
Change in fair value of biological assets	32,545,193	17,814,108
	P 266,169,428	P 251,438,343

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:

	March 31 2011	March 31 2010	December 31 2010
Profit before tax	75,103,955	6,411,598	134,787,996
Provision for income tax			
Computed at statutory rate of 30%	18,957,995	1,923,479	40,436,399
Computed at 15%	1,786,596		
Interest income subject to final tax			(28,510)
Income subject to ITH	(645,250)		
Non-deductible items, net	16,307		828,642
	20,115,648	1,923,479	41,236,531

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

	March 31 2011		December 31 2010	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Cash on hand and in banks	**95,366,586**	**95,366,586**	**P 73,776,402**	**P 73,776,402**
Trade and other receivables (Note 7)	**221,841,579**	**221,841,579**	**294,329,640**	**294,329,640**
Note receivable (Note 17)	**58,000,000**	**58,000,000**	**58,000,000**	**58,000,000**
Advance to related parties (Note 16)	**63,952,444**	**63,952,444**	**41,756,983**	**41,756,983**
	439,160,609	**439,160,609**	**P467,863,025**	**P467,863,025**
Financial liabilities				
Trade and other payables (Note 13)	**71,696,388**	**71,696,388**	**P 53,698,096**	**P 53,698,096**
Interest loans and borrowings (Note 14)	**629,055,946**	**629,055,946**	**519,442,200**	**519,442,200**
Advances from related parties (Note 16)	**308,926**	**308,926**	**215,208**	**215,208**
	701,061,261	**701,061,261**	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