



AgriNurture, Inc.

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

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

Manila Office: (632) 551.0773 / (632) 551.0774 Fax (632) 621.6742

9 May 2013

PHILIPPINE STOCK EXCHANGE, INC.

3rd Floor, Philippine Stock Exchange Plaza

Ayala Triangle, Ayala Avenue

Makati City, Metro Manila

Attention : **MS. JANET A. ENCARNACION**
Head, Disclosure Department

MS. SHEENA H. PEDRIETA
Senior Specialist, Disclosure Department

Subject : **Amended Definitive Information Statement**
(SEC Form 20-IS)

Gentlemen:

Attached is a copy of the Amended Definitive Information Statement (SEC Form 20-IS) which the Securities and Exchange Commission (SEC) required AgriNurture, Inc. (the "Company") to file pursuant to the SEC's letter dated 3 May 2013 and received by the Company on 6 May 2013. In said letter, the SEC directed the Company to indicate additional details under Item 18 of SEC Form 20-IS.

We trust that you find the foregoing in order.

With our Best Regards,

JENNIFER T. ONG
Asst. Information Officer/
Asst. Corporate Secretary



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9 May 2013

CORPORATION FINANCE DEPARTMENT

Securities and Exchange Commission

SEC Building, EDSA, Greenhills

Mandaluyong City, Metro Manila

Attention : **ATTY. JUSTINA F. CALLANGAN**
Acting Director

Subject : **Amended Definitive Information Statement**
(SEC FORM 20-IS)

Gentlemen:

We refer to your letter dated 3 May 2013 directing the submission by AGRINURTURE, INC. (the "Corporation") of an amended Definitive Information Statement to fully comply with the requirements under Item 18 of SEC Form 20-IS.

In view of the above, we submit herewith the amended Definitive Information Statement indicating the required amendment under Item 18.

We trust that the foregoing is in order.

Very truly yours,

JENNIFER T. ONG
Assistant Corporate Secretary

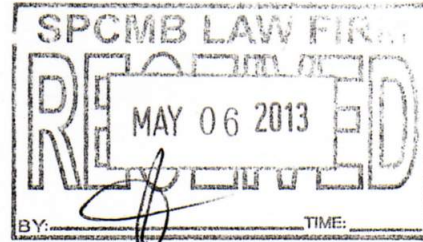


REPUBLIC OF THE PHILIPPINES
Department of Finance
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City 1554

Corporation Finance Department

May 3, 2013

ATTY. JENNIFER T. ONG
Assistant Corporate Secretary
AGRINURTURE, INC.
11TH Flr., Salcedo Tower
169 H. V. Dela Costa Street
Salcedo Village, Makati City



By Fax/Mail

Dear Atty. Ong:

This refers to the company's Definitive Information Statement (SEC Form 20-IS) based on the agenda: the Board of Directors will secure authorization from the stockholders to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transaction in the aggregate amount of P5 Billion.

Please comply with the requirements under Item 18 of the said form by providing details on the transactions covered by the P5 billion worth of loans and the purpose of such in the same degree of details as is required by Items 5 to 19

The company is directed to immediately file an amended definitive information statement.

Very truly yours,


JUSTINA F. CALLANGA
Acting Director



AgriNurture, Inc.

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

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

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS:

NOTICE is hereby given that the Annual Meeting of Stockholders of AgriNurture, Inc. (the "Company") will be held on 27 May 2013, Monday, at 2:00 in the afternoon at its principal office located at No. 54 National Road, Dampol II-A, Pulilan, Bulacan.

The agenda for the said meeting shall be as follows:

1. Call to Order;
2. Certification of Notice and Determination of Quorum;
3. Approval of the Minutes of the Annual Meeting of Stockholders held last 21 May 2012;
4. Annual Report and Financial Statements for the year ended 31 December 2012;
5. Amendments of the Articles of Incorporation for the following purposes:
 - a. Amendment of the secondary purpose to include entering into guaranty transactions in favor of other entities in which the Company has an interest
 - b. Amendment of the Articles of Incorporation to reduce the number of members of the Board of Directors to nine (9) with two independent directors from eleven (11) with three (3) independent directors
6. Amendment of the By-Laws for the following purposes:
 - a. Separating the positions of President and the Chief Executive Officer;
 - b. Creating an Executive Committee with such functions as may be delegated by the Board of Directors;
 - c. Reducing the number of members of the Board of Directors to nine (9) with two (2) independent directors and two (2) directors who shall be nominees of Black River Capital Food Fund Holdings (Singapore) Pte. Ltd. ("Black River") from eleven (11) members with three (3) independent directors and three (3) directors who shall be nominees of Black River;
7. Amendment of the Manual on Corporate Governance for the purpose of reducing the number of the Board of Directors to nine (9) with two (2) independent directors from eleven (11) with three (3) independent directors;
8. Authorization to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transactions in the aggregate amount of Five Billion Pesos (Php5,000,000,000.00), and renewals, extensions, re-availments, restructurings and amendments thereof with various banks, trust entities, quasi-banks, financial institutions, entities, corporations or individuals, as well as to enter into any other transactions or agreements in the implementation of the foregoing, under such terms and conditions as may be determined by the Board of Directors;
9. Election of Directors;
10. Consideration of such other business as may properly come before the meeting; and
11. Adjournment.

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

By resolution of the Board of Directors, the close of business on 8 May 2013 has been fixed as the record date for the determination of the stockholders entitled to notice of such meeting and any adjournment thereof, and to attend and vote thereat.

All stockholders who will not, are unable, or do not expect to attend the meeting in person are urged to fill in, date, sign and return the enclosed proxy to the Company, at its principal office at No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The proxy need not be a shareholder. A stockholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and must specify the proportion of votes each proxy is appointed to exercise. All proxies must be received on or before 20 May 2013. Proxies received after the said deadline will not be recorded. Corporate stockholders are requested to attach to the proxy instrument their respective Secretary's Certificates containing the Board Resolution vis-à-vis the authority of the proxy(ies). Validation of proxy(ies) shall be held on 21 May 2013 at 2:00 p.m. at the Company's principal office. **Management is not asking you for a proxy nor is it requesting you to send a proxy in its favor.**

For convenience in registering your attendance, please bring your Identification Card containing your picture and signature, and present the same at the registration desk. Registration shall start at 1:00 p.m.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Jennifer T. Ong', written in a cursive style.

JENNIFER T. ONG
Asst. Information Officer
Asst. Corporate Secretary

We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the proxy form herein and submit the same to the Office of the Corporate Secretary at No. 54 Dampol II-A, National Road, Pulilan, Bulacan, Philippines. All proxies should be received on or before 20 May 2013 at 2:00 p.m. at the Office of the Corporate Secretary. For partnerships, corporations and associations, the proxies should be accompanied by a Secretary's Certificate on the appointment or designations of the proxy/representative and authorized signatories.

P R O X Y

I/WE hereby name and appoint _____ or in his/her absence, the Chairman of the meeting as my/our proxy at the Annual Stockholders' Meeting of AgriNurture, Inc. to be held at No. 54 National Road, Dampol IIA, Pulilan, Bulacan, Philippines on Monday, 27 May 2013 at 2:00 o'clock in the afternoon and at any postponement or adjournment thereof.

Place/Date : _____

Name of Shareholder : _____

Signature : _____

Number of Shares : _____

Witness : _____

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Amended Definitive Information Statement
2. Name of Registrant as specified in its charter: **AGRINURTURE, INC.**
3. Province, country or other jurisdiction of incorporation or organization:
Metro Manila, Philippines
4. SEC Identification Number: **A199701848**
5. BIR Tax Identification Code: **200-302-092**
6. Address of principal office: **No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines** Postal Code: **3005**
7. Registrant's telephone number, including area code: **+63-2-551-0772 to 74**
8. Date, time and place of the meeting of security holders:
Date: **27 May 2013**
Time: **2:00 o'clock in the afternoon**
Place: **No. 54 Dampol II-A, National Road, Pulilan, Bulacan**
9. Approximate date on which the Information Statement is first to be sent or given to security holders:
29 April 2013
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock
Outstanding or Amount of Debt Outstanding |
|----------------------|---|
| Common Shares | 535,693,037 |
11. Are any or all of registrant's securities listed in a Stock Exchange?
Yes.

The registrant's securities are listed in the Philippine Stock Exchange (PSE).

The Company's 329,500,087 issued and outstanding common shares are listed on the Second Board of the PSE.

On 16 November 2012, the PSE approved the additional listing of 206,192,950 issued and outstanding common shares of the Company. As of 5 April 2013, the lodgement and actual listing of the said shares are not yet completed.

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

INFORMATION STATEMENT

GENERAL INFORMATION

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

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

Date: 27 May 2013

Time: 2:00 o'clock in the afternoon

Place: No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines

The complete mailing address of the principal office of ANI is No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines. The information statement is first to be sent or given to security holders approximately on 29 April 2013.

2. Dissenters' Right of Appraisal

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

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

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

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

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

CONTROL AND COMPENSATION INFORMATION

4. Voting Securities and Principal Shareholders Thereof

- (a) The Company's total outstanding shares entitled to vote consist of 535,693,037 common shares, with each share entitled to one (1) vote.
- (b) The record date for the determination of the stockholders entitled to vote at the meeting is fixed on 8 May 2013, at the close of business hours.
- (c) During the elections of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares standing in his own name in the Stock and Transfer Book of the Company at the time of the election. Pursuant to Section 24 of the Corporation Code, a stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. There are no stated conditions precedents to the exercise of cumulative rights.

The total number of votes that may be cast by a stockholder of a Company is computed as follows: *no. of shares held on record as of record date x 11 directors*. Candidates receiving the highest number of votes will be declared elected.

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

d.1 Security Ownership of Certain Record and Beneficial Owners

As of 31 March 2013, the following are the record owners and beneficial owners of more than five percent (5%) of the Company's total issued common shares of 535,693,037 based on the stock and transfer book of the Company:

Title Of Class	Name, Address Of Record Owner And Relationship With Issuer	Name Of Beneficial Owner And Relationship With Record Owner	Citizenship	No. Of Shares Held	Percentage
Common	PCD Nominee Corp. (Foreign) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City Stockholder	PCD Nominee Corp. is the record owner	Filipino	160,521,939	29.96%
Common	Earthright Holdings, Inc.¹ Unit 3C, Valuepoint Executive Building, 227 Salcedo St. Legazpi Village, Makati City Stockholder	Earthright Holdings, Inc. is the record owner	Filipino	150,969,000	28.18%
Common	PCD Nominee Corp. (Filipino) G/F Makati Stock Exchange	PCD Nominee Corp. is the record owner	Filipino	81,531,675	15.22%

¹ The shares held by Earthright Holdings, Inc. in the Company shall be voted or disposed by the person who shall be duly authorized by the record owner (Earthright) for the purpose. The natural person that has the power to vote on the shares of Earthright shall be determined upon the submission of its proxy to the Company, which, under the by-laws of the Company, must be submitted before the time set for the meeting.

	Bldg., 6767 Ayala Avenue, Makati City				
	Stockholder				
Common	ANTONIO L. TIU 24 Green Street, Capitol Hills Golf Subd., Old Balara, Quezon City	Antonio L. Tiu is the record owner	Filipino	70,090,719	13.08%
	Stockholder				
Common	PCD Nominee Corp. (Foreign)² G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	PCD Nominee Corp. is the record owner	Singaporean	140,744,814 ³	26.27%
	ARTICLE I Stockholder	ARTICLE II Standard Chartered Bank is the beneficial owner.			
		[for Black River Capital Partners Food Fund Holders (Singapore) Pte. Ltd.]			

d.2 Security Ownership of Management

As of 31 March 2013, the following are the security ownership of the directors and principal officers of the Company:

Title Of Class	Name Of Beneficial Owner; Relationship With Issuer	Amount And Nature Of Beneficial Ownership (Direct & Indirect)	Citizenship	Percentage
Common	Antonio L. Tiu Chairman, President & CEO	70,090,719 (Direct)	Filipino	13.08%
		150,969,000 ⁴ (Indirect)		28.06%
Common	Chung Ming Yang Director	2,400 (Direct)	Chinese ROC	Less than 0.01%
Common	James Sayre Director	1,200 (Direct)	American	Less than 0.01%
Common	Kenneth Duca Director	2,577,706 (Direct)	Filipino	0.48%
Common	Dennis Sia Director	338,300 (Direct)	Filipino	0.06%
Common	Tai Chuan Lin Director	10,798 (Direct)	Austrian	Less than 0.01%
Common	George Uy Director	1 (Direct)	Filipino	Less than 0.01%
Common	Senen Bacani	1,200	Filipino	Less than

² PCD Nominee Corporation is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCD Nominee Corporation are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in the Company are to be voted. The participants of PCD who own more than 5% of the Company's outstanding capital is/are as follows:

STANDARD CHARTERED BANK- Black River Capital Partners Food Fund Holders (Singapore) Pte. Ltd.
(Black River) - 26.27%.

The natural person that has the power to vote on the shares of Black River shall be determined upon the submission of its proxy to the Company, which, under the by-laws of the Company, must be submitted before the time set for the meeting.

³ Black River Capital Partners Food Fund Holders (Singapore) Pte. Ltd. has 9,838,500 certificated shares appearing under its name in the records of the stock transfer agent. Together with the 140,744,814 shares under PCD Nominee Corp., the total number of shares owned by said shareholder is 150,583,314 or 28.11% of the total outstanding equity.

⁴ Mr. Antonio L. Tiu indirectly holds 150,969,000 shares through Earthright, Holdings, Inc.

	Director	(Direct)		0.01%
Common	John Aloysius Bernas Director & Chief Operations Officer	72,001 (Direct)	Filipino	0.01%
Common	Leonor Briones Independent Director, Head of Nomination & Compensation Committee	1 (Direct)	Filipino	Less than 0.01%
Common	Alfonso Go Independent Director, Head of Audit Committee	1 (Direct)	Filipino	Less than 0.01%
Common	Martin C. Subido Corporate Secretary	342,201 (Indirect)	Filipino	0.06%
Common	Lenie T. Basilio Compliance Officer	0	Filipino	0%
Common	Jennifer T. Ong Asst. Corporate Secretary/Information Officer	0	Filipino	0%
Common	Kenneth Tan Treasurer/Chief Financial Officer	0	Filipino	0%

The total security ownership of the directors and principal officers of the Company as a group, as of 31 March 2013, is 73,436,528 common shares, equivalent to 13.71% of the outstanding capital stock of the Company.

As of 31 March 2013, a total of 185,505,335 common shares are foreign-owned shares.⁵

d.3 Voting Trust Holders of 5% or More

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

d.4 Changes in Control

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

5. Directors and Executive Officers

(a) Directors and Principal Officers of the Company

The following are the incumbent members of the Board of Directors who, with the exception of Mr. Dennis Sia, Mr. John Aloysius Bernas and Mr. Leonor Briones who are no longer seeking re-election, are also nominated herein:

The Directors of the Company as of 31 March 2013

Name	Age	Citizenship	Term of Office
Antonio L. Tiu	37	Filipino	2004 – present
Chung Ming Yang	39	Chinese ROC	1997 – present
Dennis Sia	37	Filipino	2006 – present
George Uy	63	Filipino	2008 – present
James Sayre	52	American	2012 – present
Tai Chuan Lin	36	Austrian	2012 – present
John Aloysius Bernas	52	Filipino	2012 – present
Mark Kenneth Duca	36	Filipino	2012 – present
Senen Bacani (Independent Director)	67	Filipino	2012 – present
Leonor Briones (Independent Director)	72	Filipino	2008 – present
Atty. Alfonso Go (Independent Director)	74	Filipino	2008 – present

ANTONIO L. TIU, 37, Filipino, Director, Chairman. Mr. Tiu is the President/CEO and Chairman of

⁵ Based on the Foreign Ownership Report of the Company as of 31 March 2013.

Earthright Holdings, Inc., Chairman of The Big Chill, Inc., and President/CEO of Beidahuang Philippines, Inc. and Greenery Holdings Incorporated. He was a part time lecturer in International Finance at DLSU Graduate School from 1999 to 2001 and currently board of adviser of DLSU School of Management. Mr. Tiu has a Master's degree in Commerce specializing in International Finance from University of New South Wales, Sydney Australia and BS Commerce major in Business Management from De La Salle University, Manila. He is currently a Doctorate student in Public Administration at the University of the Philippines. He was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009), Overseas Chinese Entrepreneur of the Year 2010 and Ten Outstanding Young Men of the Philippines 2011. He is an active member of Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries.

DENNIS S. SIA, 37, Filipino, Director. Mr. Sia previously served as Head for Export of M2000 IMEX in 2004 to 2005. He has a degree in BS Commerce Major in Business Management from De La Salle University, Manila. He has previously served as Sales Executive of Banco De Oro, JG Petrochem, and Kuysen Enterprises from 1997 up to 2003.

YANG, CHUNG MING, 38, Chinese R.O.C., Director. Mr. Yang is the General Manager of Grateful Strategic Marketing Consultants Co., Ltd, and Tong Shen Enterprises, which are both Taiwan based firms. He has a degree in B.S. Computer Science from Chiang Kai Shek College, Philippines and has a Master's degree in Business Administration from the National Chengchi University in Taiwan. He is currently taking the Executive MBA program at the Xiamen University.

GEORGE Y. UY, 63, Filipino, Director. Mr. Uy started his career with the United Laboratories and Squibb between 1969 and 1970. He co-founded the Optima Scientific Consultants, Inc. which is engaged in the design of pollution abatement systems. Mr. Uy was one of the first proponents in the Philippines of the polypropylene woven bag plant using equipment from Europe, and also first to set up a meat processing plant that uses equipment from Germany with a license to export to Japan from the Philippines granted by the Japanese Ministry of Agriculture. In 1988, he co-founded a company engaged in mass transport system, telecommunications, and indenter of steel products. Currently he is also engaged in the biofuel program in the Philippines. He obtained his Bachelor's degree in 1970 and Master's Degree in Chemistry in 1976 from the Ateneo de Manila University.

PROF. LEONOR MAGTOLIS BRIONES, 72, Filipino, Independent Director. Prof. Briones is a Director for Policy and Executive Development, National College of Public Administration and Governance, University of the Philippines System, Diliman. She is also a Professor and Faculty Member, Graduate Level in the same university. Prof. Briones was also the Treasurer of the Philippines, Bureau of Treasury from August 1998 to February 2001 and was concurrently the Presidential Adviser for Social Development, with Cabinet Rank, Office of the President.

ATTY. ALFONSO Y. GO, 74, Filipino, Independent Director. Atty. Go was born on May 5, 1938 in Manila, Philippines. He graduated from University of the East in 1964 with a degree in Bachelor of Laws. Currently, he is a member of the Integrated Bar of the Philippines, and Philippine Institute of Certified Public Accountants. He is a practicing lawyer, accountant, realty developer and former banker.

MARK KENNETH DUCA, 36, Filipino, Director. Mr. Duca serves as a Director of Agricultural Bank of the Philippines and Beidahaung (Phils.) Agro-Industrial Development Corporation. He served as a Director of Greenery Holdings Incorporated from 2011 to October 1, 2012. Mr. Duca is a graduate of Yok University with a degree in BS Commerce.

JAMES SAYRE, 52, American, Director. Mr. Sayre holds a Master of Business Administration from Harvard Business School and a Bachelor of Arts from the University of California at Davis. He is a Senior Managing Director at Black River Asset Management and focuses on private equity investments in the food sector. Prior to Black River, Mr. Sayre had been with Cargill since 1994, where he served as President and founder of Cargill Ventures, a proprietary fund with capital deployed across a 40-company portfolio. Mr. Sayre continues to manage a proprietary book of venture capital investments for Cargill. Prior thereto, Mr. Sayre was Director for global M&A at Cargill.

Mr. Sayre has also worked as a Senior Manager for Deloitte Consulting and held a position with the United States Department of Agriculture. Aside from AgriNurture, Inc., Mr. Sayre is a board member of Virent Energy Systems, Inc., MarkMonitor Holdings, Inc. and Intalio.

TAI CHUAN LIN, 36, Austrian, Director. Mr. Lin holds a Master's degree in Business & Finance from the Vienna University of Economics. He is also a CFA charter holder. Aside from AgriNurture Inc., Mr. Lin is a board member of AustAsia Investment Holdings Pte. Ltd., and Metallkraft A/S. He is a Director at Black River Asset Management and focuses on private equity investments across Asia. Prior to Black River, Mr. Lin worked at Credit Suisse First Boston, where he was a member of the M&A Group in New York and a member of the Natural Resources Investment Banking Group in London. During this time he was involved in various cross-border corporate finance advisory and capital market transactions. Prior thereto, Mr. Lin worked at HSBC Investment Bank in the Asian Natural Resources Group in Hong Kong and in the Global Natural Resources Group in London. During this time he focused mainly on M&A assignments.

JOHN ALOYSIUS BERNAS, 52, Filipino, Director. Mr. Bernas served as Associate in Global Fixed Income with Chemical Bank (now JP Morgan Chase) since 1987. He joined Bankers Trust Company (now Deutsche Bank) as Vice President. In 1997, Mr. Bernas moved on to Bear Stearns International (now JP Morgan Chase) as Senior Managing Director and General Partner. He served as an Independent Director of Philippine Stock Exchange Inc. Mr. Bernas graduated from the Honors Program in Economics at the Ateneo de Manila University. He earned his MBA from the Darden Graduate School of Business and MA in Asian Studies from the Corcoran School of History.

SENEN C. BACANI, 67, FILIPINO, Independent Director. Mr. Bacani was appointed secretary of agriculture in 1989 by former president corazon c. Aquino. He served as secretary of the department of agriculture from 1990 to 1992. He also served as vice president of agriculture & food-phil chamber of commerce & industry. Mr. Bacani received his bachelor of science in commerce from de la salle university in 1965, summa cum laude & class valedictorian and graduated from the university of hawaii with a master of business administration in 1968. Mr. Bacani is a certified public accountant and was granted an east-west center scholarship in 1966.

The Nominee/s for Election

TOMAS B. LOPEZ, 63, Independent Director, Filipino. Mr. Lopez is the President of the University of Makati (UMAK). He has been a member of the board of directors of PAG-IBIG since 2010 and of STI since 2001. He was the President and Chief Executive Officer of Club Noah Group of Companies from 1997-2007. From 1988-1992, he served as an Undersecretary of the Department of Agriculture. He is a professional lecturer in the Ateneo Graduate Schools of Business. Mr. Lopez obtained his Bachelor's Degree from the Ateneo De Manila University in 1970 and his Master's Degree from the Asian Institute of Management in 1983, where he graduated with distinction.

EDMUND ZHENG, 30, Singaporean, Director. Mr. Zheng joined Black River Asset Management in 2011 as an associate to focus on private equity investments in South East Asia. Prior to that, Mr. Zheng worked at RGE, one of the largest family-owned conglomerates in Indonesia. There he was part of the Strategic Planning & Corporate Finance team, which managed investment opportunities and developed corporate strategies for the group. During a period of time, Mr. Zheng was seconded to Falcon Capital Partners, a natural resource-focused private equity firm, where he was involved in the acquisition of plantations and bulk cargo vessels. Mr. Zheng joined RGE in its management associate program and was based in various parts of Indonesia for more than 18 months. Mr. Zheng holds a Bachelor of Business from Nanyang Technological University in Singapore, with a double major in Banking & Finance and Accounting. He speaks English, Chinese and Bahasa Indonesia.

ATTY. MARTIN C. SUBIDO, 37, Filipino, Director. Atty. Martin Subido is a Certified Public Accountant and a member of the Integrated Bar of the Philippines. He graduated with a B.S. Accountancy degree from De La Salle University and obtained his Juris Doctor degree, with honors, from the School of Law of Ateneo de Manila University. He was a Senior Associate of the Villaraza & Angangco Law Offices before becoming managing partner of The Law Firm of Subido Pagente Certeza Mendoza & Binay.

The Principal Officers of the Company as of 31 March 2013:

ANTONIO L. TIU, 37, Filipino, President/Chief Executive Officer

Mr. Tiu is the Chairman of Earthright Holdings Inc, The Big Chill Inc., Music Semiconductor Philippines Inc. and CEO of Beidahuang, Philippines Inc. and Greenergy Holdings Inc. He was a part time lecturer in International Finance at DLSU Graduate School from 1999 to 2001 and currently board of adviser of DLSU School of Management. Mr. Tiu has a Master's degree in Commerce specializing in International Finance from University of New South Wales, Sydney Australia and BS Commerce major in Business Management from De La Salle University, Manila. He is currently a Doctorate student in Public Administration at the University of the Philippines. He was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009), Overseas Chinese Entrepreneur of the Year 2010 and Ten Outstanding Young Men of the Philippines 2011. He is an active member of Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries.

KENNETH S. TAN, 40, Filipino, Treasurer/Chief Financial Officer

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

ATTY. MARTIN C. SUBIDO, 37, Filipino, Corporate Secretary.

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

ATTY. JENNIFER ONG, 30, Filipino, Asst. Corporate Secretary/ Information Officer. Atty. Ong graduated from the Ateneo de Manila University in 2003 with a degree in Legal Management, and obtained her Bachelor of Laws degree from the University of the Philippines College of Law in 2007. She placed second in the 2007 Bar Examinations. Atty. Ong was an Associate at Lim Ocampo Leynes Law Offices from 2007 to 2009 and an Associate at Esguerra and Blanco Law Offices from 2009 to 2011, where she gained extensive experience in the fields of corporate and tax practice. In 2011, Atty. Ong joined the Law Firm of Subido Pagente Certeza Mendoza & Binay as a Senior Associate for corporate accounts.

ATTY. LENIE BASILIO, 36, Filipino, Compliance Officer. Atty. Basilio obtained her Bachelor of Arts in Political Science from the University of the Philippines and her Bachelor of Laws from the San Beda College of Law. She is also the Corporate Secretary of Central Equity Rural Bank, Inc., Beidahuang (Phils.) Agro-Industrial Development Corporation and Fresh and Green Palawan Agriventures, Inc. Before joining Agrinurture, Inc., she worked as IR&Legal Manager of Scanasia Overseas, Inc. and as Associate Lawyer of De Borja Santos Torcuator & Santos Law Offices.

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

Since the Company's last annual meeting held on 21 May 2012, none of the directors elected therein by the stockholders has resigned or declined to stand for re-election to the board of directors because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices, and the required disclosures relevant to the existence thereof.

The nominees for election to the Board of Directors on 27 May 2013 are as follows:

1. Antonio L. Tiu
2. George Uy
3. Yang Chung Ming
4. Mark Kenneth Duca
5. James Sayre

6. Tai-Chuan Lin
7. Martin C. Subido
8. Edmund Zheng
9. Senen Bacani (Independent Director)
10. Tomas Lopez(Independent Director)
11. Alfonso Go (Independent Director)

All the nominees are Filipino citizens with the exception of Mr. Yang Chung Ming who is of Chinese ROC citizenship, James Sayre who is an American citizen, Tai Chuan Lin who is an Austrian citizen and Edmund Zheng who is a Singaporean citizen.

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

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

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

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

Nominee for Independent Director (a)	Person/Group Recommending Nomination (b)	Relation of (a) and (b)
Tomas Lopez	Antonio L. Tiu	None
Senen Bacani	Antonio L. Tiu	None
Alfonso Go	Antonio L. Tiu	None

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

a. Significant Employees

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

b. Family Relationships

There are no family relationships between and among the directors and officers of ANI. The directors owning nominal shares in the subsidiaries of ANI, on the other hand, have the following family relationships: (i) Antonio Tiu and James Tiu are siblings; (ii) Dennis Sia and Nanchi Lin Sia are husband and wife; (iii) Tammy Lin is the brother of Nanchi Lin Sia. Except for the foregoing, there are no other existing family relationships within the fourth civil degree either by consanguinity or affinity among the directors or executive officers

c. Involvement in Certain Legal Proceedings

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

While not material in nature, the Company instituted a criminal complaint for qualified theft against YsaBries entitled “***AgriNurture, Inc. vs. Ysa Bries***”, docketed as Criminal Case No. Q-10-166-345 pending before the Branch 100 of the Regional Trial Court, Quezon City. The complaint alleges that

Ms. Bries, who was a former employee of the Company, unlawfully took cellular phone units and SIM cards belonging to the Company without the latter's consent, resulting in losses to the Company in the approximate amount of only Php396,643.49. There is an outstanding warrant of arrest issued against the accused.

Further, the Company filed a Petition for Review under Section 11 of the Republic Act No. 1125 against the Commissioner of Internal Revenue in the case entitled "AgriNurture, Inc. vs. Commissioner of Internal Revenue" docketed as **C.T.A. Case No. 10-240 pending before the Court of Tax Appeals**. In said case, the Company is seeking to reverse the decision of the Commissioner of Internal Revenue (CIR) affirming the assessment issued against the Company in the amount of Two Million Forty Three Thousand Three Hundred Thirty Five and 5/100 Pesos (Php 2,043,335.05) for alleged deficiency taxes for taxable year 2007. On 27 January 2011, the Company received the Final Assessment Notice (the "*Assessment*") dated 30 December 2010 issued by the Bureau of Internal Revenues (BIR) demanding that it pay the alleged deficiency Income Tax and Value Added Tax (VAT) for the calendar year 2007 predicated solely on the alleged discrepancy in the Reconciliation of Listing of Enforcement (RELIEF) and Third-Party Matching of the Bureau of Customs (BOC) declared in the Company's tax return. On 18 February 2011, or within the reglementary period, the Company filed a letter dated 15 February 2011 with the CIR protesting the *Assessment* and requesting that the latter be cancelled for lack of merit both in fact and in law (the "*Protest*"). The Company noted that the *Assessment* is patently void for failing to state the facts, laws, rules and regulations, or jurisprudence on which it is based. Despite repeated requests by the Company, the details of the alleged discrepancy in the RELIEF and Third-Party Matching BOC were never supplied by the BIR. The Company further noted that even assuming arguendo that there was indeed a discrepancy, it pertains to a purported purchase transaction of the Company which would result in a lower Income Tax, *i.e.*, an expense item that can be claimed as an allowable deduction, and lower VAT payable, *i.e.*, an expense item from which VAT Input Tax may be claimed. After the lapse of one hundred eighty days (180) from its filing, or as of 17 August 2011, no action was taken by the CIR on the *Protest*. Thus, under Section 11 of Republic Act No. 1125 (as amended by Republic Act No. 9282), the Corporation had a period of thirty (30) days from 17 August 2011, or until 16 September 2011, within which to file the *Petition* with the Court of Tax Appeals.

In the hearings held on 30 January 2012 and 15 February 2012, the Company presented its two (2) witnesses, Ms. Ma. Lizette B. Navea and Mr. Rafaelito M. Soliza.

On 13 March 2012, the Company filed its "Formal Offer Of Evidence". On 12 December 2012, the Company filed a "Supplemental Formal Offer of Evidence". The ten (10) day period given by the Court having lapsed without the respondent filing a comment to the "Supplemental Formal Offer of Evidence", the case is now deemed submitted for resolution.

Lastly, on 22 February 2012, the Company filed a civil case for sum of money against Robson AgroVentures Corporation ("Robson"). Said civil case is entitled "AgriNurture, Inc. vs. Robson AgroVentures Corporation" docketed as Civil Case No.114-M-2012 pending before the Regional Trial Court of Bulacan, Branch 9. In said case, the Company prayed that the court order Robson to pay the amount of \$28,105.00 or Php 1,219,223.00 plus 12% interest per annum as actual damages, and the amount of \$10,000.00 or Php 433,810.00 for unrealized profits. The case stemmed from a Purchase Agreement dated 21 March 2011 between the Company and Robson wherein Robson promised to deliver and supply fresh and premium quality Cavendish Bananas to the Company upon its order within four (4) days from receipt of the payment. On 2 April 2011, the Company ordered from Robson 7,700 boxes of Cavendish Banana amounting to \$56,210.00. On 6 April 2011, the Company paid Robson the amount of \$28,105.00 representing 50% of the total purchase price and bank and wire charges. However, on 8 April 2011, despite having received the advance payment of the 50% of the purchase price, Robson failed to deliver the goods. The Company made repeated verbal and written demands upon Robson for the latter to return the advance payment in the amount of \$28,105.00, but Robson failed to do so. Hence, the Company was constrained to file a civil case for sum of money against Robson to protect its interest.

On 28 February 2012, the Court issued the Summons, which was however returned unserved on the ground that the defendant "had been close for almost 2 years". The case is presently archived pursuant to the Order of the Court dated 28 December 2012, to be reinstated whenever the same is ready for trial or further proceedings.

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

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;
- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

d. Certain Relationships and Related Transactions

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

See Note 6 (Related Party Transactions) of the Notes to the 2012 Audited Financial Statements.

6. Compensation of Directors and Executive Officers

The following summarizes the executive compensation received by the CEO and the top four (4) most highly compensated officers of the Company for 2011, 2012 and 2013 (estimated). It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

	Year	Salaries (Amounts in '000)	Bonuses (Amounts in '000)	<u>Other Income</u> (Amounts in '000)
CEO and the four (4) most highly compensated officers ⁶	2011	Php5,171	Php430	NONE
	2012	Php10,044	Php837	NONE
	2013 (estimated)	Php9,086	Php 57	NONE
Aggregate compensation paid to all other officers and directors as a group unnamed	2011	Php2,307	Php227	NONE
	2012	Php19,382	Php1,615	NONE
	2013 (estimated)	Php8,350	Php584	NONE

Since the date of their election, the directors have been receiving Php5,000.00 per meeting. Aside from the foregoing, the directors have served without compensation. The directors did not also receive any amount or form of compensation for committee participation or special assignments. Under Section 8, Article III of the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable *per diem* allowance for their attendance at each meeting of the Board. Also provided therein is the compensation of directors, which shall not be more than 10% of the net income before income tax of the Company during the preceding year, which shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the

⁶ The CEO of Agrinurture, Inc. is Mr. Antonio L. Tiu. The top four (4) most highly compensated officers are Dennis Sia, Kenneth Tan, Jens Sorensen and Adrienne Martinez.

approval of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting. As of this date, no standard or other arrangements have been made in respect of director's compensation.

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

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

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

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

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

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

7. Independent Public Accountants

The Company, upon approval of the Board of Directors and the stockholders obtained during the last Annual Stockholders' Meeting held on 21 May 2012, appointed BDO Alba Romeo & Co. as its external auditor with Mr. Antonio V. Cruz named as principal accountant. The external auditor examined, verified and reported on the earnings and expenses of the Company.

Apart from the audit and audit-related fees in the amounts of P 2,324,100 for 2010, P 2,236,852 for 2011 and P 2,464,000 in 2012, no other services were rendered or fees billed by the Company's auditors as of the said years.

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

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

BDO Alba Romeo & Co. has served the Company as its independent accountant/external auditor since 2006. In compliance with SRC Rule 68, paragraph 3(b)(iv), the principal accountant and team handling the Company is changed every five (5) years or more often.

To assure that the Company's financial statements are properly and cost effectively audited by qualified accountants who are independent and to assist the Board of Directors in fulfilling its

oversight responsibility with respect to the maintenance of an effective internal audit function, the Company has an Audit Committee headed by Leonor Briones as Chairman with Antonio L. Tiu and Tai-Chuan Lin as members.

8. Compensation Plans

There are no matters or actions to be taken up in relation to compensation plans.

ISSUANCE AND EXCHANGE OF SECURITIES
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9. Authorization or Issuance of Securities Other than for Exchange

There are no matters or actions to be taken up for the authorization or issuance of securities.

10. Modification or Exchange of Securities

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

11. Financial and Other information

a. Audited Financial Statements

A copy of the Company's Audited Financial Statements for the year ended 31 December 2012 is attached hereto as **Annex "A"**.

MANAGEMENT REPORT

a. History and Overview

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

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

b. Investment by Black River Capital Food partners Food Fund Holdings (Singapore), Pte. Ltd.

As previously mentioned, on 29 December 2011, the Company entered into an Investment Agreement with, among others, Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd. ("Black River"). Black River is a limited private company organized and existing under the laws of Singapore, with registered office address at 300 Beach Road #23-01 The Concourse, Singapore 199555. It is a subsidiary of Black River Capital Partners Fund (Food), LP, which is managed by Black River Asset Management LLC ("BRAM") BRAM is a global alternative asset management firm providing hedge fund and private equity solutions to institutional investors. Formed in 2003, BRAM is an independently managed subsidiary of Cargill, Inc., one of the world's largest providers of food, agriculture and industrial products and services.

Under the Investment Agreement, Black River shall acquire an aggregate of 125,486,095 Common Shares (each an "Investment Share" and collectively, the "Investment Shares") in the Company for an aggregate amount of US\$30,450,000 (the "Investment Price"). The Investment Shares consist of (i) 76,293,595 Common Shares (the "Sale Shares") which shall be purchased by Black River from Messrs. Chung Ming Yang, Jaime Tiu, Yuan Kho Jung, Ken Lai Tiu, Ken Swan Tiu, Ken Him Tiu and Ken Kwen Tiu (the "Selling Stockholders") on 20 January 2012 (the "Share Purchase"), and (ii) 49,792,500 Common Shares (the "Subscription Shares") which shall be subscribed by Black River out of the increase in the Company's Authorized Capital Stock from P300,000,000.00 to P1,000,000,000.00 (the "Increase") to be undertaken by the Company (the "Investor Subscription"). The Sale Shares shall be equivalent to 28.11% of the outstanding capital stock of the Company upon the approval of the Increase by the Securities and Exchange Commission (SEC).

As provided in the Investment Agreement, the closing of the Share Sale and the Investor Subscription (the "Closing") shall take place on January 20, 2012 or such other date as may otherwise be agreed upon between the Company and the Investor (the "Closing Date").

Under the Investment Agreement, the Sale Shares shall be sold by way of a regular or special block sale through the PSE (whichever is appropriate at the time of Closing). The purchase price for the Sale Shares shall be US\$21,890,505 (the "Purchase Price"), which shall be payable to each Selling Stockholder. The Purchase Price shall be paid in United States Dollars to the account of the Company, the latter acting as the Attorney-in-Fact of the Selling Stockholders to receive the Purchase Price. Further, the Company and Earthright Holdings, Inc. ("Earthright"), a domestic holding company, shall execute a subscription agreement to subscribe for 125,807,500 shares out of the Increase for the aggregate subscription price of US\$21,890,505. The Selling Stockholders shall issue instructions to the Company to apply the Purchase Price received by the Company on behalf of the Selling Stockholders as full payment of Earthright's subscription. The Company and Black River shall also execute a subscription agreement to subscribe for the Subscription Shares for the aggregate subscription price of US\$8,559,495 (the "Subscription Price").

The 125,486,095 common shares acquired by Black River shall be subject to voluntary lock-up for a period of eighteen (18) months, while the 125,807,500 common shares acquired by Earthright shall be subject to voluntary lock-up as follows:

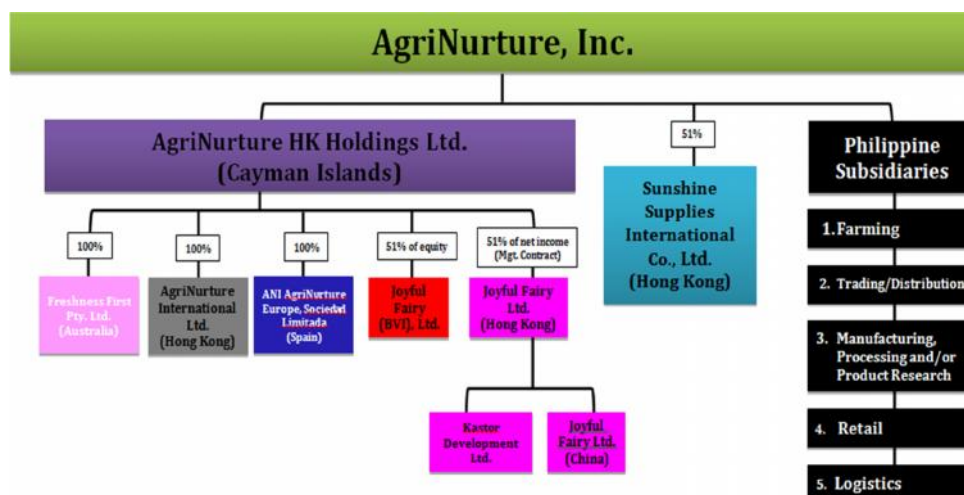
- i. 100% of the shares for a period of three (3) years following Closing date (the "First Moratorium Period");
- ii. 67% of the shares for a period of one (1) year after the First Moratorium Period (the "Second Moratorium Period"); and
- iii. 34% of the shares for a period of one (1) year after the Second Moratorium Period.

On 19 January 2012, the Sale Shares were sold out by way of a regular block sale through PSE.

The investment contemplated under the Investment Agreement resulted in the infusion of fresh capital in the aggregate amount of US\$30,450,000 into the Company which is necessary in order to fund its local and global expansion.

c. Foreign Subsidiaries

In line with the plan for the global reorganization of the ANI Group of companies for more streamlined and efficient operations, a number of foreign subsidiaries have been established. Together with the foreign subsidiaries that have been established as of 31 March 2013, the current global structure is as follows:



d. Nature and Scope of the Business of ANI and its Philippine Subsidiaries

ANI's operations are divided into five (5) groups to ensure the best value, variety and convenience in growing fruits and vegetables, manufacturing food products, and distributing fresh and processed food products, thereby completing the entire "farm-to-plate" cycle. The groups are as follows:

- a) Farming
- b) Manufacturing, Processing and/or Product Research
- c) Trading/Distribution
- d) Retail
- e) Others

a) Farming Group - The Farming Group is engaged in rice, fruit, and vegetable production, joint-venture farming and contract growing. Agricultural goods produced by the Farming Group are supplied to the Distribution and Manufacturing Groups.

Aside from fruit and vegetable production, the Farming group is also engaged in the distribution of farm inputs such as seeds, fertilizers, pesticides, greenhouse technology, and farm machineries and equipment.

The activities of the Farming Group are undertaken by its four (4) divisions, namely: Vegetables, Fruits, Grains, and Inputs/Equipment Trading.

Under its Vegetable Division, the Farming Group manages farms divided into two groups, the lowland and highland vegetables groups. The division has company-managed farms located in Dau, Pampanga; Capas, Tarlac; Trece Martirez, Cavite; and Indang, Cavite. The division is also involved in contract growing projects in Floridablanca, Pampanga and Indang, Cavite.

On the other hand, the Fruits Division is involved in the production of mango and banana for export and local market. For mango, supply comes from contract growing projects in Luzon and Mindanao. For banana, the company is acquiring its own banana plantation to ensure the supply for expanding export market.

The Grains Division handles rice and corn production. Operations are concentrated in the provinces of Pampanga and Nueva Ecija. Contract growing projects are continuously implemented with partner farmers to secure supply during the season. To maximize the grain operations, the Farming Group also maintains a warehouse located in Arayat, Pampanga.

Lastly, the Inputs/Equipment Trading Division is involved in the sale, distribution, delivery, and fabrication of different farm inputs and equipment.

The Farming Group plans to expand its operations by engaging in a large scale operation of banana and pineapple plantations.

b) Manufacturing - The Manufacturing Group currently operates two factory sites, one in Pulilan, Bulacan and another in Cagayan de Oro (CDO).

The factory in Pulilan is primarily utilized in manufacturing coconut juice in cans for local and export markets. The plant is also engaged in the Blast Freezing of vegetables and fruits for the same markets. Further, the research and development facility in Pulilan is currently developing isotonic drinks, Ready-To-Drink coffee in cans, juices and nectar in cans as well as vegetable cream soups.

On the other hand, the facility in CDO is primarily utilized in manufacturing purees from tropical fruits, fruit salad and buko salad preparations, and frozen fruits. The CDO plant caters to local and export markets.

The group is currently undertaking various projects such as the establishment of an aseptic Tetra Pak processing and filling facility for toll manufacturing of coconut water for domestic and international brands. The facility will also cater to ANI's own brands and markets.

Moreover, the Manufacturing and Processing Group will be responsible for operating the new commissary which will cater to the ANI Group's chain of food and beverage outlets such as Big Chill, Tully's Coffee, Cafe Verde and others. It will also offer commissary services to external clients.

The Manufacturing and Processing Group is currently working on identifying a number of possible acquisitions of brands as well as manufacturing facilities to enhance its ability to strengthen the ANI Group's position in the agriculture business, both locally and internationally.

c) Distribution/Trading Group - The Distribution / Trading Group is composed of several companies with First Class Agriculture Corporation (FCA) at the forefront. FCA and its subsidiaries, Fresh and Green Harvest Agricultural Company, Inc. (FG) and Lucky Fruit and Vegetable Products, Inc. (LF), are the main distribution arm of ANI's agricultural products under the "Fresh Choice Always" brand and its logistics arm Qualis Logistics and Transport Services, Inc.

FCA and its subsidiaries are presently one of the largest wholesalers of fresh vegetables to leading supermarkets in the Philippines. In the Luzon area alone, FCA, FG and LF cater to more than a hundred supermarkets. In addition, FCA and its subsidiaries supply fresh vegetables to in-house brands of various supermarkets.

As for international distribution, this activity is being undertaken by Hansung Agro Products Products Corp., and Sunshine Supplies International Co., Ltd. These companies sell and distribute agricultural and other commodities in Hong Kong, Macau, China, Japan, Korea, and Europe.

In the local front since fruits and vegetables are sourced on a nationwide scale from three types of suppliers: ANI subsidiaries engaged in farming/farm management, farmers with supply contracts, and buying station, the Distribution Group through ANI, established its own logistics arm, specifically, Qualis Logistics and Transport Services, Inc. Through its logistics arm, the Distribution Group is able to deliver farm-fresh produce to its customers. Qualis transports goods from source to the warehouse facilities for packing. The trucks then deliver these goods to the various supermarket outlets and wet markets where they are put on shelf and ready for consumption of the end users. For highly perishable goods, refrigerated trucks are used to transport the goods to the supermarkets.

Meanwhile, the Distribution Group intends to boost revenues not only by opening new supermarket and institutional accounts but also through new and innovative distribution methods such as direct selling approach to address consumers' need for fresh produce amidst problems on lack of proper storage in homes.

In addition to the above plan of expanding the Distribution Group distribution reach locally, FCA also intends to take its business at a global level. The Distribution Group aims to enter the Australian, European and US markets.

Finally, the Distribution Group will undertake aggressive expansion of its product portfolio. It intends to launch new products such as processed foods, grains, and condiments. To complement said expansion, the Distribution Group will use modern technology to increase the shelf life of their products, such as building a cold storage facility and purchasing more refrigerated trucks.

d) Retail Group - On 8 August 2011, the SEC approved the amendment of the Articles of Incorporation of the Company to, among others, include the business of retail in the primary purpose. In line with this, ANI established its Retail Group in August of 2011. The establishment of the Retail Group completes its strategy of integrating Retail and Franchise into its portfolio of services in line with its vision of becoming a global leader in providing nutrition from farm to plate.

The Farming Group, Manufacturing/Processing/Product Research Group, Distribution/Trading Group, Retail Group and Logistics Group are hereinafter referred to collectively as the “ANI Group”.

Farming Group

The Company's direct and indirect subsidiaries under the Farming/Farm Management Group are as follows:

- a. Best Choice Harvest Agricultural Corporation;
- b. Beidahuang (Phils.) Agro Industrial Development Corporation;
- c. Fresh & Green Palawan Agriventures, Inc.; and
- d. Ocean Biochemistry Technology Research, Inc.

a. Best Choice Harvest Agricultural Corporation

The ANI Group's farming activities are mainly handled through Best Choice Harvest Agricultural Corporation (BCH), a wholly owned subsidiary of the Company, which is engaged in the management and development of the Company's farms in various provinces throughout Central Luzon and Mindanao. Current expansion and development of the farms are being undertaken by BCH with the objective of eventually making the farms the primary source of supply for the ANI Group.

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

BCH is also engaged in the introduction, field-testing and commercialization of new, imported crop varieties that are high yielding as well as livestock integration and bio-fuel feedstock development. It operates a 35-hectare demo farm located in Dau, Pampanga which is in the heart of Luzon. It showcases the different crops that can be grown in the region. In the same compound, in collaboration with the China-Guangdong government, a center was setup to educate farmers on new techniques and to introduce advanced ways of farming. The said facility has become a one-stop shop for the farmers.

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

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

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

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

BCH is a Board of Investments registered enterprise as "New Producer of Agricultural Products" (crops and fresh vegetables) on a non-pioneer status.

b. *Beidahuang (Phils.) Agro Industrial Development Corporation (Beidahuang)*

Beidahuang was incorporated on April 20, 2010. It is engaged in agricultural research and development, corporate farming, distribution and wholesale of foods and foodstuffs, and operation of mills.

On 20 September 2011, BCH acquired 30% of the outstanding capital stock of Beidahuang.⁷

Heilongjiang Beidahuang Seed Group. Co. Ltd., the biggest seed science & technology enterprise in Heilongjiang Province, PROC, holds 40% equity interest in Beidahuang.

Beidahuang aims to produce high-yield rice seeds and distribute these to local farmers to help them raise farm productivity and profitability.

To date, Beidahuang has propagated Mestizo 30 on 2,000 hectares of partner-farms with an investment of about P100 million.

c. *Fresh and Green Palawan Agriventures, Inc.(FG Palawan)*

FG Palawan was incorporated on September 9, 2008. 51% of the outstanding capital stock of FG Palawan is owned by BCH. It is primarily engaged in corporate farming.

d. *Ocean Biochemistry Research Technology, Inc.(Ocean Biotech)*

Ocean Biotech was incorporated on March 23, 2009. It is primarily engaged in the manufacturing and growing of agricultural products.

Fifty-one percent (51%) of the outstanding capital stock of Ocean Biochemistry Research Technology, Inc. is owned by M2000.

Distribution/Trading Group

The Company has the following direct and indirect subsidiaries under its Distribution/Trading Group:

- a. First Class Agriculture Corporation
- b. Fresh and Green Harvest Agricultural Corporation
- c. Lucky Fruit and Vegetable Products, Inc.
- d. Wantaixing Trading Group
- e. Sunshine Supplies Co., Limited

⁷ The Deed of Assignment for the transfer of 30% of the outstanding capital of Beidahuang to BCH is dated 20 September 2011.

a. First Class Agriculture Corporation

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

FCA is currently preparing to launch the ANI Group’s condiments line. As the Company plans to import processed tomato products and its manufacturing subsidiary, M2000 Imex Co., Inc., intends to produce new product lines, such as soy sauce and vinegar, the Distribution Group will have additional products to offer to the market.

b. Fresh and Green Harvest Agricultural Corporation

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

c. Lucky Fruit and Vegetable Products, Inc.

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

d. Wantaixing Trading Corp. (Wantaixing)

Wantaixing was organized in China and is engaged in the business of trading commodities, such as, plastic, feeds, grains and Cavendish Banana in the Greater China Region.

e. Sunshine Supplies Co., Limited (Sunshine)

Sunshine was organized in Hong Kong. It is engaged in the business of trading fruits and vegetables in Hong Kong, Macau, China, and Europe.

Manufacturing/Processing Group

The Manufacturing/Processing Group consists of the following direct and indirect subsidiaries of the Company:

- a. M2000 Imex Co., Inc.
- b. Fruitilicious, Inc.

a. M2000 Imex Co., Inc.

M2000 Imex Co., Inc. (“M2000”) is a wholly-owned subsidiary of the Company and is engaged in the manufacturing and processing of its own brand of canned fruit products such as coconut juice. M2000 likewise provides toll-packing services to several local companies and is operating a blast freezing unit to serve the overseas demand for frozen fruits, root crops and leafy vegetables. M2000’s products are principally produced for export, with its largest markets being North America (30%), the Middle East (30%), Asia (25%), Europe (10%) and local 5%.

M2000’s canning facility has a production capacity of 12,000 cans per hour. It sources aluminum cans from San Miguel Packaging while tin cans are imported from Taiwan.

The current manufacturing arm also act as the R&D unit for the fresh Distribution Group in terms of identifying shelf life extension techniques and value added processes for ready to cook and ready to

eat items. All the excess inventory or off-standard perishables are being utilized as raw material for ready to eat healthy budget meals.

M2000 is a Board of Investment registered enterprise as New Export Producer of Frozen Fruits, Root Crops and Leafy Vegetables on a non-pioneer status with four (4) years income tax holiday starting on September 20, 2010.

In November 2012, M2000 entered into a Shareholders' Agreement and Subscription Agreement with Tolman Manufacturing, Inc. (TMI) for the management and operation of a Tetra Packing line for, among others, coconut water to be located in Carmelray, Laguna.

Under the Shareholders' Agreement and Subscription Agreement, M2000 IMEX shall acquire an aggregate of Sixteen Million Four Hundred Thousand (16,400,000) primary common shares in TMI which shall be subscribed by the Company out of the increase of the authorized capital stock of TMI for an aggregate amount of Two Hundred Ten Million Pesos (P210,000,000.00) in cash and/or non-cash assets. Upon the approval of the increase of the authorized capital stock of TMI, M2000 shall own 51% of the total outstanding equity in TMI.

b. *Fruitilicious, Inc.*

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

Retail Group

The direct and indirect subsidiaries of the Company under the Retail Group are as follows:

- a. The Big Chill, Inc.
- b. Heppy Corp.

a. *The Big Chill, Inc.*

51% of the outstanding capital stock of The Big Chill, Inc. (TBC) is owned by the Company. TBC is engaged in the business of selling, on retail, beverages and other food products under the following brands: "Big Chill", "Fresh Bar", "C'Verde" and "A.N.T.S. Canefusion". At present, TBC has over sixty (60) retail branches nationwide. The acquisition of TBC, completes the innovative "farm-to-plate" business model of the Company that would allow and enhance the synergy of all of the Company's fruit and vegetable businesses. Through TBC, which has almost 2 decades of operating experience, the Company now has the retail-side of its business model that would allow the Company to fully maximize the use of its agricultural products. Further, with the acquisition of TBC, the Company can now aggressively pursue retail business outside of the Philippines under the Big Chill brands, initially using the Company's existing investment platforms and distribution networks in China, Australia and the United States of America (USA).

b. *Heppy Corp. (Heppy)*

Heppy was incorporated on November 24, 2008. It is primarily engaged in buying, selling, distributing, and marketing fruit drinks.

Although organized in 2008, Heppy became a wholly-owned subsidiary of TBC on 1 September 2011.⁸

⁸ The pertinent Deeds of Assignment for the transfer of 100% of the outstanding capital of Heppy to TBC is dated 1 September 2011. The pertinent BIR Certificates Authorizing Registration pertaining to said transfers were issued on 28 September 2011, 29 September 2011, 26 September 2011, 26 October 2011 and 12 January 2012, respectively.

Others

- a. Farmville Farming Co., Inc.
- b. Hansung Agro Products Corp.
- c. Qualis Logistics and Transport Services, Inc.

a. Farmville Farming Co., Inc (Farmville)

Farmville was incorporated on June 2, 2010. It is primarily engaged in trading and farming of fruits and vegetables.

During the last quarter of 2010 ANI acquired ownership interest in the company. Currently, ANI owns 51% of the outstanding capital stock of Farmville.

b. Hansung Agro Products Corp. (Hansung)

Hansung was incorporated on February 21, 2007 and became a wholly-owned subsidiary of ANI in 2011. It is primarily engaged in trading, wholesaling, importing and exporting goods including agricultural products. Hansung exports mangoes to Japan and Korea

c. Qualis Logistics and Transport Services, Inc. (Qualis)

Qualis was incorporated on February 1, 2010. It is primarily engaged in land transportation for the transportation and carriage of passengers, goods and merchandise within any place in the Philippines.

During the last quarter of 2010, ANI acquired ownership interest in the company. Currently, ANI owns 51% of the outstanding capital stock of Qualis.

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

Overview

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

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

In 2011, the Company executed an Investment Agreement with Black River and Earthright Holdings, Inc. As discussed above, the investment contemplated under the Investment Agreement resulted in the infusion of fresh capital in the aggregate amount of US\$30,450,000 into the Company which is necessary in order to fund its local and global expansion.

Thus, ANI's financial condition and results of operations as reported in the audited financial statements for 2008, 2009 and 2010 should be taken into context with the Company's aggressive forward and backward integration that started in 2007. (See Annex A: Audited Financial Statements as of 31 December 2012)

Summary Financial Information

Financial Statement Accounts (in Php '000 except per share figures)	AUDITED			
	As of 31 Dec. 2009	As of 31 Dec. 2010	As of 31 Dec. 2011	As of 31 Dec. 2012
Net Sales	1,017,682	1,585,012	2,253,760	2,329,947
Gross Profit	151,716	270,707	519,031	385,222
Operating Income	56,672	151,381	320,613	<u>28,851</u>
Net Income after Income Tax	35,690	638,722	217,463	<u>(171,693)</u>
Balance Sheet Accounts				
Total Current Assets	604,396	1,091,261	1,744,170	<u>2,514,667</u>
Total Assets	769,925	2,424,244	3,761,037	<u>4,893,062</u>
Total Current Liabilities	222,870	586,662	909,397	986,717
Total Liabilities	223,603	839,051	1,445,346	1,404,620
Total Stockholder's Equity	546,322	1,585,193	2,315,691	<u>3,488,442</u>
Total Liabilities and Stockholders' Equity	769,925	2,424,244	3,761,037	<u>4,893,062</u>

FACTORS AFFECTING RESULTS OF OPERATIONS

Demand and Pricing

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

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

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

Changes in Consumer Tastes and Preferences

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

Advertising and Promotions

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

Competition

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

Taxes and Regulatory Environment

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

DESCRIPTION OF REVENUE AND COST ITEMS

Net Sales

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

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

Table 1: Net Sales

	2009	2010	2011	2012
	(in '000)			
	P	P	P	P
Philippines	793,769	1,184,738	1,548,590	1,773,162
Exports	223,913	400,274	705,170	556,785
Total	1,017,682	1,585,012	2,253,760	2,329,947

Cost of Sales

Cost of sales consists of:

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

In 2010, 2011 and 2012, the Company's cost of sales was ₱ 1.3 billion, ₱ 1.7 billion and ₱ 1.9 billion, respectively.

Operating Expenses

The Company's operating expenses consist of selling expenses and administrative expenses. In, 2010, 2011 and 2012 the Company's operating expenses were, ₱179 million, ₱ 371 million and ₱ 397 million, respectively.

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

- delivery expenses
- salaries, wages and other employee benefits
- advertising and promotions expenses
- professional fees
- repairs and maintenance expenses
- taxes and licenses
- transportation and travel expenses
- depreciation and amortization
- other operating and administrative expenses.

CRITICAL ACCOUNTING POLICIES

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

RESULTS OF OPERATIONS

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

The following comparison of the Company's results of operations is based on the Company's audited financial statements in 2011 and 2012

	For the Year-Ended December 31 (in Php '000)	
	2011	2012
Net Sales	2,253,760	2,329,947
Cost of Sales	1,734,729	1,944,725
Gross Profit and Gross Margin	519,031	385,222
Operating Expenses	198,418	356,371
Income from Operating Activities	320,613	28,851
Other Income (Charges)	47,947	(219,267)
Provision for Income Tax	55,203	(45,405)
Profit or Loss for the Year	217,463	(145,011)
Other Comprehensive Income Loss	1,362	(26,682)
Total Comprehensive Income	217,463	(171,693)

Net Sales

Net sales increased by 3.38%% from P2.25 billion in 2011 to P2.33 billion in 2012 as a result of increase in domestic sales outlets, additional clients and export expansion.

Cost of Sales

Cost of sales increased by 12.11% from P1.73 billion in 2011 to P1.94 in 2012. The cost of sales for 2012 however, is 6.5% higher than the cost of sales for 2011 in relation to the net sales.

Gross Profit and Gross Margin

As a result of the factors discussed above, gross profit decreased by 25.78% from P519.03 million in 2011 to P385.222 in 2012. The gross margin represented 17% of the net sales as compared to 23% in 2011.

Operating Expenses

Operating expenses increased by 5% from P369 million in 2011 to P387 million in 2012 due to increased volume of production and sales.

Income from Operating Activities

Income from operating activities decreased by 92% from P342.11 million in 2011 to P28.85 million in 2012.

Other Income

Other income came mostly from gain on fair value of biological assets.

Provision for Income Tax

Provision for income tax decreased by 182.25% from P55.20 million in 2011 to a benefit of income tax of P45.40 million in 2012, as a result of the decrease in operating income.

Profit for the year

Profit for the year decreased by 167% from P216.10 million in 2011 to a loss of P145.01 million in 2012.

Other comprehensive income

Other comprehensive income decreased by 2,059% from 1.36 million in 2011 to a loss of 26.68 million in 2012. This is due to a loss in change of fair value of trademark and net change difference from translation of foreign operations to presentation currency.

Year Ended December 31, 2011 compared to the Year Ended December 31, 2010

The following comparison of the Company's results of operations is based on the Company's audited financial statements in 2010 and 2011:

	For the Year-Ended December 31 (in Php '000)	
	2010	2011
Net Sales	1,585,012	2,253,760
Cost of Sales	1,314,304	1,734,729

Gross Profit and Gross Margin	270,708	519,031
Operating Expenses	176,493	198,418
Income from Operating Activities	94,215	320,613
Other Income (Charges)	585,744	47,947
Provision for Income Tax	41,237	55,203
Net Income	638,722	217,463

Net Sales

Net sales increased by 42.19% from P 1.59 billion in 2010 to P 2.25 billion in 2011 as a result of increase in domestic sales outlets, additional clients and export expansion.

Cost of Sales

Cost of sales increased by 31.99% from P 1.31 billion in 2010 to P 1.73 billion in 2011. The cost of sales for 2011 however, is 6% higher than the cost of sales for 2010 in relation to the net sales.

Gross Profit and Gross Margin

As a result of the factors discussed above, gross profit increased by 91.73% from P 270.71 million in 2010 to P 519.03 million in 2011. The gross margin represented 24% of the net sales as compared to 17% in 2010.

Operating Expenses

Operating expenses increased by 48.19% from P 176.5 million in 2010 to P 198.42 million in 2011 due to increased volume of production and sales.

Income from Operating Activities

Income from operating activities increased by 126% from P 151.38 million in 2010 to P 342.12 million in 2011. Operating margin also increased from 10% in 2010 to 15% in 2011.

Provision for Income Tax

Provision for income tax increased by 33.87% from P 41.2 million in 2010 to P 55.2 million in 2011, as a result of the increase in operating income.

Other Income

In January 2011, the ANI Group engaged CB Richard Ellis Phils., Inc. (CBREPI) to carry out a brand valuation of FCA as of December 31, 2010 in compliance with the SEC requirements. On the report by CBREPI dated 11 March 2011, the value of said trademark amounted to P 779,000,000.00 as of December 31, 2010. This has resulted in the increase in the value of the trademark amounting to P778,815,461.00 and a corresponding increase in revaluation surplus (non-recurring gain) and deferred tax liability amounting to P 545,170,823.00 in 2010.

Net Income

Net income though decreased by 65.95% from Php 638.72 million in 2010 to Php 217.46 million in 2011 resulting mainly from the non-recurring gain on revaluated assets taken-up in 2010 amounting to Php 545.17 million.

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

The following comparison of the Company's results of operations is based on the Company's audited financial statements in 2009 and 2010.

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

Net Sales

Net sales increased by 55.75% from P 1.02 billion in 2009 to P 1.59 billion in 2010 as a result of increase in domestic sales outlets, additional clients and export expansion.

Cost of Sales

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

Gross Profit and Gross Margin

As a result of the factors discussed above, gross profit increased by 78.4% from P 151.7 million in 2009 to P 270.71 million in 2010. The gross margin represented 17% of the net sales as compared to 15% in 2009.

Operating Expenses

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

Income from Operating Activities

Income from operating activities increased by 66% from P 56.7 million in 2009 to P 94.2 million in 2010. Operating margin also increased from 5.6% in 2009 to 6% in 2010.

Other Income

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

Provision for Income Tax

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

Net Income

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

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

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

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

Net Sales

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

Cost of Sales

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

Gross Profit and Gross Margin

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

Operating Expenses

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

	For the year ended December 31,	
	2008	2009
	(in thousands of ₱)	
Deliveries	37,405	30,661

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

Income from Operating Activities

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

Other Expenses

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

Provision for Income Tax

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

Net Income

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

LIQUIDITY AND CAPITAL RESOURCES

During the years 2009, 2010, 2011 and 2012, the Company's cash flows from operations have been sufficient to provide sufficient cash for the Company's operations and capital expenditures. The Company did not pay dividends in each of in each of 2009, 2010, 2011 and 2012. The following table sets out the Company's cash flows in 2009, 2010, 2011 and 2012:

	For the year ended December 31(in thousands of ₱)	
	2011	2012
Net cash flows provided by/(used for) operating activities	(345,322)	(1,108,881)
Net cash flows provided by/(used for) investing activities	(509,866)	(135,361)

Net cash flows provided by/(used for) financing activities	888,549	1,353,081
Effect of Exchange Rate Changes in Cash on Hand and in Banks	1,362	720
Net increase (decrease) in cash and cash equivalents	34,703	109,559

Net Cash Flows from Operating Activities

Net cash used by operating activities were P1.1 billion for 2012. The Company's net loss before income tax for this period was P 190.41 million, and this amount was positively adjusted for, among other things, depreciation and amortization of the Company's property, plant and equipment of P69.178 million, provision for retirement benefit cost of P1.529 million, loss due to natural calamities of P 123.579 million, loss due to impairment of biological assets of P 60.359 million, gain on changes in fair value of biological assets of P 30.396 million, unrealized foreign exchange gain of P 0.72 million, bad debts of P .834 million, interest expense of P35.564 million and interest income of P 0.234 million resulting in operating cash flows before working capital changes of P78.35 million. Aggregate changes in working capital decreased this amount to P1.185 million, resulting in cash used by operating activities of P1.109 billion.

Net cash used by operating activities were P345.322 million for 2011. The Company's net income before income tax for this period was P271.305 million, and this amount was positively adjusted for, among other things, depreciation and amortization of the Company's property, plant and equipment of P48.830 million, provision for retirement benefit cost of P 1.150 million, loss due to natural calamities of P21.505 million, bad debts of P 1.653 million, gain on changes in fair value of biological assets P 155.456 million, gain on bargain purchase of P32,199, unrealized foreign exchange gain of P 0.184 million, gain on sale of property, plant and equipment of P0.125 million, interest expense of P49.951 million and interest income of P 0.642 million resulting in operating cash flows before working capital changes of P205.787 million. Aggregate changes in working capital decreased this amount to P551.109 million, resulting in cash used by operating activities of P345.322 million.

Net Cash Flows Used in Investing Activities

Net cash used for investing activities was P135.361 million in 2012. This reflects investments in property, plant and equipment and other non-current assets.

Net cash used for investing activities was P509.886 million in 2011. This reflects investments in property, plant and equipment and other non-current assets.

Cash Flows Provided by (Used in) Financing Activities

Net cash generated from financing activities were P1.353 billion in 2012. This primarily reflects proceeds from borrowings, repayments of loans and receipts from the issuance of share capital.

Net cash provided by financing activities were P888.549 million in 2011. This primarily reflects proceeds and repayment of loans and short-term borrowings.

Capital Resources

As of December 31, 2012, the Company had cash and cash equivalents of P218.039 million. As of the same date, the Company had outstanding short-term debt of P780.132 million.

As of December 31, 2012, the Company had outstanding long-term debt of P180 million. As of December 31, 2012, the total current assets of the Company was P2.514 billion and its current liabilities is P986.717 million. As of the same date, the Company's working capital (current assets minus current liabilities) was P1.528 billion. The Company believes that its working capital is sufficient for its present requirements.

As of December 31, 2011, the Company had cash and cash equivalents of P108.480 million. As of the same date, the Company had outstanding short-term debt of P788.278 million.

As of December 31, 2011, the Company had outstanding long-term debt of P252.500 million. As of December 31, 2011, the Company had current assets of P1.744 billion and current liabilities of P909.397 million. As of the same date, the Company's working capital (current assets minus current liabilities) was P834.774 million.

Capital Expenditures

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

The table below set out the Company's capital expenditures for property and equipment in 2011 and 2012. The Company has historically sourced funding for its capital expenditures from bank loan and internally-generated funds.

Year ended December 31,	Expenditure (in thousands)
2011	P193,558
2012	P103,937

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

Off-Balance Sheet Arrangements

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

KEY PERFORMANCE INDICATORS

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

	Year Ended December 31,		
	2012	2011	2010
Liquidity:			
Current ratio	2.56	1.92	1.86
Solvency:			
Debt-to-equity ratio	0.40	0.62	0.52
Profitability:			
Return on average stockholders' equity of the Company	(0.056)	0.11	0.60
Asset-to-equity ratio	1.40	1.62	1.53
Operating efficiency:			
Revenue growth	0.03	0.42	0.56

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

Key Performance Indicator	Formula
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$

Debt-equity ratio	$\frac{\text{Total Liabilities (Current + non-current)}}{\text{Stockholder's Equity}}$
Return on average stockholders' equity	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity of the Company}}$
Average Stockholders' Equity of the Company	$\frac{\text{Stockholder's Equity, Beg. + Ending}}{2}$

2

Volume growth	$\left[\frac{\text{Current period Sales Volume}}{\text{Prior period Sales Volume}} \right] - 1$
Revenue growth	$\left[\frac{\text{Current period Net Sales}}{\text{Prior period Net Sales}} \right] - 1$
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$

Accounting Standard, Interpretations and Amendment Effective in 2008

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

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

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

Philippine Interpretation IFRIC 12, Service Concession Agreements

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

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

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

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

f.1. Market Information

The Company's 329,500,087⁹ issued and outstanding common shares are listed and traded principally on the Second Board of the Philippine Stock Exchange (PSE).

Pursuant to its intention to be de-listed from the National Stock Exchange of Australia (NSX), the Company was voluntarily de-listed from the NSX effective on 30 June 2011.

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

	2011				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
High	₱10.50	₱10	₱9.4	₱11.08	₱ 13.52	₱ 10.50	₱ 9.15	₱ 8.79	₱ 7.49
Low	₱7.97	₱7.32	₱8.0	₱8.74	₱ 10.32	₱ 8.68	₱ 8.30	₱ 6.22	₱ 6.60

As of 31 March 2013, the shares of the Company are being traded at the PSE at the average trading price of Php 6.79 per share.

f.2. Holders

As of 31 March 2013, the Company has a total outstanding common stock of 535,693,037 common shares held by forty (40) individual and corporate stockholders on record.

Based on the Company's stock and transfer book, the top twenty (20) stockholders of the Company on record as of 31 March 2013 are as follows:

	NAME	NO. OF SHARES	% of HOLDINGS
1	PCD Nominee Corporation (Foreign)	160,521,939	29.9652838310
2	Earthright Holdings, Inc.	150,969,000	28.1819978183
3	PCD Nominee Corporation (Filipino)	81,531,675	15.2198496842
4	Tiu, Antonio Lee	70,090,719	13.0841198520
5	Unicorn Metal Corporation	14,400,000	2.6881066218
6	Gomez, Apolinario A.	12,000,000	2.2400888515
7	Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd.	9,838,500	1.8365928471
8	Southern Field Limited	8,429,757	1.5736170564
9	Ang Manchan	4,800,000	0.8960355406
10	Limark, Matthew Bryan S.	4,800,000	0.8960355406
11	Jung Yuan Kho	4,131,540	0.7712513911
12	Tiu, Anne Lorraine B.	3,447,600	0.6435775270
13	Duca, Mark Kenrich O.	3,000,000	0.5600222129
14	Tiu, Jaime L.	3,000,000	0.5600222129
15	Hong Zi-You &/Or Li Yaya	1,200,000	0.2240088851
16	Li Kuan	1,200,000	0.2240088851
17	Duca, Kathy Joy O.	600,000	0.1120044426
18	Duca, Queenie Jane O.	600,000	0.1120044426
19	Ngo, Debbie Christie D.	600,000	0.1120044426
20	Man, Thomas	180,000	0.0336013328
	TOTAL	535,340,730	99.9342334181

The PCD Nominee Corporation (Filipino and Foreign) represents approximately 242,053,614 stockholders.

⁹ On 16 November 2012, the PSE approved the additional listing of 206,192,950 issued and outstanding common shares of the Company. As of 5 April 2013, the lodgement and actual listing of the said shares are not yet completed.

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

<u>Name of Stockholder</u>	<u>Citizenship</u>	<u>No. of Shares Held</u>	<u>Percentage</u>
Standard Chartered Bank	Filipino	140,744,814	26.273407% ¹⁰

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

f.3. Dividends

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

On 11 April 2012, the Board of Directors of the Company approved the declaration of a 20% stock dividend with a record date of 15 June 2012 and payment date of 11 July 2012. The said 20% stock dividend declaration was ratified by the stockholders on 21 May 2012.

Aside from the foregoing, the Company has not declared any other dividends.

f.4. Recent Issuance of Shares Constituting Exempt Transaction

On 22 August 2011, the Company filed a Notice of Exempt Transaction with the Securities and Exchange Commission (SEC) in relation to the sale of 14,824,798 primary shares at (i) Php7.42 per share or a total value of Php110,000,000.00 to Apolinario A. Gomez and Southern Field Limited pursuant to the Subscription Agreements both dated 20 April 2011; and (ii) Php8.40 per share or a total value of Php62,160,000.00 to Jose Enrique N. Songco, Mark Kenrich O. Duca, Debbie Christie D. Ngo, Queenie Jane O. Duca, Kathy Joy O. Duca, Marjorie C. Lee, Lumeng U. Lim and Southern Field Limited pursuant to the Subscription Agreements dated 16 May 2011. The form of payment for all the subscriptions is in cash and no underwriter or selling agent was involved in any of the sales. Exemption from registration is based on Section 10.1 (k) of the Securities and Regulations Code, to wit:

“(k) The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during the twelve-month period.”

The securities covered by the 22 August 2011 Notice of Exemption were already registered with the SEC at the time of the sale, pursuant to the SEC Order of Registration and Certificate of Permit to offer Securities for Sale dated 19 May 2009. The Notice of Exemption was filed by the Company in compliance with the directive of the Philippine Stock Exchange (PSE), as part of the post-approval requirements for private listing of the Issuer.

On 30 May 2012, the Company filed a Notice of Exempt Transaction with the SEC in relation to its distribution of stock dividends. Exemption from registration is based on Section 10.1 (k) of the Securities and Regulations Code, to wit:

¹⁰ Black River Capital Partners Food Fund Holders (Singapore) Pte. Ltd. has 9,838,500 certificated shares appearing under its name in the records of the stock transfer agent. Together with the 140,744,814 shares under PCD Nominee Corp., the total number of shares owned by said shareholder is 150,583,314 or 28.11% of the total outstanding equity.

“(d) The distribution by a corporation, actively engaged in the business authorized by its articles of incorporation, of securities to its stockholders or other security holders as a stock dividend or other distribution out of surplus.”

On 13 June 2012, the Company filed a Notice of Exempt Transaction with the SEC in relation to the sale of (i) 6,192,950 primary shares at Php7.84 per share, or a total issue price of Php48,552,728.00 to Thomas Man, Allan Jason Tan, Kuo Jung Yuan and Jaime L. Tiu pursuant to their respective Subscription Agreements dated 19 August 2011; (ii) 25,000,000 primary shares at Php10.00 per share, or a total issue price of Php250,000,000.00 to Unicorn Metal Corporation, Matthew Bryan Limark, Ang Manchán, Li Kuan Li, Hong Zi-You and/or Li Yaya and Stilwell Sy pursuant to their respective Subscription Agreements dated 3 October 2011; and (iii) 175,000,000 primary shares at \$0.174 cents per share or a total issue price of \$30,450,000.00 to Earthright Holdings, Inc. and Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd. pursuant to the Subscription Agreement dated 19 January 2012. The form of payment for all the subscriptions is in cash and no underwriter or selling agent was involved in any of the sales.

As regards the securities in the total amount of 175,000,000 shares issued pursuant to the Subscription Agreements dated 19 January 2012, the Notice of Exemption was based on Section 10.1 (i) of the Securities and Regulations Code:

“(i) Subscription for shares of the capital stock of a corporation prior to the incorporation thereof or in pursuance of an increase in its authorized capital stock under the Corporation Code, when no expense is incurred, or no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities, and only when the purpose for soliciting, giving or taking of such subscriptions is to comply with the requirements of such law as to the percentage of the capital stock of a corporation which should be subscribed before it can be registered or duly incorporated, or its authorized capital increased.”

Further, under Rule 10.1 of the Implementing Rules and Regulations of R.A. 8799, no notice of exemption is required for exempt transactions under Section 10.1, Paragraphs (a) to (j), to wit:

“No notice of exemption or fee shall be required for any transaction covered by Section 10.1 of the Code except those covered by subparagraphs (k) and (l) or sale to not more than nineteen (19) persons and to qualified buyers, respectively.”

On 03 July 2012, the Company filed a Notice of Exempt Transaction with the SEC in relation to the distribution of 89,282,173 common shares of the Company at P1.00 per share. The form of payment is in shares of stock.

The exemption from registration filed by the Company was based on Section 10.1 (d) of the Securities and Regulations Code, which provides:

“(d) The distribution by a corporation, actively engaged in the business authorized by its articles of incorporation, of securities to its stockholders or other security holders as a stock dividend or other distribution out of surplus.”

f.5. Discussion on Compliance with Leading Practice on Corporate Governance

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

- Self-assessment system to be done by Management;
- Yearly certification of the Compliance Officer on the extent of the Company's compliance to the Manual;
- Regular committee report to the Board of Directors; and
- Independent audit mechanism wherein an audit committee, composed of three (3) members of the Board, regularly meets to discuss and evaluate the financial statements before

submission to the Board, reviews results of internal and external audits to ensure compliance with accounting standards, tax, legal and other regulatory requirements.

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

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

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

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

12. Mergers, Consolidations, Acquisitions and Similar Matters

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

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

13. Acquisition or Disposition of Property

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

14. Restatement of Accounts

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

OTHER MATTERS

15. Action with Respect to Reports

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

The following reports, copies of which will be duly furnished to stockholders without charge, will be submitted for stockholders approval and/or ratification at the Annual Meeting of Stockholders on 27 May 2013:

- a. The Audited Financial Statements for the year ending 31 December 2012;
- b. Annual Report for the year ending 31 December 2012; and
- c. Minutes of the previous Annual Meeting of the Stockholders.

Approval of the Annual Report and the Audited Financial Statements for the year ending 31 December 2012 constitutes ratification by the stockholders of the Company's performance for 2012.

The matters approved and acted upon by the Board of Directors of the Company after the previous shareholders meeting on 21 May 2012 which are to be ratified by the stockholders are the following:

Date of Meeting	Matters Approved
Meeting of the Board of Directors held on 28 January 2013	1. Amendments to Articles of Incorporation for the purpose of including in the secondary purpose entering into guaranty transactions in favour of other entities in which the Company has an interest.
Meeting of the Board of Directors held on 19 March 2013	<p>2. Amendment of the Articles of Incorporation to reduce the number of members of the Board of Directors to nine (9) with two independent directors from eleven (11) with three (3) independent directors.</p> <p>3. Amendment of the By-Laws for the purpose of:</p> <ol style="list-style-type: none"> a. Separating the positions of President and the Chief Executive Officer b. Creating an Executive Committee with such functions as may be delegated by the Board of Directors c. Reducing the number of the members of the Board of Directors to nine (9) members with two (2) independent directors and two (2) directors who shall be nominees of Black River Capital Food Fund Holdings (Singapore) Pte. Ltd. from eleven (11) with three (3) independent directors and three (3) directors who shall be nominees of Black River <p>4. Amendment of the Manual on Corporate Governance for the purpose</p>

	of reducing the number of the Board of Directors to nine (9) with two (2) independent directors from eleven (11) with three (3) independent directors
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16. Matters Not Required to be Submitted

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

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

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

Subject to the ratification/approval the stockholders during the Annual Stockholders' Meeting on 27 May 2013, the Company intends to amend the Company's Articles of Incorporation, By-Laws and Manual on Corporate Governance for the purposes indicated in paragraph 15 above.

18. Other Proposed Action

The Company intends to obtain from the stockholders an authorization to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transactions in the aggregate amount of Five Billion Pesos (Php 5,000,000,000.00), and renewals, extensions, re-availments, restructurings and amendments thereof with various banks, trust entities, quasi-banks, financial institutions, entities, corporations or individuals, as well as to enter into any other transactions in implementation of the foregoing under such terms and conditions as may be determined by the Board of Directors.

The foregoing pertains to the grant of authority in favor of the Board of Directors to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transactions in the aggregate amount of Five Billion Pesos (Php 5,000,000,000.00), and including the renewals, extensions, re-availments, restructurings and amendments thereof (the "Loans").

The proceeds from any of these Loans shall be used to finance the capital expenditures of the Company and as additional working capital. The maximum amount of Five Billion Pesos (Php5,000,000,000.00) set for the authority is for the purpose of leveraging the equity position of the Company.

The purpose of obtaining this authority from the stockholders in favor of the Board of Directors is to be able to respond to any future urgent financial needs that may arise in relation to the Company's capital expenditures and/or need for working capital considering that (i.) some banks, trust entities, quasi-banks, financial institutions, entities, or corporations require stockholders' approval for loan transactions, credit accommodations or other types of credit facilities or surety/guaranty transactions to be taken out by the Company even if the same is not required under the Corporation Code; (ii.) the annual stockholders' meeting is only held once a year and some loan transactions may be entered into after the 2013 annual stockholders' meeting on 27 May 2013 but before the 2014 annual stockholders' meeting; and (iii) the Company is a publicly listed company and thus, preparing for a special stockholders' meeting just to have a Loan transaction approved may not be feasible.

19. Voting Procedures

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

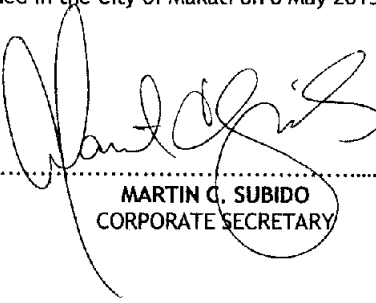
During the election of directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of at least a majority of the total outstanding capital stock. Unless a poll is demanded either before or on the declaration of the result of the vote on a show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

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

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 8 May 2013

By:

A handwritten signature in black ink, appearing to read 'Martin C. Subido', written over a horizontal dotted line.

MARTIN C. SUBIDO
CORPORATE SECRETARY

COVER SHEET

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(Company's Full Name)

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

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Contact Person

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Company Telephone Number

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Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

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AGRINURTURE, INC. AND ITS SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
December 31, 2012

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management's Responsibility for Financial Statements
for the years ended December 31, 2012 and 2011
Independent Auditor's Report dated April 29, 2013
Consolidated Statements of Financial Position as at December 31, 2012 and 2011
Consolidated Statements of Comprehensive Income for for each of the three years in
the period ended December 31, 2012
Consolidated Statements of Cash Flows for each of the three years in
the period ended December 31, 2012
Notes to the Consolidated Financial Statements for years ended
December 31, 2012 and 2011

Supplementary Schedules

Independend Auditor's Report on Supplementary Schedules dated April 29, 2013

A. Financial Assets	Applicable
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	Not Applicable
C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	Applicable
D. Intangible Asstes- Other Assets	Applicable
E. Long-Term Debt	Applicable
F. Indebtedness to Related Parties	Applicable
G. Guarantees of Securities of Other Issuers	Not Applicable
H. Capital Stock	Applicable
I. Map of the Group of Companies	Applicable
J. Reconciliation of Retained Earnings Availale for Dividend declaration	Not Applicable
K. Effective Standards and Interpretations under PFRS as of year-end	Applicable



AgriNurture, Inc.

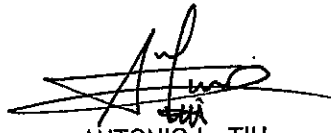
54 National Road, Dampol 2nd A, Pulilan, Bulacan 3005, Philippines
Telefax: (632) 299.8305 • www.ani.com.ph
Manila Office: (632) 879.3256 / (632) 879.3135 • Fax (632) 879.3215

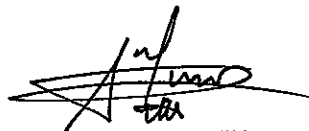
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS


The management of AgriNurture Inc. and its Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012, 2011 and 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Alba Romeo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.


ANTONIO L. TIU
Chairman of the Board



ANTONIO L. TIU
Chief Executive Officer


KENNETH S. TAN
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this MAY 08 2013 day of April 2013 for and in the City of Makati, affiants exhibiting to me his Tax Identification Number (TIN) as follows:

NAME	TIN	DATE OF ISSUE	PLACE OF ISSUE
Antonio L. Tiu	203-067-724-000	April 15, 2013	Makati City
Kenneth S. Tan	167-858-401-000	April 15, 2013	Makati City

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BOOK NO. 32
SERIES OF 20 13


ATTY. ROBERT M. LLUZ
NOTARY PUBLIC
Until December 31, 2013
Appt. No. M-521, Makati City
IBP #899793, May 22, 2012-RSM
PTR #3685485, Jan. 16, 2013-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 6E Cityland Herrera Tower
888 Rufino St. cor. Velera St.
Salcedo Village, Makati City

**ALBA ROMEO & CO.**

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7/F Multinational Bancorporation Centre

6805 Ayala Avenue, Makati City 1226 Philippines

Branches: Bacolod / Cagayan de Oro / Cebu

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Agrinurture, Inc. and its Subsidiaries
No. 54 National Road, Dampol II-A
Pulilan, Bulacan

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Agrinurture, Inc. and its Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for three years in the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AgriNurture, Inc. and its subsidiaries as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

ALBA ROMEO & CO.


Antonio V. Cruz
Partner

CPA Certificate No. 0017482

Tax Identification No. 141-791-333-000

PTR No. 3682024, issued on January 12, 2013, Makati City

BOA/PRC Registration No. 0005, issued on November 12, 2012,
effective until December 31, 2015

SEC Accreditation No. A-597-A (Individual), Group A, issued on February 11, 2013,
effective until June 11, 2013

SEC Accreditation No. 0007-FR-3 (Firm), Group A, issued on March 22, 2012,
effective until March 21, 2015

BIR Accreditation No. 08-001682-3-2012, issued on January 4, 2012,
effective until January 4, 2015

April 29, 2013
Makati City

AGRINURTURE, INC. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 AND 2011**

	Notes	2012	2011
ASSETS			
Current assets			
Cash on hand and in banks	7	P218,038,556	P108,479,707
Trade and other receivables, net	8	842,652,472	657,816,762
Note receivable	18	58,000,000	58,000,000
Advances to related parties	18	743,366,407	106,378,864
Inventories	9	134,863,797	155,442,289
Biological assets	11	439,465,567	626,470,470
Prepayments and other current assets	10	78,280,351	31,582,396
Total current assets		2,514,667,150	1,744,170,488
Noncurrent assets			
Biological assets	11	23,304,328	71,379,585
Advances to related parties	18	643,520,097	261,758,011
Property, plant and equipment, net	13	686,935,791	652,428,349
Deferred tax assets	29	20,379,429	2,090,807
Intangibles assets, net	14	989,430,131	1,018,682,537
Other noncurrent assets		14,824,586	10,527,137
Total noncurrent assets		2,378,394,362	2,016,866,426
Total assets		P4,893,061,512	P3,761,036,914
LIABILITIES AND EQUITY			
Current liabilities			
Interest-bearing loans and borrowings	15	P780,132,400	P788,278,447
Trade and other payables	16	186,691,947	110,739,286
Advances from related parties	18	13,151,135	289,837
Income tax payable		5,091,244	9,534,836
Other current liabilities		1,650,164	554,345
Total current liabilities		986,716,890	909,396,751
Noncurrent liabilities			
Interest-bearing loans and borrowings, net of current portion	15	180,000,000	252,500,000
Pension liability	17	3,629,902	2,100,908
Deferred tax liabilities	29	234,272,955	281,348,575
Total noncurrent liabilities		417,902,857	535,949,483
Total liabilities		1,404,619,747	1,445,346,234
Equity			
Equity attributable to owners of the Parent Company			
Share capital	19	535,693,037	261,060,867
Share premium	20	2,158,742,461	999,647,940
Revaluation surplus	20	524,170,823	545,170,823
Translation reserve	20	(2,203,676)	694,595
Retained earnings	20	137,827,320	332,246,760
		3,354,229,965	2,138,820,985
Non-controlling interests	21	134,211,800	176,869,695
Total equity		3,488,441,765	2,315,690,680
Total liabilities and equity		P4,893,061,512	P3,761,036,914

(The notes on pages 6 to 80 are an integral part of these consolidated financial statements.)

AGRINURTURE, INC. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**

	Notes	2012	2011	2010
Revenue	23	P2,329,946,985	P2,253,760,239	P1,585,011,759
Cost of sales and services	24	(1,944,724,778)	(1,734,728,854)	(1,314,304,215)
Gross profit		385,222,207	519,031,385	270,707,544
Other operating income	25	40,382,971	193,709,918	59,690,201
Operating expenses	26	(386,846,271)	(368,970,035)	(173,277,511)
Other operating expenses	27	(9,907,502)	(1,652,934)	(5,739,650)
Profit from operation		28,851,405	342,118,334	151,380,584
Losses on biological asset	11	(183,937,350)	(21,504,832)	-
Finance income	7	234,785	642,087	95,032
Finance costs	15	(35,564,234)	(49,950,841)	(16,687,620)
Profit (loss) before income tax		(190,415,394)	271,304,748	134,787,996
Benefit (provision) for income tax	29	45,404,843	(55,203,374)	(41,236,531)
Profit (loss) for the year		(P145,010,551)	P216,101,374	P93,551,465
Profit (loss) for the year attributable to:				
Equity holders of Parent Company		(P105,137,270)	P193,753,009	P90,813,545
Non-controlling interest		(39,873,281)	22,348,365	2,737,920
		(P145,010,551)	P216,101,374	P93,551,465
Basic and diluted earnings (loss) per share	22	(P0.22)	P0.81	P0.45

(The notes on pages 6 to 80 are an integral part of these consolidated financial statements.)

AGRINURTURE, INC. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**

	Notes	2012	2011	2010
Profit for the year		<u>(P145,010,551)</u>	<u>P216,101,374</u>	<u>P93,551,465</u>
Other comprehensive income				
Net change differences from translation of foreign operations to presentation currency		(5,682,885)	1,361,950	-
Gain (loss) in change of fair value of trademark	14	<u>(21,000,000)</u>	<u>-</u>	<u>545,170,823</u>
Other comprehensive income for the year, net of tax		<u>(26,682,885)</u>	<u>1,361,950</u>	<u>545,170,823</u>
Total comprehensive income for the year		<u>(P171,693,436)</u>	<u>P217,463,324</u>	<u>P638,722,288</u>
Total comprehensive income for the year attributable to:				
Equity holders of Parent Company		(P129,035,541)	P194,447,604	P635,984,368
Non-controlling interest		<u>(42,657,895)</u>	<u>23,015,720</u>	<u>2,737,920</u>
		<u>(P171,693,436)</u>	<u>P217,463,324</u>	<u>P638,722,288</u>

(The notes on pages 6 to 80 are an integral part of these consolidated financial statements.)

AGRINURTURE, INC. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**

	Notes	2012	2011	2010
Cash flows from operating activities				
Profit before income tax		(P190,415,394)	P271,304,748	P134,787,996
Adjustments for:				
Depreciation and amortization	13,14,26	69,178,348	48,829,728	17,969,124
Pension	17,26	1,528,994	1,150,263	217,430
Loss due to natural calamities	27	123,578,983	21,504,832	-
Loss due to impairment of biological assets		60,358,938	-	-
Impairment loss on trade and other receivables	8,27	-	1,652,934	3,215,517
Gain on changes in fair value of biological assets	11,25	(30,396,338)	(155,456,374)	(131,945,846)
Gain on bargain purchase	25,30	-	(32,198,522)	-
Unrealized foreign exchange gain	25	(720,270)	(183,945)	-
Gain on sale of property, plant and equipment	25	-	(125,000)	-
Bad debts		9,906,931	-	-
Prior period adjustments		-	-	522,961
Finance cost	15	35,564,234	49,950,841	16,687,620
Finance income	7	(234,785)	(642,087)	(95,032)
Operating income before working capital changes		78,349,641	205,787,418	41,359,770
Decrease (increase) in:				
Trade and other receivables		(193,908,598)	(362,746,288)	25,351,627
Advances to related parties		(1,018,749,629)	(516,913,293)	(324,813,336)
Inventories		20,578,492	325,006,082	48,499,171
Prepayments and other current assets		(46,697,955)	(15,509,742)	(13,595,473)
Increase (decrease) in:				
Trade and other payables		88,796,270	76,590,018	(166,579,115)
Advances from related parties		(289,837)	16,289,072	(2,967,019)
Other current liabilities		1,095,819	(422,444)	976,788
Cash used in operations		(1,070,825,797)	(271,919,177)	(391,767,587)
Finance costs paid	15	(35,564,234)	(45,215,140)	(16,687,620)
Finance income received	7	234,785	642,087	95,032
Income taxes paid		(2,726,174)	(28,829,567)	(14,209,024)
Net cash used in operating activities		(1,108,881,420)	(345,321,797)	(422,569,199)
Cash flows from investing activities				
Increase in advances to projects		-	(261,758,011)	-
Acquisition of subsidiaries		-	(35,336,527)	(9,144,016)
Proceeds from sale of property, plant and equipment		251,089	125,000	-
Additions to property plant and equipment	13	(103,936,879)	(193,558,405)	(355,921,170)
Additions to intangible assets	14	(29,252,406)	(9,372,394)	(598,080)
Decrease (increase) in other noncurrent assets		(2,422,449)	(9,985,486)	(510,150)
Net cash used in investing activities		(135,360,645)	(509,885,823)	(366,173,416)
Cash flows from financing activities				
Proceeds from interest-bearing loans		1,367,223,732	1,040,778,447	519,442,200
Payments of interest-bearing loans		(1,447,869,779)	(519,442,200)	(166,734,989)
Proceeds from issuance of share capital		1,433,726,691	367,212,728	357,625,414
Net cash provided by financing activities		1,353,080,644	888,548,975	710,332,625
Effect of exchange rate changes in cash on hand and in banks		720,270	1,361,950	-
Net increase (decrease) in cash on hand and in banks		109,558,849	34,703,305	(78,409,990)
Cash on hand and in banks				
January 1		108,479,707	73,776,402	152,186,392
December 31		P218,038,556	P108,479,707	P73,776,402

(The notes on pages 6 to 80 are an integral part of these consolidated financial statements.)

AGRINURTURE, INC. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**

	Share capital (Note 19)	Share premium (Note 20)	Revaluation surplus (Notes 14 and 20)	Translation reserve (Note 20)	Retained earnings		Total equity attributable to equity holders of the Parent Company	Non-controlling interest (Note 21)	Total
					Appropriated (Note 20)	Unappropriated (Note 20)			
At January 1, 2010	P191,868,445	P306,832,220	P-	P-	P19,000,000	P28,621,505	P546,322,170	P-	P546,322,170
Profit for the year	-	-	-	-	-	90,813,545	90,813,545	2,737,920	93,551,465
Other comprehensive income	-	-	545,170,823	-	-	-	545,170,823	-	545,170,823
Total comprehensive income	-	-	545,170,823	-	-	90,813,545	635,984,368	2,737,920	638,722,288
Prior period adjustments	-	-	-	-	-	522,961	522,961	-	522,961
Issuance of common shares	26,124,674	368,670,740	-	-	-	-	394,795,414	-	394,795,414
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	4,829,801	4,829,801
At December 31, 2010	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
Profit for the year	-	-	-	-	-	193,852,362	193,852,362	22,249,012	216,101,374
Reclassification	-	-	-	-	-	(99,353)	(99,353)	99,353	-
Other comprehensive income	-	-	-	694,595	-	-	694,595	667,355	1,361,950
Total comprehensive income	-	-	-	694,595	-	193,753,009	194,447,604	23,015,720	217,463,324
Issuance of common shares	43,067,748	324,144,980	-	-	-	-	367,212,728	-	367,212,728
Reclassification	-	-	-	-	-	(464,260)	(464,260)	464,260	-
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	97,079,994	97,079,994
Post-acquisition investment of non-controlling interest	-	-	-	-	-	-	-	48,742,000	48,742,000
Reversal of appropriated retained earnings	-	-	-	-	(19,000,000)	19,000,000	-	-	-
At December 31, 2011	P261,060,867	P999,647,940	P545,170,823	P694,595	P-	P332,246,760	P2,138,820,985	P176,869,695	P2,315,690,680
Profit for the year	-	-	-	-	-	(105,137,270)	(105,137,270)	(39,873,281)	(145,010,551)
Other comprehensive loss	-	-	(21,000,000)	(2,898,271)	-	-	(23,898,271)	(2,784,614)	(26,682,885)
Total comprehensive loss	-	-	(21,000,000)	(2,898,271)	-	(105,137,270)	(129,035,541)	(42,657,895)	(171,693,436)
Issuance of common shares	185,350,000	1,159,094,521	-	-	-	-	1,344,444,521	-	1,344,444,521
Stock dividend declaration	89,282,170	-	-	-	-	(89,282,170)	-	-	-
Post-acquisition investment of non-controlling interest	-	-	-	-	-	-	-	-	-
Reversal of appropriated retained earnings	-	-	-	-	-	-	-	-	-
At December 31, 2012	P535,693,037	P2,158,742,461	P524,170,823	(P2,203,676)	P-	P137,827,320	P3,354,229,965	P134,211,800	P3,488,441,765

(The notes on pages 6 to 80 are an integral part of these consolidated financial statements.)

AGRINURTURE, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 and 2010

NOTE 1 - GENERAL INFORMATION

1.1 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, except for two subsidiaries which were incorporated in China and in Hong Kong Special Administrative Region.

The Parent Company was incorporated in the Philippine Securities and Exchange Commission (SEC) on February 4, 1997 with Registration No. 0199701848 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.

At present, the Parent Company is engaged primarily in the trading and exporting of commercial crops with the Philippine carabao mangoes, bananas and pineapple as the top exported items.

On August 8, 2011, the SEC approved the amendment of the Parent Company's Articles of Incorporation to include "retail" in its primary purpose and an increase in the number of Board of Directors (BOD) members from nine (9) to eleven (11).

On February 2012, the Parent Company has applied for an increase in its authorized capital stock from P300,000,000 divided into 300,000,000 common shares with par value of P1 per share to P1,000,000,000 divided into 1,000,000,000 shares with par value of P1 per share. The application was subsequently approved by the SEC. Also during 2012, the Parent Company issued shares to Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd. and Earthright Holdings, Inc. in connection with the Investment Agreement of December 29, 2011.

The Parent Company's business address is at 11th Floor The Salcedo Towers 169 H. V Dela Costa St. Salcedo Village, Makati City. The Parent Company's principal office address is at 54 National Road Dampol II-A, 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		
			2012	2011	2010
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	100%	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Manufacturing and export	100%	100%	100%
Hansung Agro Products Corporation (HAPC)	Philippines	Processing (Agricultural goods)	100%	100%	100%
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	100%	100%	100%
Fresh and Green Harvest Agricultural Company, Inc. (FG) ¹	Philippines	Trading (Agricultural goods)	100%	100%	100%
Lucky Fruit & Vegetable Products, Inc. (LFVPI) ¹	Philippines	Trading (Agricultural goods)	100%	100%	100%
Fruitilicious Company, Inc. (FI)	Philippines	Manufacturing/processing/trading frozen agricultural products	90%	90%	90%
Xiamen Wantaixing Trading Corp. (WTX)	China	Trading (Agricultural goods)	51%	51%	51%
Sunshine Supplies International Co., Ltd (SSIC)	HKSAR	Trading (Agricultural goods)	51%	51%	51%
Qualis Logistics and Transport Services Inc. (QLTS)	Philippines	Logistics	51%	51%	51%
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (Agricultural goods)	51%	51%	51%
Ocean Biochemistry Technology Research, Inc. (OBT) ²	Philippines	Farm management	51%	51%	51%
Fresh and Green Palawan Agriventures, Inc. (FGP) ³	Philippines	Farm management	51%	51%	51%
The Big Chill, Inc. (TBC)	Philippines	Food and beverage retailing and franchising	51%	51%	-
Heppy Corporation (HC) ⁴	Philippines	Food and beverage retailing and franchising	51%	51%	-
Goods and Nutrition for All, Inc. (GANA) ⁵	Philippines	Retail and wholesale	100%	-	-

¹ Indirectly owned through FCAC

² Indirectly owned through IMEX

³ Indirectly owned through BCHAC

⁴ Indirectly owned through TBC

⁵ Indirectly owned through LFVPI

1.2 Status of operations

On January 6, 2012, LFVPI, a wholly-owned subsidiary, organized Goods and Nutrition for All, Inc. (GANA) with the primary purpose of engaging in the business of manufacturing, importing, bartering, distributing, selling on wholesale or retail, and otherwise dealing in all kinds of goods, commodities, merchandise and wares which are lawful objects of commerce including foods, drugs, cosmetics and household hazardous substances.

During the year, a subsidiary, ceased its business relationship with a local supermarket chain.

On January 17, 2011, The Parent Company entered into a Master License Agreement with Tully's Coffee International Pte. Ltd., a Singaporean Corporation for the operation of coffee shop and sale of coffee products under the brand "Tullys". During 2011, the Parent Company through The Big Chill, Inc. (TBC) opened its first coffee shop under the brand Tully's.

On August 19, 2011, the Parent Company's BOD authorized the President and Chief Executive Officer (CEO) to enter into a Memorandum of Agreement for the acquisition of TBC, a corporation engaged in the business of selling beverages and food products under the brand "Big Chill", "Fresh Bar", "C.Verde", "Canecoctions" with 60 branches nationwide. On the same date, the Parent Company entered into a Memorandum of Agreement with FAB People, Inc. (FAB), a domestic corporation, owner of 2,000 shares of TBC for the purchase of 51% of the latter's issued and outstanding shares (1,020 shares).

On September 5, 2011, the Parent Company and FAB entered into a Deed of Assignments for 51% of the issued and outstanding shares of TBC.

On September 1, 2011, Heppy Corporation became a wholly-owned subsidiary of TBC.

On October 11, 2010, the Parent Company's BOD approved the execution of the Memoranda of Agreement pertaining to the Parent Company's acquisition of 51% of SSIC and WTX. Under these agreements, in exchange for fifty-one percent (51%) equity ownership of SSIC and WTX, the Parent Company shall pay, on installment, 5,100 shares of SSIC for US\$1 million and 255,000 shares WTX 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.

On April 20, 2010, the BOD approved the delisting of the Parent Company from NSX which took place on June 30, 2011.

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.

1.3 Approval of consolidated financial statements

The Group's consolidated financial statements as of December 31, 2012 were authorized for issue by the BOD on April 29, 2013 and that the President and CEO were authorized to sign and approve the consolidated financial statements on their behalf.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Group's consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of measurement and presentation

The Group's consolidated financial statements 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.

The consolidated financial statements are prepared in Philippine Peso (P), which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest Peso, unless otherwise indicated.

Use of judgments and estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the Group's consolidated financial statements and their effects are disclosed in Note 3.

Changes in accounting policies and disclosures

(a) New standards, interpretations and amendments effective from January 1, 2012

The accounting policies adopted are consistent with those of the previous period except for the following new standards, interpretations and amendments effective for the first time from January 1, 2012 of which none have had a material effect on the financial statements:

- Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters, effective July 1, 2011
- Amendments to PFRS 7: Disclosures - Transfers of Financial Assets, effective July 1, 2011
- Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets, effective January 1, 2012

The adoption of the standards or interpretations is described below.

- **Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters:** The amendments are effective July 1, 2011. Earlier application is permitted. The first amendment replaces references to a fixed date of January 1, 2004 with 'the date of transition to PFRSs', thus eliminating the need for companies adopting PFRSs for the first time to restate derecognition transactions that occurred before the date of transition to PFRSs.

The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with PFRSs after a period when the entity was unable to comply with PFRSs because its functional currency was subject to severe hyperinflation.

- **Amendments to PFRS 7: Disclosures - Transfers of Financial Assets:** The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.
- **Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets:** The amendments are effective January 1, 2012. Earlier application is permitted. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in PAS 40, *Investment Property*. Under PAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in PAS 40.

To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Philippine Interpretation SIC-21 (PIC-21), *Income Taxes - Recovery of Revalued Non-Depreciable Assets* addresses similar issues involving non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*. The amendments incorporate PIC-21 into PAS 12 after excluding investment property measured at fair value from the scope of the guidance previously contained in PIC-21.

(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. The Group intends to adopt the standards that will be applicable to them when they become effective.

- **Amendments to PFRS 1: Government Loans:** The amended standard shall be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The amendments add an exception to the retrospective application of PFRSs. First-time adopters are required to apply the requirements in PFRS 9, *Financial Instruments* (if PFRS 9 is not yet adopted, references to PFRS 9 in the amendments shall be read as references to PAS 39, *Financial Instruments: Recognition and Measurement*) and PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to PFRSs. A first-time adopter may apply the requirements of PFRS 9 and PAS 20 to government loans retrospectively if it has obtained the necessary information to do so.
- **Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities:** The amended standard shall be applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment involves the revision of the required disclosures to include information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. An entity shall provide the disclosures required by the amendments retrospectively.

- **PFRS 9, Financial Instruments - Recognition 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, 2015. In subsequent phases, the FRSC will address the classification and measurement of financial liabilities, hedge accounting and derecognition. As a new requirement in this standard, an entity choosing to measure a liability at fair value shall present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income (loss) rather than within profit or loss.
- **Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures:** The amended standards shall be applied for annual periods beginning on or after January 1, 2015. Earlier application is permitted. The amendments involve the following: (a) change of the original January 1, 2013 mandatory effective date of PFRS 9 to January 1, 2015; (b) modification of the relief from restating prior periods; and (c) additional required disclosures on transition from PAS 39, *Financial Instruments: Recognition and Measurement* to PFRS 9.
- **PFRS 10, Consolidated Financial Statements:** The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 10 replaces PAS 27, *Consolidated and Separate Financial Statements* and Philippine Interpretation SIC-12 (PIC-12), *Consolidation - Special Purpose Entities*.

PFRS 10 was developed to eliminate the perceived conflict on the concept of consolidation between PAS 27 (amended in 2008) and PIC-12. PAS 27 (amended in 2008) requires the consolidation of entities based on the power to govern its financial and operating policies whereas PIC-12 mandates consolidation of entities based on risks and rewards.

PFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. It provides a new definition of control based on three elements: power over the investee, exposure or rights to variable returns from involvement with the investee, and ability to use power over the investee to affect the amount of investor's return.

- **Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities:** The amended standards shall be applied for annual periods beginning on or after January 1, 2014. Earlier application is permitted. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. It also sets out disclosure requirements for investment entities into PFRS 12 and amend PAS 27.
- **PFRS 11, Joint Arrangements:** The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures* and Philippine Interpretation SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. This standard requires an entity to account for joint arrangements based on its rights and obligations arising from the arrangement rather than based on the structure of the arrangement as required by PAS 31. PFRS 11 has removed the option to account jointly controlled entities (JCEs) using the proportionate consolidation method. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- **PFRS 12, Disclosure of Interests in Other Entities:** The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- **PFRS 13, Fair Value Measurement:** The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 13 was developed to eliminate inconsistencies of fair value measurements dispersed in various existing PFRSs. It defines fair value, sets out in a single PFRS a framework for measuring fair value and requires disclosures about fair value measurements. PFRS 13 applies when other PFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in PFRSs or address how to present changes in fair value.
- **Amendments to PAS 1: Presentation of Items of Other Comprehensive Income (Loss):** The new requirements are effective for annual periods beginning on or after July 1, 2012. Earlier application is permitted. The amendments improved the consistency and clarity of the presentation of items of other comprehensive income (loss). The amendments also highlighted the importance that the board places on presenting profit or loss and other comprehensive income (loss) together and with equal prominence.

The main change resulting from the amendments was a requirement for entities to group items presented in other comprehensive income (loss) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in other comprehensive income (loss). The amendments did not change the option to present items of other comprehensive income (loss) either before tax or net of tax. However, if the items are presented before tax, then the tax related to each of the two groups of other comprehensive income (loss) items (those that might be reclassified and those that will not be reclassified) must be shown separately.

- **PAS 19 (Amended), Employee Benefits:** The amended standard is applied retrospectively with limited exceptions. Entities shall apply the amended PAS 19 for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The amendments will improve the recognition and disclosure requirements for defined benefit plans. Significant changes to this standard include: elimination of the corridor approach and recognition of all actuarial gains and losses in other comprehensive income (loss) as they occur; immediate recognition of all past service costs; and the replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).
- **PAS 27 (Amended), Separate Financial Statements:** The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PAS 27 (Amended) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. It requires an entity preparing separate financial statements to account for those investments at cost or in accordance with PFRS 9, *Financial Instruments*.
- **PAS 28 (Amended), Investments in Associates and Joint Ventures:** The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PAS 28 (Amended) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

- **Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities:** The amended standard shall be applied for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. Earlier application is permitted. This amendment provides an additional application guidance for offsetting in accordance with PAS 32. It clarifies the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.
- **Philippine Interpretation IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine:** This interpretation shall be applied for annual periods beginning on or after January 1, 2013 prospectively. Earlier application is permitted. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (‘production stripping costs’) and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

The Group, however, expects no significant impact from the adoption of the new standards, interpretation and amendments on its financial position and performance.

Annual Improvements to PFRSs 2009 - 2011 Cycle

The Annual Improvements to PFRSs (2009-2011 Cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- **PFRS 1, First-time Adoption of Philippine Financial Reporting Standards:** Clarifies that the Group is required to apply PFRS 1 when the most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with PFRSs, even if the Company applied PFRS 1 in a reporting period before the period reported in the most recent previous annual financial statements.
- **PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information:** Clarifies the requirements for providing comparative information when the Group provides financial statements beyond the minimum comparative information requirements. Where the Group changes its accounting policies or makes retrospective restatements or reclassifications of items in the financial statements, the Group is required to present an opening statement of financial position at the beginning of the required comparative period, and the related notes are not required to accompany this opening statement of financial position.
- **PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment:** Clarifies that servicing equipment should be recognized as property, plant and equipment when it is used during more than one period and as inventory otherwise.
- **PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments:** Clarifies that income tax relating to distribution to holders of an equity instrument and to transaction costs of an equity transaction are accounted for in accordance with PAS 12.
- **PAS 34, Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities:** Clarifies that the total assets for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements.

2.2 Basis of consolidation

Basis of consolidation from January 1, 2010

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries as at December 31, 2012.

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

Total comprehensive income (loss) is attributable to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having 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; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income (loss) 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 Company, 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

The consolidated financial statements incorporate the results of business combinations using the acquisition method. The consideration transferred in a business combination are measured at the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree and the equity interests from a contingent consideration arrangement, which is recognized at their acquisition date fair value.

Non-controlling interests

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

Acquisition- related costs

Acquisition- related costs incurred to effect a business combination are recognized as expenses in the periods in which the costs are incurred and the services are received.

Classifying or designating identifiable assets acquired and liabilities assumed in a business combination

At the acquisition date, the Group classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other PFRSs subsequently on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions as they exist at the acquisition date. This includes the separation embedded derivatives in host contracts by the acquiree.

Business combination achieved in stages

In a business combination achieved in stages, the Group re-measures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss or other comprehensive income (loss) as appropriate.

Contingent consideration

Subsequent changes that are not measurement period adjustments in the fair value of contingent consideration classified as an asset or liability are recognized either in profit or loss or in other comprehensive income (loss) in accordance with PFRS 9 or PAS 39 as applicable. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. In instances when the contingent consideration does not fall within the scope of PFRS 9 or PAS 39, it is accounted for in accordance with PAS 37 or other PFRS as appropriate.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of 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.

Allocating goodwill to cash-generating units

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

Where goodwill has been allocated to a CGU and the Group disposes of an operation within that unit, 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 and measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

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 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.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO that makes strategic decisions.

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, plant and equipment, and intangible assets other than goodwill.

2.5 Financial instruments

Initial recognition

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done at trade date, which is the date on which the Group commits to purchase or sell the asset.

Financial instruments are recognized initially at fair value plus transaction costs except for financial instruments measured at fair value through profit or loss (FVPL).

Classification of financial instruments

The Group classifies its financial assets as financial assets at FVPL, held-to-maturity (HTM) financial assets, loans and receivables or available for sale (AFS) financial assets. The Group's financial assets as at December 31, 2012 and 2011 comprise of loans and receivables, which include cash on hand and in banks, trade and other receivables and advances to related parties. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The Group's financial liabilities as at December 31, 2012 and 2011 comprise of interest-bearing loans and borrowings, trade and other payables and advances from related parties. The classification depends on the purpose for which the investments were acquired or whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Classification of financial instruments between debt and equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

Offsetting of financial instruments

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

Determination of fair value

The fair value of financial instruments traded in active markets is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions). When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Derecognition of financial instruments

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of income (loss).

Financial assets

Financial assets at FVPL

Financial assets at FVPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as noncurrent. The Group does not have financial assets under this category.

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 (EIR) 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 other operating income, net in the consolidated statements of income (loss). On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables is comprise of cash on hand and in banks, trade and other receivables, net, advances to related parties and rental deposit as shown in the consolidated statements of financial position.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. After initial measurement, these investments are measured at amortized cost using the EIR 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 derecognized or impaired, as well as through the amortization process. The Group does not have any assets under this category.

AFS investments

AFS investments include equity and debt securities. Equity investments classified as AFS are those, which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response in the market conditions.

After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income (loss) in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statements of income (loss) and removed from the AFS reserve.

The Group evaluated its AFS assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statements of income (loss). The Group does not have any asset under this category.

Financial liabilities

Financial liabilities at FVPL

This category comprises only out-of-the-money derivatives. They are carried in the statements of financial position at fair value with changes in fair value recognised in the statements of income (loss). The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at FVPL.

Other financial liabilities

Other financial liabilities include trade and other payables, advances from related parties and interest bearing loans and borrowings, which are initially recognized at fair value and subsequently carried at amortised cost using the EIR method.

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 (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.

Impairment of financial assets

Assessment of impairment

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

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

Evidence of impairment

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

Impairment on assets carried at amortized cost

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

Impairment on assets carried at cost

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal of impairment loss

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

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 at the point of harvest. The Group directly writes off inventory due to spoilage, damage, and bad quality.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

2.7 Advances to projects

Advances to projects represent unliquidated expenditures for unutilized farms and property development or set up of new entities or acquisition of existing companies. 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 or investment in subsidiary, once the recognition criteria for those assets are met. Other liquidated advances to projects are recorded as period costs in the Group's consolidated statements of income (loss).

Advances to projects are classified in the Group's consolidated statements 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, other current and noncurrent assets

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 to the consolidated statements of income (loss) as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the Group's 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 noncurrent assets.

Other current assets are recognized when the Group expects to receive future economic benefits from them and the amount can be measured reliably.

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. Bearer biological assets are those other than consumable biological assets which comprise of fruit trees, low and high land vegetables such as asparagus, eggplants, bitter gourd. Bearer biological assets are classified as current and noncurrent. A bearer biological asset of which the life cycle/cropping period is less than one year is classified as current, while those that has more than one year is classified as noncurrent.

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 at the point of harvest.

Gains or losses arising from the changes in fair value less estimated point-of-sale costs of a biological asset are included in the Group's consolidated statements of income (loss) for the period in which they arise.

2.10 Property, plant and equipment

Property, plant and equipment, except land, are initially measured at cost and subsequently measured at cost less any subsequent accumulated depreciation, amortization and any impairment in value. The initial cost of property, plant 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 initially measured at cost and subsequently measured at cost less any impairment in value.

Subsequent expenditures relating to an item of property, plant and equipment such as additions, major improvements and renewals 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 operating expenses in the Group's consolidated statements of income (loss) during the period in which these are incurred.

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

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
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. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period (Note 2.22). Construction in-progress is not depreciated until the relevant asset is completed and ready for intended use.

An asset's carrying amount is written-down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The useful lives, residual value and depreciation methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment. An item of property, plant equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. 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 Group's consolidated statements of income (loss).

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to consolidated statements of income (loss).

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is credited or charged to other operating expenses in the Group's consolidated statements of income (loss).

2.11 Leases

Leases in 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 consolidated statements 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 Group's 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 profit or loss, 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

An intangible asset is an identifiable non-monetary asset without physical substance. The Group recognizes an item as an intangible asset if it can demonstrate that the item meets the definition of an intangible asset and the recognition criteria. An intangible asset is recognized if and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

An intangible asset is measured initially at cost and subsequently measured at either the cost model or the revaluation model. If an intangible asset is accounted for using the revaluation model, all other assets in its class are also accounted for using the same model, unless there is no active market for those assets.

Cost model

After initial recognition, an intangible asset is carried at its cost less any subsequent accumulated amortization and any accumulated impairment losses.

Revaluation model

After initial recognition, an intangible asset is carried at a revalued amount being its fair value at the date of revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses.

Increases as a result of a revaluation are recognized in other comprehensive income (loss) and accumulated in equity under revaluation surplus. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decreases of the same asset previously recognized in profit or loss.

Decreases as a result of a revaluation are recognized in profit or loss. However, the decrease is recognized in other comprehensive income (loss) to the extent of any credit balance in the revaluation surplus in respect of that asset.

Useful life

The useful lives of intangible assets are assessed as either finite or indefinite.

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 are 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 statements of income (loss) in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Retirements and disposals

An intangible asset is derecognized in disposal, or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from de-recognition of intangible assets 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.

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. Trademarks acquired in a business combination are recognized at fair value as at the date of acquisition.

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 and any subsequent accumulated impairment losses. For purposes of revaluation, fair value is 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 financial reporting date.

Goodwill

Goodwill recognized in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The future economic benefits may result from synergy between the identified assets acquired from assets that individually do not qualify for recognition in the financial assets.

Goodwill that arises from the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire and in business combination achieved in stages, the acquisition date fair value of the Group's previously held equity 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 the Group's consolidated statements of income (loss).

Goodwill is subsequently measured at the amount recognized at the acquisition date 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.

For the purpose of impairment testing, goodwill acquired in a business combination from the acquisition date, allocated to each of the Group's CGU, or groups of CGU, that are expected to benefit from synergies of the business combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Computer software

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

Franchise

The Group recognizes franchise as part of its intangible assets when the franchise produces revenue to the Group and the cost is measurable. At initial recognition, franchise is measured at cost.

After initial recognition, the franchise is carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses. For purposes of revaluation, fair value is 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 financial reporting date.

2.13 Provisions and contingencies

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount can be estimated reliably. The expense relating to any provision is presented in the consolidated statements of income (loss), net of any reimbursement.

Contingent liabilities are not recognized in the Group's consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the Group's consolidated financial statements but disclosed in the notes to Group's consolidated financial statements when an inflow of economic benefits is probable.

2.14 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets such as intangible assets and property, plant and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the Group makes a formal estimate of the asset's recoverable amount.

The recoverable amount is the higher of an asset or its CGU fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 cash flows independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and an impairment loss is recognized in the consolidated statements of income (loss).

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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairment are recognized in the consolidated statements of income (loss).

2.15 Pension benefits

Pension cost is determined using the projected unit credit method. This method reflects the services rendered by the employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, recognized actuarial gains and losses, the effect of any curtailment or settlements and amortization of transitional liability at the date of adoption of PAS 19.

The defined benefit liability / defined benefit asset recognized in the consolidated statements of financial position is the present value of the defined benefit obligation at the financial reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated by an actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liabilities.

Cumulative unrecognized actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are spread to profit or loss over the expected average remaining working lives of employees.

Past-service costs are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this instance, the past-service costs are amortized on a straight-line basis over the vesting period.

2.16 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.

Share capital is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as share premium.

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

2.17 Retained earnings

Retained earnings include all current and prior period results as disclosed in the consolidated statements of income (loss).

2.18 Dividends

Dividends are recognized when they become legally payable. Dividend distribution to equity shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's BOD.

2.19 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.

Sale of services

Revenue from services is recognized in the period in which they are rendered, provided the amount of revenue can be measured reliably and it is probable that the Group will receive consideration.

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.

Rental income

Rental income arising on leased property is accounted for on a straight-line basis over the lease term of ongoing leases.

Other income

Other income is recognized when earned.

2.20 Cost and expense recognition

Costs and expenses are recognized in the Group's consolidated statements of income (loss) 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 Group's consolidated statements of financial position as an asset.

Expenses in the Group's consolidated statements of income (loss) 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 and other expenses are costs attributable to selling and administrative activities of the Group.

2.21 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.

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 Group's consolidated statements of income (loss) 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 (loss) until the disposal of the net investment, at which time they are recognized in the Group's consolidated statements of income (loss).

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in Group's consolidated other comprehensive income (loss).

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.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Philippine Peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in the hyperinflationary economies, are translated to Philippine Peso prevailing at the dated of the transactions.

Foreign currency differences are recognized in other comprehensive income (loss) and presented in the foreign currency translation reserve ("Translation Reserve") in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in other comprehensive income (loss) related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of net investment in a foreign operation and are recognized in other comprehensive income (loss) and presented in the "Translation Reserve" equity.

Any goodwill arising on the acquisition of a foreign operation subsequent to January 1, 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.

2.22 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 Group's consolidated statements of income (loss) in the period in which they are incurred.

2.23 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.

2.24 Income taxes

The tax expense for the period comprises current and deferred tax. Tax expense is recognized in profit or loss for the period, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity, or when the tax arises from a business combination. Current and deferred tax that relates to items that are recognized in other comprehensive income (loss) or directly in equity are also recognized in other comprehensive income (loss) or directly in equity, respectively.

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 enacted or 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. However, deferred income tax liabilities are not recognized if it arises from:

- a) the initial recognition of goodwill; or
- b) the initial recognition of an asset or liability in a transaction which:
 - (i) is not a business combination; and
 - (ii) at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

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 carry-over (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 from MCIT and NOLCO can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of transaction, affects neither accounting profit nor taxable profit (tax loss).

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.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same transaction authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.25 Basic and diluted earnings per share (EPS)

Basic EPS is computed by dividing profit or loss attributable to the ordinary equity holders of the Parent Company 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 EPS, 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.

2.26 Events after the financial reporting date

Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements, when material.

NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements in conformity with PFRS requires the Group's management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

Determination of functional currency

Based on the economic substance of the underlying circumstances relevant to the Group, the Parent Company's 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.

The functional currencies of its foreign operations are determined as the currency in the country where the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to Philippine Peso which is the Parent Company's functional and presentation currency.

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 guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or equity. In addition, the Group also determines and evaluates its intention and ability to keep the investments until their maturity date.

The substance of a financial instrument, rather than its legal form, and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the consolidated statements of financial position.

The classification of financial assets and liabilities is presented in Note 4.

Determination of fair value of financial instruments

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

The fair value of financial assets and liabilities as of December 31, 2012 and 2011 are disclosed in Note 4.

Determination of fair value of biological asset

The Group's biological asset is measured at cost 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; and
- 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 as of December 31, 2012 and 2011 amounted to P462,769,895 and P697,850,055, respectively (Note 11).

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 for December 31, 2012 and 2011 amounted to P949,000,000 and P979,000,000, respectively (Note 14).

Due to the current situation of the relationship between China and the Philippines and the cessation of business relationship with a major customer operating a chain of super market, management has assessed that the value of the trademark may have been impaired. Thus, in 2012, the Company has provided P30,000,000 as impairment, on its (Note 14).

Operating lease commitments- Group as a lessee

The Group has entered into leases with various lessors. Based on the evaluation of the terms and conditions of the arrangements, all the significant risks and benefits of ownership of the properties remain with the lessor. Accordingly, the Group accounted for these leases as operating leases.

Rental expense of the Group amounted to P38,073,704, P22,658,527 and P9,706,451 in 2012, 2011 and 2010, respectively (Note 26 and 28).

Estimates and assumptions

Estimation of useful lives and residual value of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant 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, plant 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 noncurrent assets.

The estimated useful lives of the Group's property, plant and equipment are set-out in Note 2.10.

Depreciation and amortization expense of the Group's property, plant and equipment amounted to P58,896,470 P48,829,728 and P17,365,336 for 2012, 2011 and 2010, respectively (Notes 13 and 26).

The carrying value of property, plant and equipment amounted to P686,935,791 and P652,428,349 as of December 31, 2012 and 2011, respectively (Note 13).

Estimation of useful lives and residual value of intangible assets

The Group assesses whether the useful life of an intangible asset is finite or indefinite and if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset is regarded by the Group as having indefinite useful life when, based in an analysis of all the relevant factors there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

The amortization amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life using an amortization method which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful lives and the amortization method are accounted for as changes in accounting estimates.

The useful life of an intangible asset that is not being amortized is reviewed each year to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate.

The Intellectual Property Code of the Philippines provides legal protection for a trademark by giving a legal life of 10 years and may be renewed for periods of 10 years each.

In 2010, the Group has determined that its FCA trademark has a definite life of ten (10) years. However, management has identified new markets and expects that this will continue to grow. Because of the increasing revenue, management believes that the cash flows from the sales of its products with the FCA trademark will extend to more than the legal life. Thus, during 2011, management has determined that the life of the trademark is indefinite. This change has been accounted for by the Group prospectively. As of December 31, 2012 and 2011, the carrying amount of the FCA trademark amounted to P749,000,000 and P779,000,000, respectively (Note 14).

In 2011, the Group has acquired the "Big Chill" trademark through a business combination, the life of which is also assessed to be indefinite because management believes that the cash flows from the sales of its products with "Big Chill" trademark will extend to move than its legal life. As of December 31, 2012 and 2011, the carrying amount of "Big Chill" trademark amounted to P200,000,000 (Note 14).

Goodwill acquired in business combination is not amortized but is required to be tested for impairment annually.

The estimated life of the Group's computer software is set-out in Note 2.12, which showed no change in 2012, 2011 and 2010.

Amortization of Group's intangible assets amounted to P230,926 and P211,124 for 2012 and 2011, respectively (Note 14).

The carrying value of the Group's intangible assets amounted to P989,430,131 and P1,018,682,537 as of December 31, 2012 and 2011, respectively (Note 14).

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.

Based on management evaluation, impairment loss amounting to P9,906,931 and P1,652,934 and P3,215,517 are necessary to recognize the impairment in the trade receivables (Notes 8 and 27).

Impairment of property, plant and equipment and intangible assets

The Group determines whether its property, plant and equipment and intangible assets are impaired at least annually. In determining the fair value of property, plant and equipment and intangible assets 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.

Based on management's assessment, property, plant and equipment are fully recoverable at their carrying amounts, thus, no impairment were recognized for the years ended December 31, 2012, 2011 and 2010. However, for the intangible assets, an impairment of P30,000,000 has been provided for the Group's trademark (Note 14).

Estimation of net realizable value of inventories

The Group provides an allowance to reduce inventories to net realizable values whenever the utility of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the net realizable value is reviewed regularly. The Group provided no allowance for inventory obsolescence as management believes that the recorded costs are lower than their net realizable values as of December 31, 2012 and 2011.

No provision for impairment was recorded for the years ended December 31, 2012 and 2011.

Estimation of liability for pension benefits

The determination of the Group's obligation and cost of pension and other pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 17 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.

Based on the actuarial valuation, the pension liability amounted to P3,629,902 and P2,100,908 as of December 31, 2012 and 2011, respectively (Note 17).

Net pension costs presented under operating expenses for the years ended December 31, 2012, 2011 and 2010 amounted to P1,528,994, P1,150,263 and P217,430, respectively (Note 17).

Estimating recoverability 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 P20,379,429 and P2,090,807 as of December 31, 2012 and 2011, respectively, which management believes is fully recoverable at their carrying amounts (Note 29).

NOTE 4 - FINANCIAL INSTRUMENTS

The following table shows the classification, carrying values and fair values of the Group's financial assets and financial liabilities as of December 31:

	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
<i>Loans and receivables</i>				
Cash on hand and in banks (Note 7)	P218,038,556	P218,038,556	P108,479,707	P108,479,707
Trade and other receivables, net (Note 8)	842,652,472	842,652,472	657,816,762	657,816,762
Advances to related parties (Note 18)	502,290,588	502,290,588	17,530,521	17,530,521
Deposits (Note 10)	16,057,337	16,057,337		
	P1,579,038,953	P1,579,038,953	P783,826,990	P783,826,990
Financial liabilities				
<i>Other financial liabilities</i>				
Interest-bearing loans and borrowings (Note 15)	P960,132,400	P960,132,400	P1,040,778,447	P1,040,778,447
Trade and other payables (Note 16)	184,274,625	184,274,625	103,079,368	103,079,368
Advances from related parties (Note 18)	12,843,609	12,843,609	289,837	289,837
	P1,157,250,634	P1,157,250,634	P1,144,147,652	P1,144,147,652

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

The fair value of the Group's interest-bearing loans and borrowings is based on its carrying amount which approximates the discounted value of future cash flows using its interest rates starting from 4.7% per annum.

Items of income, expense, gains or losses recognized from financial instruments are as follows:

	2012	2011	2010
Impairment loss on trade and other receivables (Notes 8 and 27)	(P9,906,931)	(P1,652,934)	(P3,215,527)
Realized foreign exchange gain (loss), net (Notes 25 and 27)	720,270	379,176	78,285
Finance income (Note 7)	234,785	642,087	95,032
Finance costs (Note 15)	(35,564,234)	(49,950,841)	(16,687,620)
	(P44,516,110)	(P50,582,512)	(P19,729,830)

As of December 31, 2012 and 2011, the Group has no financial instrument valued based on level 1, 2, and 3 of the fair value hierarchy disclosed in Note 2.5.

NOTE 5 - 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 on hand and in banks, trade and other receivables and payables, 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:

	2012	2011
<i>Loans and receivables</i>		
Cash in banks (Note 7)	P194,231,624	P83,532,937
Trade and other receivables, net (Note 8)	842,652,472	657,816,762
Advances to related parties (Note 18)	502,290,588	17,530,521
Deposits (Note 10)	16,057,337	-
	<u>P1,555,232,021</u>	<u>P758,880,220</u>

The following table provides an analysis of the age of the financial assets that are past due but not impaired and those financial assets that are individually determined to be impaired as at the end of the reporting period:

	2012					
	Total	Neither impaired nor past due on the reporting date	Past due but not impaired			Impaired
			1 to 60 days	61 to 90 days	More than 90 days	
<i>Loans and receivables</i>						
Cash in banks (Note 7)	P194,231,624	P194,231,624	P-	P-	P-	P-
Trade and other receivables (Note 8)	857,427,854	329,669,978	227,697,775	207,949,148	77,335,571	14,775,382
Advances to related parties (Note 18)	502,290,588	502,290,588	-	-	-	-
Deposits (Note 10)	16,057,337	16,057,337				
	<u>P1,570,007,403</u>	<u>P1,042,249,527</u>	<u>P227,697,775</u>	<u>P207,949,148</u>	<u>P77,335,571</u>	<u>P14,775,382</u>

	2011					
	Total	Neither impaired nor past due on the reporting date	Past due but not impaired			Impaired
			1 to 60 days	61 to 90 days	More than 90 days	
<i>Loans and receivables</i>						
Cash in banks (Note 7)	P83,532,937	P83,532,937	P-	P-	P-	P-
Trade and other receivables (Note 8)	662,685,213	316,550,485	296,615,288	28,247,790	16,403,199	4,868,451
Advances to related parties (Note 18)	17,530,521	17,530,521	-	-	-	-
	P763,748,671	P417,613,943	P296,615,288	P28,247,790	P16,403,199	P4,868,451

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 Group'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 Group 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 Group based on their historical experience with the corresponding third parties as of December 31, 2012 and 2011:

	2012						
	Neither past due nor impaired				Past due but not impaired	Impaired	Total
	High grade	Standard grade	Substandard grade	Unrated*			
<i>Loans and receivables</i>							
Cash in banks (Note 7)	P194,231,624	P-	P-	P-	P-	P-	P194,231,624
Trade and other receivables, (Note 8)	329,669,978	-	-	-	512,982,494	14,775,382	857,427,854
Advances to related parties (Note 18)	502,290,588	-	-	-	-	-	502,290,588
Deposits (Note 10)	16,057,337	-	-	-	-	-	16,057,337
	P1,042,249,527	P-	P-	P-	P512,982,494	P14,775,382	P1,570,007,403

	2011						
	Neither past due nor impaired				Past due but not impaired	Impaired	Total
	High grade	Standard grade	Substandard grade	Unrated*			
<i>Loans and receivables</i>							
Cash in bank (Note 7)	P83,532,937	P-	P-	P-	P-	P-	P83,532,937
Trade and other receivables (Note 8)	316,550,485	-	-	-	341,266,277	4,868,451	662,685,213
Advances to related parties (Note 18)	17,530,521	-	-	-	-	-	17,530,521
	P417,613,943	P-	P-	P-	P341,266,277	P4,868,451	P763,748,671

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

Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due and because of lack of funding to finance its growth and capital expenditures and working capital requirements.

The Group's approach to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed. In addition, the Group continually supports the short-term funding and financing requirements of the subsidiaries.

The following summarizes the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments as of December 31:

	2012				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables (Note 16)	P139,455,350	P36,134,400	P7,289,875	P1,395,000	P184,274,625
Interest-bearing loans and borrowings (Note 15)	-	-	767,322,400	192,810,000	960,132,400
Advances from related parties (Note 18)	12,843,609	-	-	-	12,843,609
	P152,298,959	P36,134,400	P 774,612,275	P194,205,000	P1,157,250,634

	2011				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables (Note 16)	P72,728,645	P30,350,723	P-	P-	P103,079,368
Interest-bearing loans and borrowings (Note 15)*	-	-	788,278,447	252,500,000	1,040,778,447
Advances from related parties (Note 18)	289,837	-	-	-	289,837
	P73,018,482	P30,350,723	P788,278,447	P252,500,000	P1,144,147,652

*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 in 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 instruments that are exposed to interest risk are its interest-bearing loans and borrowings that are based on prevailing market rate, subject to quarterly repricing. These are concession rates given by the bank in consideration for the Group's operational and financial difficulties.

The following tables show information about the Group's financial instruments that are exposed to interest rate risk and presented by maturity profile as of December 31:

2012						
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
<i>Interest-bearing loans and borrowings</i>						
MICB	P157,600,000	P-	P-	P-	P-	P157,600,000
BDO	252,500,000	-	-	-	-	252,500,000
UCPB	152,222,400	-	-	-	-	152,222,400
LBP	105,000,000	12,810,000	-	180,000,000	-	297,810,000
China Trust	100,000,000	-	-	-	-	100,000,000
	P767,322,400	P12,810,000	P-	P180,000,000	P-	P960,132,400
2011						
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
<i>Interest-bearing loans and borrowings</i>						
MICB	P139,612,000	P-	P-	P-	P-	P139,612,000
BPI	98,625,000	-	-	-	-	98,625,000
BDO	195,000,000	-	-	-	-	195,000,000
UCPB	49,906,771	-	-	-	-	49,906,771
LBP	159,253,466	13,600,000	-	-	240,000,000	412,853,466
China Trust	108,117,400	-	-	-	-	108,117,400
ORIX	4,163,810	-	12,500,000	-	-	16,663,810
Malayan Bank	20,000,000	-	-	-	-	20,000,000
	P774,678,447	P13,600,000	P12,500,000	P-	P240,000,000	P1,040,778,447

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of interest-bearing loans and borrowings with all other variables held constant, the Group's profit before tax is affected as follows:

	Increase/decrease in interest rate	Effect on profit before tax
2012	+1%	P1,796,444
	-1%	(1,796,444)
2011	+1%	P499,509
	-1%	(499,509)
2010	+1%	166,876
	-1%	(166,876)

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 HK Dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities that 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:

	2012		2011	
	US Dollar (US\$)	Philippine Peso (P) equivalent	US Dollar (US\$)	Philippine Peso (P) equivalent
Cash on hand and in banks	\$498,656	P20,540,634	US\$134,039	P5,888,064
Trade and other receivables	374,232	15,414,612	667,955	29,341,909
Interest-bearing loans and borrowings	3,600,000	152,222,400	1,242,000	54,558,576
	<u>\$4,472,888</u>	<u>P188,177,646</u>	<u>US\$2,043,994</u>	<u>P89,788,549</u>

	2012		2011	
	HK Dollar (HK\$)	Philippine Peso (P) equivalent	HK Dollar (HK\$)	Philippine Peso (P) equivalent
Cash on hand and in banks	\$7,215,287	P38,207,111	HK\$4,478,704	P25,310,500
Trade and other receivables	7,739,630	40,983,663	4,350,196	24,584,263
	<u>\$14,954,917</u>	<u>P79,190,774</u>	<u>HK\$8,828,900</u>	<u>P49,894,763</u>

The following table details the Group's sensitivity to a 10% increase and decrease in the Philippine Peso against the relevant foreign currencies. The sensitivity rate used in 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 Philippine Peso strengthens 10% against the relevant currency. For a 10% weakening of the Philippine 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	
		2012	2011
Cash on hand and in banks	+10%	5,874,775	P3,112,779
	-10%	(5,874,775)	(3,112,779)
Trade and other receivables	+10%	5,639,828	5,357,221
	-10%	(5,639,828)	(5,357,221)
Interest-bearing loans and borrowings	+10%	15,222,240	5,455,858
	-10%	(15,222,240)	(5,455,858)

* 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 net debt-to-equity ratio, which is calculated as net debt divided by total equity. Total debt is equivalent to total liabilities shown in the Group's consolidated statements of financial position. Total equity comprises all components of equity including share capital, share premium and retained earnings.

	2012	2011
Total debt	P1,404,619,747	P1,445,346,234
Cash on hand and in banks (Note 7)	(218,038,556)	(108,479,707)
Net debt	1,186,581,191	1,336,866,527
Equity	3,488,441,765	2,315,690,680
Net debt to equity ratio	0.34	0.58

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 6 - OPERATING SEGMENTS

The CEO is the Company's chief operating decision-maker. Management has determined the operating segments based on the reports reviewed by the CEO that are used to make strategic decisions.

The reportable operating segments derive its revenue primarily from the growing, sourcing, export, distribution and warehousing of fresh and processed fruits and vegetables throughout the country. The other segments' revenues arise from trucking, logistics and other activities that do not fall under the previous Group categories. 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. These divisions are the basis on which the Group reports its primary segment information. All operating business segments used by the Group meet the definition of a reportable segment under PFRS 8.

The Group is organized into five (5) major operating segments aggregated according to the nature of the products and services provided - farming, production, distribution, export and retail and franchise.

Farming operations derive its revenue from serving the fresh needs of the Parent Company's distribution subsidiaries.

Production operations derive its revenues from manufacturing and processing branded and toll-manufactured fruit beverages such as mango nectar, tamarind juice, coco juice and coffee. It also serves the frozen and processed fruit requirement of food manufacturers and processors from both local and export markets.

Distribution operations is engaged in the commercial distribution of fresh fruits and vegetables to key retail accounts in the country, as well as in the wholesale trading and distribution of commercial crops through trade channels such as hotels, restaurants, public wet markets and catering companies.

Export operations supplies homegrown fruits such as mango, banana, sweet pineapple and papaya to customers in the Greater China Region, Japan, Korea, and the Middle Eastern, European, and North American Regions.

Retail and franchise operations derive its revenues from selling beverages and fruit products under the following brands: Big Chill for fresh fruit beverages and dessert kiosks; Canecoctions for sugar cane juice; and Fresh Bar healthy snack bar and C'Verde, the group's vegetarian Quick Service Restaurant. The Parent Company also entered into an agreement with Seattle's famous Tully's Coffee International to develop and launch Tully's Coffee houses in the Philippines.

Segment assets and liabilities

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

The CEO assesses the performance of the operating segments based on a measure of earnings before Interests, Taxes and Depreciation and Amortization (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments and common expense.

Inter-segment transactions

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

The following table presents sale and expense information and certain asset and liability information regarding business segments for the years ended December 31, 2012, 2011 and 2010.

	Farming		Production	
	2012	2011	2012	2010
Revenue	P583,305,889	P469,345,834	P93,294,763	P132,431,635
Cost of sales	(566,485,020)	(453,006,056)	(84,298,184)	(101,611,784)
Other operating income	32,094,393	155,456,374	879,936	423,876
Operating expenses	(33,521,876)	(33,823,793)	(32,740,848)	(21,929,303)
Other operating expenses	(9,073,459)	(21,504,832)	-	(1,277,382)
Loss due to natural calamities	(123,578,412)	-	-	-
Loss due to impairment of biological asset	(60,358,938)	-	-	-
Finance income	4,096	307,704	9,474	1,132
Finance costs	(6,268,144)	-	-	-
Provision for income tax	40,344,206	(30,322,568)	7,890,460	(1,250,648)
Profit (loss) for the year	(143,537,265)	86,452,663	(14,964,399)	6,787,526
Finance costs	6,268,144	-	-	-
Finance income	(4,096)	(307,704)	(9,474)	(1,132)
Provision for income tax	(40,344,206)	30,322,568	(7,890,460)	1,250,648
Depreciation and amortization	8,885,608	7,397,382	7,020,547	4,277,584
Adjusted EBITDA	(P168,731,815)	P123,864,909	(P15,843,786)	P12,314,626
	Distribution		Export	
	2012	2011	2012	2010
Revenue	P1,316,258,433	P1,129,521,830	P542,978,545	P411,864,807
Cost of sales	(1,115,287,696)	(983,984,181)	(422,832,447)	(302,799,584)
Other operating income	928,204	25,620,741	733,645	50,378,997
Operating expenses	(193,498,004)	(93,738,065)	(93,515,388)	(83,124,851)
Other operating expenses	-	(1,652,934)	3,454,407	(2,016,420)
Loss due to natural calamities	-	-	-	-
Loss due to impairment of biological asset	-	-	-	-
Finance income	68,775	228,484	121,103	31,621
Finance costs	(11,730,152)	(18,852,136)	(17,565,938)	(9,175,437)
Provision for income tax	641,455	(9,913,882)	(1,783,386)	(6,194,826)
Profit (loss) for the year	(2,618,985)	47,229,857	11,590,541	58,964,307
Finance costs	11,730,152	18,852,136	17,565,938	9,175,437
Finance income	(68,775)	(228,484)	(121,103)	(31,621)
Provision for income tax	(641,455)	9,913,882	1,783,386	6,194,826
Depreciation and amortization	6,983,885	8,088,522	24,757,672	5,709,306
Adjusted EBITDA	P15,384,822	P83,855,913	P55,576,434	P80,012,255

	Retail and franchise		Others	
	2012	2011	2012	2011
Revenue	P110,265,778	P68,725,942	P131,954,158	P128,088,086
Cost of sales	(53,577,797)	(22,100,273)	(105,956,789)	(87,129,274)
Other operating income	2,136,764	130,134	11,600	-
Operating expenses	(58,392,920)	(44,273,111)	(21,105,504)	(34,598,903)
Other operating expenses	-	-	-	-
Loss due to natural calamities	-	-	-	-
Loss due to impairment of biological asset	-	-	-	-
Finance income	286	-	31,051	11,652
Finance costs	-	-	-	-
Provision for income tax	(154,402)	(744,808)	(1,533,490)	(1,911,468)
Profit (loss) for the year	277,709	1,737,884	3,401,026	4,460,093
Finance costs	-	-	-	-
Finance income	(286)	-	(31,051)	(11,652)
Provision for income tax	154,402	744,808	1,533,490	1,911,468
Depreciation and amortization	8,422,743	3,461,582	3,987,566	2,821,966
Adjusted EBITDA	P8,854,568	P5,944,274	P8,891,031	P9,181,875
				P3,335,208
	Elimination		Total	
	2012	2011	2012	2011
Revenue	(P448,110,581)	(P629,100,411)	P2,329,946,985	P2,253,760,239
Cost of sales	403,713,155	629,100,411	(1,944,724,778)	(1,734,728,854)
Other operating income	3,598,429	(175,351,478)	40,382,971	193,709,918
Operating expenses	45,928,269	-	(386,846,271)	(368,970,035)
Other operating expenses	(4,288,450)	-	(9,907,502)	(23,157,766)
Loss due to natural calamities	-	-	(123,578,412)	-
Loss due to impairment of biological asset	-	-	(60,358,938)	-
Finance income	-	-	234,785	642,087
Finance costs	-	-	(35,564,234)	(49,950,841)
Provision for income tax	-	-	45,404,843	(55,203,374)
Profit (loss) for the year	840,823	(175,351,478)	(145,010,551)	216,101,374
Finance costs	-	-	35,564,234	49,950,841
Finance income	-	-	(234,785)	(642,087)
Provision for income tax	-	-	(45,404,843)	55,203,374
Depreciation and amortization	-	201,481	60,058,020	48,829,728
Adjusted EBITDA	P840,823	(P175,351,478)	(P95,027,925)	P369,443,230
				P168,745,920

As of December 31, 2012

	Farming	Production	Distribution	Export	Retail and franchise	Others	Total
Segment assets							
Cash on hand and in banks	P13,738,489	P1,990,138	P74,463,275	P104,962,420	P8,374,967	P14,509,267	P218,038,556
Trade and other receivables, net	305,302,616	25,488,507	112,977,938	365,234,991	8,480,823	25,167,597	842,652,472
Note receivable	-	-	58,000,000	-	-	-	58,000,000
Advances to related parties	276,658,356	218,244,458	52,270,950	589,340,233	250,348,007	24,500	1,386,886,504
Inventories	39,365,947	12,271,965	32,372,476	43,212,965	7,509,201	131,243	134,863,797
Biological assets	462,769,895	-	-	-	-	-	462,769,895
Prepayments and other current assets	47,296	5,916,759	5,376,594	45,324,839	17,976,273	3,638,590	78,280,351
Investment in subsidiaries	-	-	-	-	-	-	-
Property, plant and equipment, net	70,703,979	151,912,723	68,065,144	287,094,784	52,887,318	56,271,843	686,935,791
Intangible assets, net	4,420	-	749,000,000	231,030,533	9,395,178	-	989,430,131
Deferred tax assets	3,730,577	8,165,224	5,573,383	1,135,831	1,229,430	544,984	20,379,429
Other noncurrent assets	1,875,000	-	17,000	9,432,586	3,500,000	-	14,824,586
Consolidated total assets	P1,174,196,575	P423,989,774	P1,158,116,760	P1,676,769,182	P359,701,197	P100,288,024	P4,893,061,512

As of December 31, 2011

	Farming	Production	Distribution	Export	Retail and franchise	Others	Total
Segment assets							
Cash on hand and in banks	P3,572,576	P3,034,819	P15,872,014	P68,747,505	P7,347,511	P9,905,282	P108,479,707
Trade and other receivables, net	51,502,964	30,968,951	356,822,724	172,782,508	16,811,962	28,927,653	657,816,762
Note receivable	-	-	58,000,000	-	-	-	58,000,000
Advances to related parties	92,240,748	25,232,202	11,955,756	51,488,390	187,219,779	-	368,136,875
Inventories	38,748,707	10,790,199	56,230,961	38,373,745	11,066,125	232,552	155,442,289
Biological assets	697,850,055	-	-	-	-	-	697,850,055
Prepayments and other current assets	1,109,924	2,776,274	1,903,438	15,114,278	3,095,519	7,582,963	31,582,396
Property, plant and equipment, net	59,060,402	125,085,080	72,792,348	305,000,424	33,529,538	56,960,557	652,428,349
Intangible assets, net	5,780	-	779,000,000	230,618,902	9,057,855	-	1,018,682,537
Deferred tax assets	28,301	180,889	893,949	906,956	80,712	-	2,090,807
Other noncurrent assets	-	-	-	6,027,137	4,500,000	-	10,527,137
Consolidated total assets	P944,119,457	P198,068,414	P1,353,471,190	P889,059,845	P272,709,001	P103,609,007	P3,761,036,914

As of December 31, 2012

	Farming	Production	Distribution	Export	Retail and franchise	Others	Total
Segment liabilities							
Trade and other payables	P6,553,195	P9,149,170	P77,009,616	P64,428,350	P15,612,663	P13,938,953	P186,691,947
Interest bearing loans and borrowings	-	12,810,000	210,600,000	736,722,400	-	-	960,132,400
Advances from related parties	-	110,000	-	-	177,353	12,863,782	13,151,135
Income tax payable	123,879	-	-	3,712,929	535,859	718,577	5,091,244
Other current liabilities	67,664	-	-	1,582,500	-	-	1,650,164
Pension liability	184,267	298,455	905,991	1,566,830	674,359	-	3,629,902
Deferred tax liabilities	9,628,317	-	224,644,638	-	-	-	234,272,955
Consolidated liabilities	P16,557,322	P22,367,625	P513,160,245	P808,013,009	P17,000,234	P27,521,312	P1,404,619,747

As of December 31, 2011

	Farming	Production	Distribution	Export	Retail and franchise	Others	Total
Segment liabilities							
Interest bearing loans and borrowings	P-	P13,600,000	P343,106,770	P684,071,677	P-	P-	P1,040,778,447
Trade and other payables	6,671,558	8,762,150	30,395,876	17,901,131	21,606,486	25,402,085	110,739,286
Advances from related parties	-	110,000	-	2,484	177,353	-	289,837
Income tax payable	254,207	405,148	2,311,752	5,913,190	291,429	359,110	9,534,836
Other current liabilities	67,664	377,563	-	-	-	109,118	554,345
Pension liability	94,337	173,371	576,224	803,915	453,061	-	2,100,908
Deferred tax liabilities	47,648,753	-	233,644,638	55,184	-	-	281,348,575
Consolidated liabilities	P54,736,519	P23,428,232	P610,035,260	P708,747,581	P22,528,329	P25,870,313	P1,445,346,234

NOTE 7 - CASH ON HAND AND IN BANKS

	<u>2012</u>	<u>2011</u>
Cash on hand	P23,806,932	P24,946,770
Cash in banks	194,231,624	83,532,937
	<u>P218,038,556</u>	<u>P108,479,707</u>

Cash in banks earn interest at the respective bank deposit rates. Finance income earned from cash in banks amounted to P234,785, P642,087 and P95,032 for the years ended December 31, 2012, 2011 and 2010, respectively.

Cash on hand represents funds being used by the Group in purchasing its inventories.

NOTE 8 - TRADE AND OTHER RECEIVABLES, NET

	<u>2012</u>	<u>2011</u>
Trade	P658,087,714	P503,892,252
Deposit to suppliers	140,503,797	108,691,637
Others	58,836,343	50,101,324
	857,427,854	662,685,213
Allowance for bad debts	(14,775,382)	(4,868,451)
	<u>P842,652,472</u>	<u>P657,816,762</u>

The movements of allowance for bad debts are as follows:

	<u>2012</u>	<u>2011</u>
Beginning balance	P4,868,451	P3,215,517
Impairment loss for the year	9,906,931	1,652,934
Ending balance	<u>P14,775,382</u>	<u>P4,868,451</u>

Trade receivables are normally due within 15-30 days and do not bear any interest. All trade receivables are subject to credit risk exposure. Aging analysis of trade and other receivables as of December 31, 2012 and 2011 is included in Note 5.

Deposit to suppliers represents advance payments that will be settled by delivery of inventories to the Group.

Others represent cash advances given to consultants that will be used in the site inspection and development of TBC stores and will be reclassified to proper accounts once liquidated.

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

NOTE 9 - INVENTORIES

This account consists of:

	<u>2012</u>	<u>2011</u>
Vegetables and fruits	P107,850,286	P91,292,220
Packaging materials and other supplies	27,013,511	60,400,219
Finished goods	-	3,749,850
	<u>P134,863,797</u>	<u>P155,442,289</u>

The inventories recognized as expense in 2012, 2011 and 2010 amounted to P1,939,281,562, P1,729,360,716 and P1,307,847,650, respectively (Note 24).

There were no unusual purchase commitments and accrued net losses on such commitments.

NOTE 10 - PREPAYMENTS AND OTHER CURRENT ASSETS

Details of this account follows:

	<u>2012</u>	<u>2011</u>
Prepayments	P15,714,649	P14,179,257
Input value added taxes (VAT)	22,465,898	14,496,987
Prepaid rent	20,304,966	1,305,966
Creditable withholding tax	2,566,513	13,759
Deposits	16,057,337	-
Deferred MCIT	-	700,624
Other current asset	1,170,988	885,803
	<u>P78,280,351</u>	<u>P31,582,396</u>

Prepayments represent prepaid insurance for crops and vehicles.

Prepaid rent represents advance rental payments.

Deposit represents security deposits attributable to lease agreements.

NOTE 11 - BIOLOGICAL ASSETS

	2012		
	Consumable	Bearer	Total
Beginning balance	P286,058,632	P411,791,423	P697,850,055
Transfers from advances to projects (Note 12)	200,480,000	-	200,480,000
Harvested and transferred to inventory (Note 24)	(74,894,270)	(208,822,932)	(283,717,202)
Losses on biological assets	(183,937,350)	-	(183,937,350)
Gain on changes in fair value of biological assets (Note 25)	23,651,005	8,443,388	32,094,393
	<u>P251,358,017</u>	<u>P211,411,878</u>	<u>P462,769,895</u>

	2011		
	Consumable	Bearer	Total
Beginning balance	P178,086,950	P276,772,573	P454,859,523
Transfers from advances to projects (Note 12)	243,903,294	272,643,181	516,546,475
Harvested agricultural produce (Note 24)	(183,800,536)	(223,706,949)	(407,507,485)
Losses on biological assets	(21,504,832)	-	(21,504,832)
Gain on changes in fair value of biological assets (Note 25)	69,373,756	86,082,618	155,456,374
	<u>P286,058,632</u>	<u>P411,791,423</u>	<u>P697,850,055</u>

Details of Losses on biological assets are as follows:

	2012	2011
Loss due to natural calamities	(P123,578,412)	(P21,504,832)
Loss due to impairment of biological assets	(60,358,938)	-
	<u>(P183,937,350)</u>	<u>(P21,504,832)</u>

Biological assets are classified into current and noncurrent as follows:

	2012		
	Consumable	Bearer	Total
Current	P311,716,955	P127,748,612	P439,465,567
Noncurrent	-	23,304,328	23,304,328
	<u>P311,716,955</u>	<u>P151,052,940</u>	<u>P462,769,895</u>

	2011		
	Consumable	Bearer	Total
Current	P286,058,632	P340,411,838	P626,470,470
Noncurrent	-	71,379,585	71,379,585
	<u>P286,058,632</u>	<u>P411,791,423</u>	<u>P697,850,055</u>

An analysis of the gain (loss) from changes in the fair value of biological assets is shown below:

	2012		
	Consumable	Bearer	Total
Fair value of biological assets	P389,646,193	P188,816,176	P578,462,369
Estimated point-of-sale costs	<u>(77,929,239)</u>	<u>(37,763,235)</u>	<u>(115,692,474)</u>
Fair value less estimated point-of-sale costs of biological assets	311,716,954	151,052,941	462,769,895
Remaining initial costs/transfers from advances to projects in prior year	(30,061,533)	(108,048,042)	(138,109,575)
Initial costs/transfers from advances to projects during the year (Note 12)	<u>(200,480,000)</u>	-	<u>(200,480,000)</u>
Gain on changes in fair value of biological assets	81,175,421	43,004,899	124,180,320
Remaining loss on changes in fair value recognized in prior period	<u>(57,524,416)</u>	<u>(34,561,511)</u>	<u>(92,085,927)</u>
Gain on changes in fair value recognized during the year (Note 25)	<u>P23,651,005</u>	<u>P8,443,388</u>	<u>P32,094,393</u>

	2011		
	Consumable	Bearer	Total
Fair value of biological assets	P357,573,290	P514,739,279	P872,312,569
Estimated point-of-sale costs	<u>(71,514,658)</u>	<u>(102,947,856)</u>	<u>(174,462,514)</u>
Fair value less point-of-sale costs of biological assets	286,058,632	411,791,423	697,850,055
Remaining initial costs/transfers from advances to projects in prior year	26,642,979	(49,117,380)	(22,474,401)
Initial costs/transfers from advances to projects during the year	<u>(243,903,294)</u>	<u>(272,643,181)</u>	<u>(516,546,475)</u>
Loss on changes in fair value of biological assets	68,798,317	90,030,862	158,829,179
Remaining gain (loss) on changes in fair value recognized in prior year	<u>575,439</u>	<u>(3,948,244)</u>	<u>(3,372,805)</u>
Gain on changes in fair value recognized during the year (Note 25)	<u>P69,373,756</u>	<u>P86,082,618</u>	<u>P155,456,374</u>

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

Consumables	Utilized area (ha)	
	2012	2011
Rice	1237	895
Corn and pineapple	563	763
Banana	204	100
Onion	-	20
Mushroom	-	1
Cassava	935	900

The Group's bearer biological assets include vegetable bearing plants, mango and other fruit trees. A total of 15,200 mango trees are managed by the BCHAC in Central Luzon and Mindanao. Demo farms have been set-up in different parts of Luzon for fruit and vegetable growing. Other relevant data on agricultural activities pertaining to bearer biological assets is shown below.

Bearer biological assets	Utilized area (ha)	
	2012	2011
Highland and lowland vegetables	-	573

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 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, BCHAC. As a policy, volume and quality is the main consideration in the sourcing of all the products handled by the Parent Company. 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, the Group maintains relationships with various counterparties to maintain its position in the supply chain.

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.

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, have 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. The Group believes that its nationwide presence has allowed for a stable and reliable conduct of operations all year round.

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 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.

NOTE 12 - ADVANCES TO PROJECTS

This account represents cash advances provided for farm projects and other projects related to brand building and management, business, property and plant/commissary development as follows:

	<u>2012</u>	<u>2011</u>
Farm projects	P241,075,819	P88,848,343
Other projects	643,520,097	261,758,011
	<u>P884,595,916</u>	<u>P350,606,354</u>

The reconciliation of the changes in the carrying amount of the advances to projects between the beginning and end of the reporting period is as follows:

a.) Farm projects

2012				
Farm Location	At January 1	Additions	Reclassification to biological assets (Note 11)	At December 31
Region 1	P-	P-	P-	P-
Region 2	-	5,500,000	-	5,500,000
Region 3	49,803,343	2,151,657	(33,455,000)	18,500,000
Region 4	21,500,000	-	(1,500,000)	20,000,000
Region 6	-	97,900,000	(92,400,000)	5,500,000
Region 7	-	-	-	-
Region 8	-	-	-	-
Region 9	-	-	-	-
Region 10	245,000	191,575,819	(245,000)	191,575,819
Region 11	13,300,000	55,580,000	(68,880,000)	-
Region 12	4,000,000	-	(4,000,000)	-
Total	P88,848,343	P352,707,476	(P200,480,000)	P241,075,819

2011				
Farm Location	At January 1	Additions	Reclassification to biological assets (Note 11)	At December 31
Region 1	P-	P54,139,755	(P54,139,755)	P-
Region 3	42,972,930	207,598,629	(200,768,216)	49,803,343
Region 4	13,327,023	208,524,869	(200,351,892)	21,500,000
Region 7	-	4,700,000	(4,700,000)	-
Region 8	-	600,000	(600,000)	-
Region 9	7,955,110	12,214,890	(20,170,000)	-
Region 10	-	24,061,612	(23,816,612)	245,000
Region 11	-	13,300,000	-	13,300,000
Region 12	-	16,000,000	(12,000,000)	4,000,000
Total	P64,255,063	P541,139,755	(P516,546,475)	P88,848,343

b.) Other projects

	<u>2012</u>	<u>2011</u>
Plant/commissary development and management	P217,154,982	P-
Business, property and plant or commissary development	150,000,000	195,000,000
Business development	148,387,954	-
Brand building and management	75,925,149	66,758,011
Rice mill and other projects	28,879,376	-
Additional investment for a land to be used in business	23,172,636	-
Total	<u>P643,520,097</u>	<u>P261,758,011</u>

Other projects represent advances for the development of TBC's commissary, locations of stalls and markets. In addition, this also represents the development of the manufacturing plant for fruit juices including but not limited to coco juice.

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT, NET

Cost	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Construction in progress	Total
At January 1, 2011	P81,792,830	P105,172,562	P19,734,946	P46,540,400	P199,567,257	P14,694,730	P67,499,292	P23,157,969	P558,159,986
Disposal	-	-	-	(801,556)	-	-	-	-	(801,556)
Reclassifications	-	10,987,183	(8,187,306)	-	11,214,345	(101,909)	-	(23,157,969)	(9,245,656)
Additions	650,000	-	50,548,776	23,290,068	71,267,766	6,050,659	41,751,136	-	193,558,405
At December 31, 2011	82,442,830	116,159,745	62,096,416	69,028,912	282,049,368	20,643,480	109,250,428	-	741,671,179
Disposal	-	-	-	-	-	(28,205)	-	-	(28,205)
Reclassifications	-	-	-	-	-	-	-	-	-
Additions	-	-	7,558,938	7,434,168	57,880,658	6,984,869	24,078,246	-	103,936,879
At December 31, 2012	82,442,830	116,159,745	69,655,354	76,463,080	339,930,026	27,600,144	133,328,674	-	845,579,853
Accumulated depreciation									
At January 1, 2011	-	4,017,376	4,592,660	7,170,199	11,731,144	4,263,719	4,714,837	-	36,489,935
Disposal	-	-	-	(801,556)	-	-	-	-	(801,556)
Reclassifications	-	-	1,992,749	-	2,732,390	210,708	-	-	4,935,847
Provision (Note 24 and 26)	-	5,287,867	2,390,943	5,143,456	16,717,313	2,357,983	16,721,042	-	48,618,604
At December 31, 2011	-	9,305,243	8,976,352	11,512,099	31,180,847	6,832,410	21,435,879	-	89,242,830
Reclassifications	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	276,068	267,339	-	543,407
Provision (Note 24 and 26)	-	5,287,867	2,801,213	4,540,964	34,387,084	3,159,341	18,681,356	-	68,857,825
At December 31, 2012	-	14,593,110	11,777,565	16,053,063	65,567,931	10,267,819	40,384,574	-	158,644,062
At December 31, 2012	P82,442,830	P101,566,635	P57,877,789	P60,410,017	P274,362,095	P17,332,325	P92,944,100	P-	P686,935,791
At December 31, 2011	P82,442,830	P106,854,502	P53,120,064	P57,516,813	P250,868,521	P13,811,070	P87,814,549	P-	P652,428,349

Construction in progress pertains to the total capitalized expenditures with respect to the building being constructed in Pulilan, Bulacan. In 2011, the construction in progress was completed and transferred to the relevant fixed asset group accounts with a total carrying amount of P23,157,969.

Some of the Group's property plant and equipment were used as collateral for the interest-bearing loans and borrowings (Note 15).

There are no fully depreciated items of property, plant and equipment that are still being used in operations.

Management reviewed the carrying value of its property and equipment as of December 31, 2012 for any impairment. Based on the result of its evaluation, there were no indications that these assets are impaired.

NOTE 14 - INTANGIBLE ASSETS, NET

This account consists of:

	Trademark (Fair value)	Goodwill (Cost)	Computer Software (Cost)	Franchise (Cost)	Total
Valuation					
At January 1, 2011	P779,043,170	P29,989,414	P598,080	P-	P809,630,664
Additional	200,000,000	-	322,644	9,049,750	209,372,394
Change in fair value during the period	-	-	-	-	-
At December 31, 2011	979,043,170	29,989,414	920,724	9,049,750	1,019,003,058
Additional	-	-	978,520	-	978,520
Change in fair value during the period	(30,000,000)	-	-	-	(30,000,000)
At December 31, 2012	949,043,170	29,989,414	1,899,244	9,049,750	989,981,578
Accumulated amortization/impairment loss					
At January 1, 2011	43,170	-	66,227	-	109,397
Amortization/impairment loss	-	-	211,124	-	211,124
At December 31, 2011	43,170	-	277,351	-	320,521
Amortization	-	-	230,926	-	230,926
At December 31, 2012	43,170	-	508,277	-	551,447
At December 31, 2012	P949,000,000	P29,989,414	P1,390,967	P9,049,750	P989,430,131
At December 31, 2011	P979,000,000	P29,989,414	P643,373	P9,049,750	P1,018,682,537

Amortization of intangible assets for the years ended December 31, 2012, 2011 and 2010 amounted to P230,926, P211,124 and P88,998, respectively, which were included in depreciation and amortization account under operating expenses of the consolidated statements of income (loss).

Trademark

As part of the acquisition of FCAC in 2007, the Group registered the trademark Fresh Choice Always (FCA) with the Intellectual Property Office of the Philippines - Bureau of Trademarks on September 17, 2008, in an attempt to create brand recognition for the Group which was subsequently approved on March 9, 2009 by the said office. Initial capitalized cost amounted to P227,709 upon approval of the said trademark in 2009.

In January 2011, the Group has engaged CB Richard Ellis Phils., Inc. (CBREPI) to carry out a brand valuation of FCA as of December 31, 2010 in compliance with the SEC requirements. Based on CBREPI's report dated March 11, 2011, the value of the said trademark amounted to P779,000,000 as of December 31, 2010. This has resulted to the increase in the value of the trademark amounting to P778,815,461 and a corresponding increase in revaluation surplus and deferred tax liability amounting to P545,170,823 and P233,644,638, respectively, as of December 31, 2010 (Notes 20 and 29). The method and assumptions used in the said valuation are set out in Note 3.

The management reviewed the revalued amount of FCA trademark as of December 31, 2012 for any impairment. Based on the result of its evaluation, there were indications that this asset is impaired. The management decided to reduce the carrying value of intangible through impairment.

As of December 31, 2012 and 2011, the carrying amount of the revalued FCA trademark amounted to P749,000,000 and P779,000,000, respectively. Had it been measured after recognition using the cost model, the carrying amount that would have been recognized by the Parent as of December 31, 2012 and 2011 amounted to P138,997 and P161,768, respectively.

On August 19, 2011, the Parent Company acquired 51% of the outstanding capital stock of TBC directly from its former owners, FAB. At the date of acquisition, the Parent Company had the Big Chill brand valued by CBRE. Based on the valuation conducted by independent valuers, the value of "The Big Chill" brand is P200,000,000. As of December 31, 2011, the carrying amount of "The Big Chill" trademark is P200,000,000 which is the same as the carrying amount that would have been recognized had it been measured after recognition using the cost model (Note 30).

During 2012, however, because of certain business reversals such as the cessation of business relationship with a big chain of hypermarkets and the on-going dispute between the Philippines and a neighboring country, management believes that it will affect the Group's revenues and operating results. Thus, in 2012, management impaired the value of its trademark by P30,000,000.

Franchise

On January 17, 2011, the Company entered into a Master Licensing Agreement with Tully's Coffee International Pte. Ltd. for the operation of coffee shops and sale of coffee products under the brand "Tully's". The term of the license is for a period of ten (10) years but may be extended for another 10 years. Under the agreement, the Parent Company paid US\$200,000 (equivalent to P9,049,750) as a sign-up fee. This amount is presented under intangible assets as "Franchise". For each store to be opened by the Group, a store-opening fee shall be paid to Tully's in the amount of US\$2,500 - US\$15,000. Furthermore, the Group shall pay containing fees equivalent to 5% of net revenues of each coffee house. The method and assumptions used in the said valuation are set out in Note 3.

Goodwill

Goodwill represents the excess of the consideration given over the fair value of the net identifiable assets acquired. The goodwill recorded as of December 31, 2012 and 2011 came from the acquisition of the following:

Acquired subsidiaries	IMEX	LFVPI	FCAC	FG	HAPC	WTX	SSIC	
Year acquired	2005	2005	2007	2007	2010	2010	2010	Total
Total consideration transferred	P39,850	P24,500	P56,504,838	P750,000	P12,106,955	P6,943,520	P1,735,880	P78,105,543
Net identifiable liability (assets) at acquisition date	(5,000)	(6,250)	(39,198,434)	1,400,410	(7,914,564)	(3,136,929)	(1,553,837)	(50,414,604)
Percentage of interest acquired	100%	100%	100%	100%	100%	51%	51%	
Fair value of net identifiable liability (assets) acquired	(5,000)	(6,250)	(39,198,434)	1,400,410	(7,914,564)	(1,599,834)	(792,457)	(48,116,129)
Goodwill arising from business combination	P34,850	P18,250	P17,306,404	P2,150,410	P4,192,391	P5,343,686	P943,423	P29,989,414

NOTE 15 - INTEREST-BEARING LOANS AND BORROWINGS

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

	2012	2011
Parent Company		
Peso-denominated	627,310,000	732,019,871
Foreign currency-denominated	152,222,400	54,558,576
Subsidiaries		
Peso-denominated	180,600,000	254,200,000
	2012	2011
Land bank of the Philippines (LBP)	P285,000,000	P412,853,466
Banco de Oro (BDO)	252,500,000	195,000,000
Mega International Commercial Bank (MICB)	157,600,000	139,612,000
Rizal Commercial Banking Corporation (RCBC)	152,222,400	-
China Trust and Banking Corporation	100,000,000	108,117,400
Department of Agriculture	12,810,000	-
Bank of the Philippine Islands (BPI)	-	98,625,000
United Coconut Planters Bank (UCPB)	-	49,906,771
Malayan Bank (MB)	-	20,000,000
Orix Metro Leasing Finance Corporation (ORIX)	-	16,663,810
	960,132,400	1,040,778,447
Less current portion	(780,132,400)	(788,278,447)
Interest-bearing loans, net of current portion	P180,000,000	P252,500,000

Out of the current portion of loans outstanding in 2011, the Group has been able to settle P282,928,409 for the first quarter of 2012.

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

Lenders	Term	Security	Net book value of security
BDO*	1 year	Unsecured	
MICB	1 year	Unsecured	
BPI	1 year	Unsecured	
LBP*	5 years	Real estate mortgage of ANI's land and building in Pulilan, Bulacan	P54,125,800
Chinatrust	1 year	Unsecured	
UCPB	1 year	Unsecured	
ORIX**	3 years***	Machinery and equipment	13,125,000

* 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 starts from 4.7% per annum for peso loans and 2.25% per annum for US Dollar loans. Finance costs charged to operations amounted to P35,564,234, P49,950,841 and P16,687,620 in 2012, 2011 and 2010, respectively.

Management estimates that the carrying amount of its interest-bearing loans and borrowings approximates its fair value.

NOTE 16 - TRADE AND OTHER PAYABLES

	2012	2011
Trade	P80,155,558	P70,448,987
Accrued expenses	33,847,866	21,510,388
Customers' deposits	31,200,848	11,119,993
Government dues and remittances	2,724,848	7,659,918
Non-trade accounts payable	38,762,827	-
	<u>P186,691,947</u>	<u>P110,739,286</u>

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 Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Accrued expenses pertain to accrued salaries and interest on interest-bearing loans.

Customers' deposit represents deposit for freight and will be paid to the freight forwarders.

Government dues and remittances represent contributions of employees that will be remitted to various government agencies such as SSS, Philhealth and Pag-ibig. It also includes taxes withheld from salaries of employees and income payment to suppliers, which will be remitted in the subsequent month.

NOTE 17 - PENSION BENEFITS

The Group maintains an unfunded, non-contributory defined benefit pension plan covering all qualified employees. Normal pension benefits are equal to the employees' pension pay as defined in Republic Act No. 7641 multiplied by his years of service. Normal pension date is the attainment of age 60 and completion of at least five years of service.

The following tables summarize the components of net pension cost recognized in the consolidated statements of income (loss) and the amounts recognized in the Group's consolidated statements of financial position:

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

	2012	2011
Pension liability, January 1	P2,100,908	P950,645
Pension cost for the period	<u>1,528,994</u>	<u>1,150,263</u>
Pension liability, December 31	<u>P3,629,902</u>	<u>P2,100,908</u>

The reconciliation of the present value of the defined benefit obligation is as follows:

	2012	2011
Present value of obligation, January 1	P3,433,449	P1,057,517
Current service cost	1,190,087	876,368
Interest cost	272,961	273,815
Actuarial loss	2,267,551	1,225,749
Present value of obligation, December 31	<u>P7,164,048</u>	<u>P3,433,449</u>

Total pension cost recognized in the Group's consolidated statements of income (loss) in respect of this defined benefit plan is as follows:

	2012	2011	2010
Current service cost	P1,190,087	P876,368	P196,896
Interest cost	272,961	273,815	42,367
Net actuarial loss (gain)	65,946	80	(21,833)
Pension cost	<u>P1,528,994</u>	<u>P1,150,263</u>	<u>P217,430</u>

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

	2012	2011
Present value of defined benefit obligation	P7,164,048	P3,433,449
Unrecognized actuarial gains	<u>(3,534,146)</u>	<u>(1,332,541)</u>
	<u>P3,629,902</u>	<u>P2,100,908</u>

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

	2012	2011	2010
Discount rate	6.20%	7.00%	9.90%
Salary increase rate	5.00%	5.00%	5.00%
Average remaining working life of plan members	14 years	15 years	14 years

NOTE 18 - 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.

a. Advances

	2011	Transaction during the year	2012
Advances to related parties			
Officers and employees	P368,136,875	1,018,749,629	P1,386,886,504
Advances from related parties			
Officers and employees	P289,837	12,861,298	P13,151,135

Details of advances to related parties are as follows:

	2012	2011
Advances to projects (Note 12)	P884,595,916	350,606,354
Others	502,290,588	17,530,521
	P1,386,886,504	P368,136,875

Other 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. The advances to/from related parties are non-interest bearing, unsecured and are payable on demand.

b. Outstanding balances

The amount of outstanding balances and the details of the advances from/to related parties, including their terms and conditions, security, and the nature of the consideration to be provided in settlement, and details of any guarantees given or received are as follows:

Related parties	Year	Advances from related parties	Advances to related parties	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Guarantees given or received
Officers and employees	2012	P12,843,609	P502,290,588	Due and demandable	Unsecured	Cash	None
Officers and employees	2011	289,837	17,530,521	Due and demandable	Unsecured	Cash	None

c. Impairment of Outstanding Balances

	2012	Doubtful accounts provided during the year	Allowance for doubtful accounts
Advances to officers and employees	P502,290,588	P-	P-
	2011	Doubtful accounts provided during the year	Allowance for doubtful accounts
Advances to officers and employees	P17,530,521	P-	P-

d. Significant contracted agreements

In relation to its loan agreements, 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.

For the years ended December 31, 2012 and 2011, the Group has not recorded any impairment of receivable relating to the amounts owed by the related parties, since the amounts owed by related parties are subject to liquidation.

e. Note receivable

This represents a note receivable from its major stockholder in the amount of P58,000,000 as of December 31, 2012 and 2011 and is secured by a land located at Pulilan, Bulacan. The note is non-interest bearing and repayable on demand. During 2013, the Group was able to transfer the title of the land used as collateral for this loan.

f. Remuneration of key management personnel

The short-term benefits of the directors and other members of key management personnel of the Group amounted to P37,656,328, P13,350,334 and P8,832,000 for the years ended December 31, 2012, 2011 and 2010 respectively.

g. Dividends

In 2012, QLTS declared and paid P3,329,521 to all stockholders as of December 31, 2012. Out of this amount, the Parent Company received P1,698,056.

On December 16, 2011, the BOD of the following subsidiaries approved to declare cash dividends for stockholders of record as of December 31, 2011. The details are as follows:

	Dividends declared	Dividends receivable
Parent Company	P-	P182,250,000
FCAC	26,000,000	25,300,000
FG	16,800,000	-
LFVPI	8,500,000	-
IMEX	26,250,000	-
BCHAC	130,000,000	-

NOTE 19 - SHARE CAPITAL

	2012		2011		2010	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized - P1 par value per share	1,000,000,000	P1,000,000,000	300,000,000	P300,000,000	300,000,000	P300,000,000
Issued and outstanding	535,693,037	P535,693,037	261,060,867	P261,060,867	217,993,119	P217,993,119
Subscribed shares	-	P-	10,350,000	P10,350,000	-	P-

On September 11, 2009 the BOD approved the proposed increase of authorized capital shares from 300,000,000 shares with 1 peso par value to 1,000,000,000 shares with par value and by the vote of the stockholders owning or representing at least 2/3 of the outstanding capital shares at a meeting held on December 16, 2009. On April 12, 2012, the SEC approved the application for the increase in capital shares.

The 25% of the increased capital shares was subscribed and fully paid by Earthright Holdings, Inc. and Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd.

Subscriber	Nationality	Number of shares	Subscribed amount	Amount paid-up	Premium
Earthright Holdings, Inc. Blackriver Capital Partners Food Fund Holdings (Singapore) Pte, Ltd.	Filipino	125,807,500	P125,807,500	P125,807,500	P812,200,425
	Singaporean	49,192,500	49,192,500	49,192,500	317,581,647
		<u>175,000,000</u>	<u>P175,000,000</u>	<u>P175,000,000</u>	<u>P1,129,782,072</u>

The table below shows the movements of the Parent Company's share capital as at December 31, 2012 and 2011 are shown below:

	2012		2011		2010	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized shares	<u>1,000,000,000</u>	<u>P1,000,000,000</u>	<u>300,000,000</u>	<u>P300,000,000</u>	<u>300,000,000</u>	<u>P300,000,000</u>
Listed shares						
At January 1	240,217,917	P240,217,917	195,303,871	195,303,871	178,536,602	P178,536,602
Additional shares issued	274,632,170	274,632,170	44,914,046	44,914,046	16,767,269	16,767,269
At December 31	<u>514,850,087</u>	<u>P514,850,087</u>	<u>240,217,917</u>	<u>P240,217,917</u>	<u>195,303,871</u>	<u>P195,303,871</u>
Issued but not listed shares						
At January 1	20,842,950	P20,842,950	22,689,248	P22,689,248	13,331,843	P13,331,843
Issued during the year	-	-	43,067,748	43,067,748	8,257,405	8,257,405
Listed during the year	-	-	(44,914,046)	(44,914,046)	-	-
Warrants exercised	-	-	-	-	1,100,000	1,100,000
At December 31	<u>20,842,950</u>	<u>20,842,950</u>	<u>20,842,950</u>	<u>P20,842,950</u>	<u>22,689,248</u>	<u>P22,689,248</u>
Total issued and outstanding						
December 31	535,693,037	P535,693,037	261,060,867	P261,060,867	217,993,119	P217,993,119
Unissued shares	464,306,963	P464,306,963	38,939,133	P38,939,133	82,006,881	P82,006,881
Unissued warrants						
At January 1	13,500,000	13,500,000	13,500,000	P13,500,000	14,600,000	P14,600,000
Warrants issued and exercised	-	-	-	-	(1,100,000)	(1,100,000)
At December 31	<u>13,500,000</u>	<u>P13,500,000</u>	<u>13,500,000</u>	<u>P13,500,000</u>	<u>13,500,000</u>	<u>P13,500,000</u>

The Parent Company allotted P6,500,000 warrants to its directors and officers. Warrants exercised in exchange for common shares in 2012, 2011 and 2010 amounted to Nil, Nil and P1,000,000, respectively.

Below are the details of the additional shares issued during the year:

Date	Description	Number of shares
January 1, 2012	Issuance of subscribed shares in 2011	3,450,000
January 5, 2012	Issuance of shares subscribed by Earthright Holdings, Inc.	
January 19, 2012	Issuance of shares subscribed by Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd.	175,000,000
February 5, 2012	Issuance of subscribed shares in 2011	3,450,000
February 5, 2012	Issuance of subscribed shares in 2011	3,450,000
July 11, 2012	20% stock dividend	89,282,170
		<u>274,632,170</u>

On April 11, 2012, the Parent Company's BOD approved the declaration of a 20% stock dividend for all issued and outstanding capital stock; and during the Annual Stockholder's Meeting on May 21, 2012, the stockholders representing at least 2/3 of the issued and outstanding capital stock approved and ratified the declaration of the stock dividends. The BOD has set the record date on June 15, 2012 and payment date on July 11, 2012. The unrestricted retained earnings were used for the payment of the said stock dividend declaration.

The application with the SEC and the listing of common shares with PSE was approved on July 4, 2012. The number of common shares distributed pursuant to the 20% stock dividend declaration was 89,282,170 and the number of fractional shares was 3.40 shares which was dropped as determined by Securities Transfer Services, Inc., the Parent Company's stock agent.

The ownership structure after the stock dividend with regard to local and foreign shareholders including the amount of subscribed shares of each shareholder, a percentage of the total number of shares subscribed and the nationality are as follows:

	Number of shares	Percentage
Filipino-owned	350,187,701	65.37%
Foreign-owned	185,505,336	34.63%
Total	<u>535,693,037</u>	<u>100%</u>

The Parent Company allotted P6,500,000 warrants to its directors and officers. Warrants exercised in exchange for common shares in 2011 and 2010 amounted to nil and P1,100,000, respectively.

NOTE 20 - SHARE PREMIUM AND RESERVES

	2012	2011	2010
Share premium	P2,158,742,461	P999,647,940	P675,502,960
Revaluation surplus (Note 14)	524,170,823	545,170,823	545,170,823
Translation reserve	(2,203,676)	694,595	-
Retained earnings			
Appropriated	-	-	19,000,000
Unappropriated	137,827,320	332,246,760	119,958,011
	<u>P2,818,536,928</u>	<u>P1,877,760,118</u>	<u>P1,359,631,794</u>

Share premium

The movements of share premium are as follows:

	2012	2011	2010
At January 1	P999,647,940	P675,502,960	P306,832,220
Issuance of common shares during the year	1,159,094,521	324,144,980	368,670,740
	<u>P2,158,742,461</u>	<u>P999,647,940</u>	<u>P675,502,960</u>

Share premium arises from amount subscribed for share capital in excess of par value. The Parent Company issued additional 274,632,170, 43,067,748 and 26,124,674 shares of stock at a premium in 2012, 2011 and 2010, respectively, which resulted to an aggregate increase in share premium of P1,159,094,521, P324,144,980 and P368,670,740 in 2012, 2011 and 2010, respectively.

Revaluation surplus

The revaluation surplus of P545,170,823 arose on the revaluation of the FCA trademark that was carried at revalued amounts of P778,815,461 (Note 14), net of tax effect of P233,624,235 (Note 29). 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 14). In 2012, Management impaired its FCA trademark amounting to P21,000,000, net of tax effect.

Translation reserves

Translation reserves, in the Philippine Peso financial statements, include all exchange differences resulting from the translation of financial statements of subsidiaries operating in other countries, namely SSCI and WTX, from the functional currency to the presentation currency.

	2012	2011
At January 1	P694,595	P-
Net exchange difference from translation to presentation currency for the year attributable to Parent Company	(2,898,271)	694,595
At December 31	<u>(P2,203,676)</u>	<u>P694,595</u>

Retained earnings

The appropriation of retained earnings pertains to the approval of FCAC's BOD on March 10, 2009 to appropriate accumulated retained earnings which amounted to P19,000,000 for future dividend payments. During 2011, FCA paid dividends which resulted to the reversal of the appropriated amount.

Unappropriated retained earnings include all unappropriated current and prior period results attributable to the owners of the Parent Company.

NOTE 21 - NON-CONTROLLING INTERESTS

Non-controlling interests represents the equity in subsidiaries not attributable directly or indirectly to the Parent Company. The details of the account are as follows:

2012						
	Share in net assets on acquisition date	Share in post-acquisition changes in equity				Total
		Retained earnings	Profit for the year	Other comprehensive loss	Deposit for future subscription	
FGP	P1,225,000	P89,649	(232,992)	P-	P-	P1,076,657
OBT	306,250	102,738	(258,710)	-	-	150,278
FI	20,000	54,605	(535,592)	-	-	(460,987)
FFCI	539,000	898,134	(39,371,044)	-	-	(37,933,910)
QLTS	539,000	1,933,452	(20,024,332)	-	-	(17,551,880)
WTC	1,537,095	19,242,941	-	(2,895,591)	-	17,884,445
SSIC	761,380	2,486,205	13,489,960	110,977	-	16,848,522
TBC	96,982,070	851,563	7,005,533	-	48,742,000	153,581,166
HC	464,260	99,353	53,896	-	-	617,509
	<u>P102,374,055</u>	<u>P25,753,640</u>	<u>(P39,873,281)</u>	<u>(2,784,614)</u>	<u>P48,742,000</u>	<u>P134,211,800</u>

2011						
	Share in net assets on acquisition date	Share in post-acquisition changes in equity				Total
		Retained earnings	Profit for the year	Other comprehensive income	Deposit for future subscription	
FGP	P1,225,000	P69,969	P14,680	P-	P-	P1,309,649
OBT	306,250	69,161	33,577	-	-	408,988
FI	20,000	-	54,605	-	-	74,605
FFCI	539,000	339,415	558,719	-	-	1,437,134
QLTS	539,000	365,241	1,568,211	-	-	2,472,452
WTX	1,537,095	1,780,388	16,832,079	630,474	-	20,780,036
SSIC	761,380	113,746	2,335,578	36,881	-	3,247,585
TBC	96,982,070	-	851,563	-	48,742,000	146,575,633
HC	464,260	-	-	99,353	-	563,613
	<u>P102,374,055</u>	<u>P2,737,920</u>	<u>P22,249,012</u>	<u>P766,708</u>	<u>P48,742,000</u>	<u>P176,869,695</u>

2010						
	Share in net assets on acquisition date	Share in post-acquisition changes in equity				Total
		Retained earnings	Profit for the year	Other comprehensive income	Deposit for future subscription	
FGP	P1,225,000	P-	P69,969	P-	P-	P1,294,969
OBT	306,326	-	69,161	-	-	375,487
FI	20,000	-	-	-	-	20,000
FFCI	490,000	-	339,415	-	-	829,415
QLTS	490,000	-	365,241	-	-	855,241
WTX	1,537,095	-	1,780,388	-	-	3,317,483
SSIC	761,380	-	113,746	-	-	875,126
	<u>P4,829,801</u>	<u>P-</u>	<u>P2,737,920</u>	<u>P-</u>	<u>P-</u>	<u>P7,567,721</u>

Other comprehensive income pertains to net exchange difference from translation to presentation currency for the year attributable to non-controlling interests.

NOTE 22 - EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit (loss) for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

The financial information pertinent to the derivation of the basic earnings (loss) per share for the years ended December 31, 2012, 2011 and 2010, are as follows:

	2012	2011	2010
Profit (loss) attributable to equity holders of the Parent Company	(P105,137,270)	P193,852,362	P90,813,545
Weighted average number of shares outstanding	479,398,580	237,931,280	199,642,186
	(P0.22)	P0.81	P0.45

There were no dilutive potential ordinary shares for the years ended December 31, 2012, 2011 and 2010. Therefore, the Company's basic and diluted earnings per share for the years ended December 31, 2012, 2011 and 2010 are equal.

The reconciliation of the average number of shares outstanding as of the financial reporting date is as follows:

2012			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 1, 2012	261,060,867	261,060,867	261,060,867
January 5, 2012	3,450,000	264,510,867	3,412,192
January 19, 2012	175,000,000	439,510,867	166,369,863
February 5, 2012	6,900,000	442,960,867	6,238,356
July 11, 2012	89,282,170	535,693,037	42,317,302
	535,693,037		479,398,580
2011			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 1, 2011	217,993,119	217,993,119	217,993,119
April 20, 2011	14,824,798	232,817,917	10,357,051
May 16, 2011	7,400,000	240,217,917	4,642,740
August 19, 2011	6,192,950	246,410,867	2,273,576
October 3, 2011	7,750,000	254,160,867	1,889,726
November 5, 2011	3,450,000	257,610,867	529,315
December 5, 2011	3,450,000	261,060,867	245,753
	261,060,867		237,931,280
2010			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 1, 2010	191,868,445	191,868,445	191,868,445
February 8, 2010	3,435,426	195,303,871	3,068,353
August 7, 2010	3,968,253	199,272,124	1,587,301
September 8, 2010	2,655,000	201,927,124	829,233
November 9, 2010	16,065,995	217,993,119	2,288,854
	217,993,119		199,642,186

NOTE 23 - REVENUE

	2012	2011	2010
Sale of goods	P2,326,311,066	P2,216,428,342	P1,574,432,985
Service income	3,635,919	37,331,897	10,578,774
	<u>P2,329,946,985</u>	<u>P2,253,760,239</u>	<u>P1,585,011,759</u>

Sale of goods account pertains to agricultural produce and other related products.

Service income account pertains to logistic services.

NOTE 24 - COST OF SALES AND SERVICES

	2012	2011	2010
Inventories at January 1 (Note 9)	P155,442,289	P77,536,576	P37,749,478
Addition due to acquisition	-	6,613,413	-
Harvested agricultural produce (Note 11)	283,717,202	407,507,485	-
Purchases	1,612,640,863	1,393,145,531	1,347,634,748
Cost of goods available for sale	2,051,800,354	1,884,803,005	1,385,384,226
Inventories at December 31 (Note 9)	(134,863,797)	(155,442,289)	(77,536,576)
Cost of sales	1,916,936,557	1,729,360,716	1,307,847,650
Cost of services	27,788,221	5,368,138	6,456,565
	<u>P1,944,724,778</u>	<u>P1,734,728,854</u>	<u>P1,314,304,215</u>

NOTE 25 - OTHER OPERATING INCOME

	2012	2011	2010
Gain on changes in fair value of biological assets (Note 11)	P32,094,393	P155,456,374	P59,380,361
Interest income from farmers	2,025,211	-	-
Realized foreign exchange gain	720,270	379,176	-
Unrealized foreign exchange gain	-	183,945	-
Rental income	797,588	-	309,840
Gain on bargain purchase (Note 30)	-	32,198,522	-
Gain on sale of transportation equipment	-	125,000	-
Other income	4,745,509	5,366,901	-
	<u>P40,382,971</u>	<u>P193,709,918</u>	<u>P59,690,201</u>

NOTE 26 - OPERATING EXPENSES

	2012	2011	2010
Depreciation and amortization (Notes 13 and 14)	P58,896,470	P48,829,728	P17,365,336
Salaries, wages and other employee benefits	54,949,066	74,958,569	37,632,985
Contracted services	54,519,509	7,274,581	2,338,304
Rental (Note 28)	38,073,704	22,658,527	9,706,451
Freight and handling cost	35,115,511	108,281,922	19,397,955
Transportation and travel	29,361,161	11,598,440	7,868,705
Advertising	28,632,303	18,944,785	22,391,910
Supplies	20,697,902	14,896,826	13,696,804
Communication, light and water	20,585,915	13,412,493	9,453,971
Taxes and licenses	14,450,180	8,237,471	3,035,572
Repairs and maintenance	7,146,530	15,677,657	8,503,061
Professional fees	4,866,831	3,487,088	10,369,062
SSS, GSIS, Philhealth and other contributions	4,020,958	4,166,894	803,104
Representation and entertainment	2,937,888	2,220,548	5,418,327
Dues and subscription	1,784,074	1,300,135	1,020,025
Pension (Note 17)	1,528,994	1,150,263	217,430
Commissions	1,345,392	3,184,675	277,311
Insurance	1,078,916	1,171,973	470,911
Bank charges	584,767	701,914	277,556
Research and development	97,126	283,178	78,989
Director fees	70,000	250,000	-
Trainings and seminars	-	1,198,246	-
Store opening cost (Note 28)	-	646,050	-
Others	6,103,074	4,438,072	2,953,742
	P386,846,271	P368,970,035	P173,277,511

NOTE 27 - OTHER OPERATING EXPENSES

	2012	2011	2010
Impairment loss on trade and other receivables (Note 8)	P9,906,931	P1,652,934	P3,215,517
Realized foreign exchange loss	-	-	78,285
Others expenses	571	-	2,445,848
	P9,907,502	P1,652,934	P5,739,650

NOTE 28 - AGREEMENTS AND COMMITMENTS

a) Operating leases as lessee

The Group leases mostly in malls wherein most of the TBC stores were located. The lease ranges from one (1) to five (5) years with an average monthly rental of P1,160,000. The lease includes an annual 10% escalation clause at the lessor's discretion.

Minimum lease payments under operating leases recognized as expense for the years ended December 31, 2012, 2011 and 2010 were as follows:

	2012	2011	2010
Minimum lease payments (Note 26)	<u>P38,073,704</u>	<u>P22,658,527</u>	<u>P9,706,451</u>

At the financial reporting date, the Group had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows:

	2012	2011
Not later than one year	<u>P15,598,809</u>	<u>P30,621,063</u>
Later than one year but not later than five years	<u>27,129,835</u>	<u>73,523,022</u>
	<u>P42,728,644</u>	<u>P104,144,085</u>

b) Licensing agreement

On January 17, 2011, the Company entered into a Master Licensing Agreement with Tully's Coffee International Pte. Ltd. for the operation of coffee shops and sale of coffee products under the brand "Tully's". The term of the license is for a period of ten (10) years but maybe extended for another 10 years. Under the agreement, the Parent Company paid US\$200,000 (equivalent to P9,049,750) as a sign-up fee. This amount is presented under intangibles as "Franchise". For each store to be opened by the Group, a store-opening fee shall be paid to Tully's in the amount of US\$2,500-US\$15,000. Furthermore, the Group shall pay contingent fees equivalent to 5% of net revenues of each coffee house.

During 2011, the Group opened its first coffee shop located at The Fort, Global City, for which the Group incurred store opening cost in the amount of US\$15,000 or P646,050 as shown in 2011 consolidated statements of income (loss) (Note 26).

NOTE 29 - INCOME TAXES

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

	2012	2011	2010
Current	<u>P18,517,139</u>	<u>P26,154,504</u>	<u>P24,185,597</u>
Deferred	<u>(63,921,982)</u>	<u>29,048,870</u>	<u>17,050,934</u>
	<u>(P45,404,843)</u>	<u>P55,203,374</u>	<u>P41,236,531</u>

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

	2011	Charged to operation during the year	2012
Deferred tax assets:			
Impairment loss on trade receivables	P1,460,535	P2,972,079	P4,432,614
Pension liability	630,272	458,698	1,088,970
NOLCO	-	9,622,887	9,622,887
MCIT	-	5,234,958	5,234,958
	<u>P2,090,807</u>	<u>P18,288,622</u>	<u>P20,379,429</u>
Deferred tax liabilities:			
Change in fair value of trademark	P233,644,638	(P9,000,000)	P224,644,638
Change in fair value of biological assets	47,648,753	(38,020,436)	9,628,317
Unrealized gain on foreign exchange	55,184	(55,184)	-
	<u>P281,348,575</u>	<u>(P47,075,620)</u>	<u>P234,272,955</u>

The Group review deferred tax assets at each financial reporting date and recognized these to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets were recognized as of December 31, 2012 and 2011 as management believes that the carry forward benefit would be realized in its future operations.

- c) The reconciliation between the profit before income tax multiplied by the statutory rate and the Group's actual provision for income tax is shown below:

	2012	2011	2010
Profit (loss) before income tax	<u>(P190,415,394)</u>	<u>P271,304,748</u>	<u>P134,787,996</u>
Provision for income tax computed			
At the statutory tax rate	(57,124,618)	74,488,265	40,436,399
Tax effects of:			
Income subject to income tax holiday	(2,358,689)	(9,944,156)	-
Interest income subject to final tax	(667,999)	(192,626)	(28,510)
Nondeductible expenses	62,395,217	471,840	828,642
Nontaxable income	-	(9,659,556)	-
Temporary nontaxable income	(47,648,754)		
Tax arbitrage	-	39,607	-
	<u>(P45,404,843)</u>	<u>P55,203,374</u>	<u>P41,236,531</u>

NOTE 30 - BUSINESS ACQUISITIONS

There are no acquisitions made during 2012.

Acquisitions in 2011

On August 19, 2011, as part of the Group's expansion program, the Parent Company entered into a Memorandum of Agreement with FAB People, Inc. (FAB), a domestic corporation engaged in business and management activities, and owner of 2,000 shares or 100% of the issued and outstanding shares of The Big Chill, Inc. (TBC), a domestic corporation engaged in selling fresh and preservative-free fruit juices and shakes, for the purpose of acquiring 51% or 1,020 shares of TBC for Twenty Million Pesos (P20,000,000). In addition, the Parent Company shall advance to TBC the amount of Two Hundred-Forty Four Million Pesos (P244,000,000) that will be used for the business expansion. Within 30 days from the completion of the due diligence, the Parent Company has the option to convert the entire advances into shares of stock wherein after the conversion, the Parent Company shall own 80% of the issued and outstanding shares and FAB shall own the remaining 20%. Thus, after the conversion, the capital structure of TBC shall be:

	Amount	Percentage
FAB	P48,840,000	20
Parent Company	195,360,000	80
	<u>P244,200,000</u>	<u>100</u>

In the event that the Parent Company decides not to convert the advances into equity in TBC, such advances shall be paid by TBC within 12 months from June 30, 2012 with 4% interest per annum. At the date of acquisition, the Parent Company commissioned CBREllis to make a business and branch valuation of TBC. Based on the branch valuation made by CBREllis, the trademark "The Big Chill" is valued at Two Hundred Million Pesos (P200,000,000). During 2011, the Parent Company has advanced the P244,000,000 and is shown in the TBC's separate statements of financial position as deposits for future stock subscriptions.

The following table summarizes that consideration paid for 51% of TBC, the fair values of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration at August 19, 2011:

Initial cash consideration paid to FAB for the 51% interest in TBC	P20,000,000
Share of FAB in the advances provided by the Parent Company to TBC	<u>48,742,000</u>
Total consideration transferred	<u>P68,742,000</u>

Recognized amounts of identifiable assets acquired and liabilities assumed:

Cash	P4,670,559
Receivables	2,224,028
Inventories	4,595,690
Other current assets	6,260,509
Property and equipment	20,790,579
Trademark	200,000,000
Payables	(24,284,529)
Advances from related parties	(16,214,443)
Income tax payable	(119,801)
Net identifiable assets at acquisition date	197,922,592
Non-controlling interest (Note 21)	(96,982,070)
Negative goodwill/gain on bargain purchase (Note 25)	(32,198,522)
Total consideration transferred	P68,742,000

The purchase of TBC has resulted in a negative goodwill which is shown in the consolidated statements of income (loss) as gain on bargain purchase (Note 25), which was attributable entirely to the Parent Company.

There were no contingent consideration arrangement and indemnification assets relating to the acquisition.

The fair value and the gross contractual amount of the receivable amounted to P2,224,028, which is expected to be collectible.

Non-controlling interests was measured at the acquisition date based on the present ownership instruments' proportionate share in the recognized amounts of TBC's identifiable net assets.

Acquisitions in 2010

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 the Parent Company will infuse fresh capital funds amounting to US\$1,340,000 and US\$960,000, respectively.

The summary of the consideration paid, fair values of assets acquired, liabilities assumed and the non-controlling interest at the acquisition dates of these business acquisition follows:

Acquired subsidiaries Percentage acquired Date acquired	HAPC 100% Sept. 30, 2010	WTX 51% Oct. 11, 2010	SSIC 51% Oct. 11, 2010	Total
Consideration at acquisition date:				
Cash consideration transferred	<u>P12,106,956</u>	<u>P6,943,520</u>	<u>P1,735,880</u>	<u>P20,786,356</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:				
Cash	P7,914,564	P1,059,727	P598,487	P9,572,778
Trade and other receivables	-	76,384,088	7,543,600	83,927,688
Inventories	-	88,286,269	-	88,286,269
Property and equipment, net	-	697,498	-	697,498
Trade and other payables	-	(163,290,653)	(6,588,250)	(169,878,903)
Net identifiable assets at acquisition date	7,914,564	3,136,929	1,553,837	12,605,330
Non-controlling interest (Note 21)	-	(1,537,095)	(761,380)	(2,298,475)
Goodwill (Note 14)	<u>4,192,392</u>	<u>5,343,686</u>	<u>943,423</u>	<u>10,479,501</u>
Total consideration transferred	<u>P12,106,956</u>	<u>P6,943,520</u>	<u>P1,735,880</u>	<u>P20,786,356</u>

The goodwill arising from the acquisition of HAPC, WTX and SSIC comprises the values of expected synergies from combining operations of the acquired companies and the Parent Company. None of the goodwill recognized is expected to be deductible for income tax purposes.

There were no contingent considerations arrangement and indemnification assets relating to the acquisition in 2010.

The fair value and the gross contractual amount of the receivable amounted to P83,927,688, which is expected to be collectible.

Non-controlling interests in HAPC, WTX and SSIC were measured at the acquisition date based on the present ownership instruments' proportionate share in the recognized amounts of the acquirees' identifiable net assets.

NOTE 31 - CONTINGENCIES

The Parent Company and a subsidiary are currently involved in certain lawsuits involving the Bureau of Internal Revenue (BIR) for the alleged deficiency in payment of certain taxes and former employee for a qualified theft with the unlawful taking of Company-owned properties.

Management believes that the outcome of the above contingencies will not materially affect the financial position and results of operation of the Group.

NOTE 32 - RECLASSIFICATION

Certain accounts in the 2011 financial statements were reclassified to conform with the current year's presentation.

The items were reclassified as follows:

	As previously reported	Reclassification	After reclassification
<u>Statement of financial position</u>			
Asset			
Advances to projects	P350,606,354	(350,606,354)	P-
Advances to officers and employees	P17,530,521	350,606,354	368,136,875

These reclassifications have no effect on the reported profit or loss, total income and expense or total liabilities for the period reported. Accordingly, the management did not present a statement of financial position for the Company at the beginning of the earliest comparative period.

**ALBA ROMEO & CO.**

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7/F Multinational Bancorporation Centre

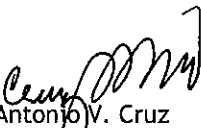
6805 Ayala Avenue, Makati City 1226 Philippines

Branches: Bacolod / Cagayan de Oro / Cebu

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
AgriNurture, Inc and its Subsidiaries
No. 54 National Road, Dampol II-A
Pulilan, Bulacan

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of AgriNurture, Inc. and its Subsidiaries as at and for the years ended December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 included in this Form 17-A and have issued our report thereon dated April 29, 2013. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules under Item No. 7 in this Form 17-A are presented for purposes of complying with the Securities Regulation Code (SRC) Rule 68, As Amended, and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic consolidated financial statements. Such schedules are the responsibility of management. The schedules have been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

ALBA ROMEO & CO.
Antonio V. Cruz
Partner

CPA Certificate No. 0017482

Tax Identification No. 141-791-333-000

PTR No. 3682024, issued on January 12, 2013, Makati City

BOA/PRC Registration No. 0005, issued on November 12, 2012,
effective until December 31, 2015SEC Accreditation No. A-597-A (Individual), Group A,
issued on February 11, 2013, effective until June 11, 2013SEC Accreditation No. 0007-FR-3 (Firm), Group A, issued on March 22, 2012,
effective until March 21, 2015BIR Accreditation No. 08-001682-3-2012, issued on January 4, 2012,
effective until January 4, 2015

April 29, 2013
Makati City, Philippines

AGRINURTURE, INC. AND ITS SUBSIDIARIES

SCHEDULE A. FINANCIAL ASSETS

As at December 31, 2012

Name of issuing entity and association each issue (i)	Number of Shares of or principal amount of bonds and notes	Amount shown in the balance sheet(ii)	Value based on quotation at end of reporting period	Income received and accrued
Loans and receivables				
Cash and cash equivalents				
Cash on hand				
Petty cash fund, at face value (ii)		P902,600		
Revolving fund, at face value (ii)		16,785,557		
Cash on hand, at face value (ii)		6,118,775		
Sub-total		<u>23,806,932</u>		
Cash in banks				
Hongkong and Shanghai Banking		48,772,611		
Metropolitan Bank and Trust Company		5,965,936		P5,966
Land Bank of the Philippines		4,516,780		4,517
Agriculture Bank of China		19,622,885		-
Bank of the Philippines Island		9,980,655		3,995
Banco de oro Unibank, Inc.		42,493,838		94,994
Bank of Commerce		220,584		3,443
United Coconut Planters Bank		957,242		957
Mega International Commercial Bank		44,305,713		92,306
China Banking Corporation		20,912		831
China Trust Commercial Bank		7,626,039		15,794
Agricultural Bank of the		5,204,773		5,205
Robinsons Bank		1,375,162		1,375
Malayan Bank		30,192		219
GM Bank of Luzon		198,377		198
Eastwest Bank		72,600		208
Security Bank Corporation		50,000		50
Philippine Business Bank		10,189		365
Rizal Commercial Banking Corporation		2,807,136		4,362
Sub-total		<u>P194,231,624</u>		<u>P234,785</u>
Total Cash and cash equivalents		218,038,556		
Trade and other receivables, at cost (ii)		842,652,472		
Advances to related parties, at amortized cost		1,386,886,504		
Deposits		16,057,337		
Total loans and receivables		<u><u>P2,463,634,869</u></u>		

AGRINURTURE, INC. AND ITS SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
AS AT DECEMBER 31, 2012

Name and Designation of debtor (i)	Balance at beginning of period	Deductions		Additions	Balance at end of period	Current	Not Current	Due date	Interest rate per annum	Terms of repayment	Collateral
		Amounts collected (ii)	Amounts written off (iii)								
Officer and employees											
Principal stockholder											
Person EE, former employee											
Total											

NOT APPLICABLE

AGRINURTURE, INC. AND SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at end of period
			Amounts collected (i)	Amounts written off (ii)			
AgriNurture, Inc., a 100% owned subsidiary							
Trade and other receivables							
Advances to related parties	2,711,067	54,625,067	43,679,867		865,752,082		865,752,082
First Class Agriculture, a 100% owned subsidiary							
Trade and other receivables							
Advances to related parties	1,483,821	178,802,210	153,465,700		135,402,848		135,402,848
Fresh and Green Harvest Agricultural Company Inc., a 100% owned subsidiary							
Trade and other receivables							
Advances to related parties	100,000				75,656,514		75,656,514
Lucky Fruit and Vegetable Products, Inc.-100% owned subsidiary							
Trade and other receivables							
Advances to related parties	6,207,985	3,671,158	39,403,601		39,403,601		39,403,601
M2000 IMEX Company Inc.,-100% owned subsidiary							
Trade and other receivables							
Advances to related parties	422,648	240,451,463	5,432,100		5,432,100		5,432,100
Best Choice Harvest Agricultural Corporation,-100% owned subsidiary							
Trade and other receivables							
Advances to related parties	12,250	543,326,701	130,394		130,394		130,394
The Big Inc. 51% owned subsidiary							
Trade and other receivables							
Advances to related parties		139,730,980	90,825,137		42,263,186		42,263,186
Fruitilicious Company Inc. -90% owned subsidiary							
Trade and other receivables							
Advances to related parties		19,430,955	10,687,025		21,353,280		21,353,280
Hansung Agro Products, Inc. -100% owned subsidiary							
Trade and other receivables							
Advances to related parties		3,653,019	2,739,764		8,277,826		8,277,826
Advances to related parties	1,010,982	177,100.32					
Total	11,948,753	1,183,868,653	346,363,588	-	1,193,671,832	-	1,193,671,831.73

AGRINURTURE, INC. AND ITS SUBSIDIARIES

SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS
As at DECEMBER 31, 2012

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes, additions, deductions (iii)	Ending balance
Assets shown under the caption Intangible Assets						
Goodwill (Note a)	P29,989,414	P-	P-	P-	P-	P29,989,414
Trademarks and licenses (Note b)	979,000,000	-	(30,000,000)	-	-	949,000,000
Computer Software (Note c)	643,373	1,068,116	(320,522)	-	-	1,390,967
Franchise (Note d)	9,049,750	-	-	-	-	9,049,750
Total	1,018,682,537	1,068,116	(30,320,522)	-	-	989,430,131
Deferrals shown under the caption other assets						
Prepayments	14,179,257	1,535,392	-	-	-	15,714,649
Input VAT	14,496,987	7,968,911	-	-	-	22,465,898
Prepaid Rent	1,305,966	18,999,000	-	-	-	20,304,966
Deferred MCIT	700,624	-	700,624	-	-	-
Creditable Withholding Tax	13,759	2,552,754	-	-	-	2,566,513
Other Current Assets	885,803	16,825,818	(483,296)	-	-	17,228,325
Total	P31,582,396	P47,881,875	P217,328	P-	P-	P78,280,351

AGRINURTURE, INC. AND ITS SUBSIDIARIES

SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
AS AT DECEMBER 31, 2012

Name of related party (i)	Balance at beginning	Balance at end of period
1. Unconsolidated subsidiaries		
2. Other related parties		
3. Other companies accounted for by the equity method		
Total		

NOT APPLICABLE

AGRINURTURE, INC. AND ITS SUBSIDIARIES

**SCHEDULE E. LONG-TERM DEBT
AS AT DECEMBER 31, 2012**

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest rates	Amount of periodic instalments	Number of periodic instalments	Maturity dates
Bank overdrafts	p-	p-	p-				
Bank loans							
Secured							
Land Bank of the Philippines	297,810,000	117,810,000	180,000,000	6.75%	30,000,000	10 Semi-monthly Instalments	7/12/2016
Unsecured							
Banco De Oro	252,500,000	252,500,000		4%-6.5%	252,500,000	1 lump-sum payment	1/23/13 to 3/19/2013
Mega International Commercial Bank	157,600,000	157,600,000		4%-7.5%	157,600,000	payment	2/26/2013 to 3/25/2013
China Trust Banking Corporation	100,000,000	100,000,000		2% -6%	100,000,000	payment	3/21/2013
Rizal Banking Corporation	152,222,400	152,222,400			152,222,400	payment	6/7/2013-10/31/13
Collateralized borrowings	-	-					
Convertible debt	-	-					
Obligations under finance leases	-	-					
Total	P960,132,400	P780,132,400	P180,000,000				

AGRINURTURE, INC. AND ITS SUBSIDIARIES

SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS
AS AT DECEMBER 31, 2012

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which financial statement is filed	Nature of guarantee (ii)
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NOT APPLICABLE

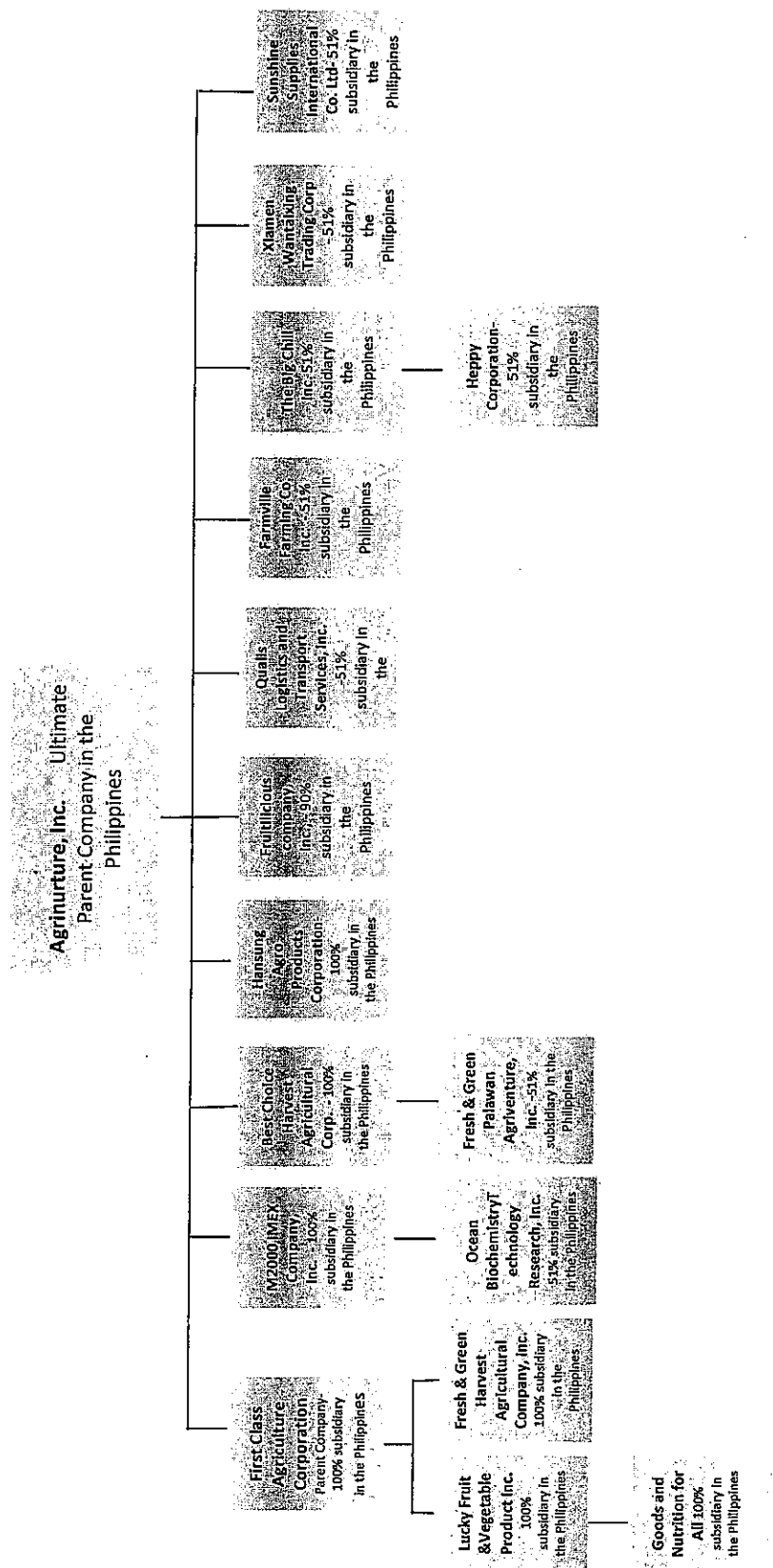
AGRINURTURE, INC. AND ITS SUBSIDIARIES

SCHEDULE H. CAPITAL STOCK
AS AT DECEMBER 31, 2012

Title of issue (i)	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties (ii)	Directors, officers and employees	Others (iii)
Common shares of P1 par value	1,000,000,000	535,693,037	6,500,000	-	118,599,048	417,093,989
Total	1,000,000,000	535,693,037	6,500,000	-	118,599,048	417,093,989

AGRINURTURE, INC. AND ITS SUBSIDIARIES

Schedule I. MAP OF THE GROUP OF COMPANIES As of December 31, 2012



AGRINURTURE, INC. AND ITS SUBSIDIARIES

No.54 National Road, Dampol II-A Pulilan, Bulacan

Schedule J. RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of DECEMBER 31, 2012

Un-appropriated Retained Earnings, *as adjusted to
available for dividend distribution, beginning*

Add: Net income actually earned/realized during the

Net income during the period closed to Retained Earnings

Less: Non-actual/unrealized income net of tax

Equity in net income of associate/joint venture
Unrealized foreign exchange gain - net (except
Unrealized actuarial gain
Gain on change on fair value of biological assets
Fair value adjustment (M2M gains)
Fair value adjustment of Investment Property
Adjustment due to deviation from PFRS/GAAP-gain
Other unrealized gains or adjustments to the
Sub-total

Add: Non-actual losses

Depreciation on revaluation increment (after tax)
Adjustment due to deviation from PFRS/GAAP-loss
Loss on fair value adjustment of Investment
Sub-total

Net income actually earned during the period

Add (Less):

Dividend declarations during the period
Appropriations of Retained Earnings during the
Reversals of appropriations
Effects of prior period adjustments
Treasury shares

Sub-total

**TOTAL RETAINED EARNINGS, END
AVAILABLE FOR DIVIDEND**

NOT APPLICABLE

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		✓
PFRS 4	Insurance Contracts			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		* ✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			* ✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			* ✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			* ✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial			

AGRI-NURTURE, INC.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Assets and Financial Liabilities			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			* ✓
PFRS 8	Operating Segments		✓	
PFRS 9*	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			* ✓
PFRS 10*	Consolidated Financial Statements			* ✓
PFRS 11*	Joint Arrangements	✓		
PFRS 12*	Disclosure of Interests in Other Entities			* ✓
PFRS 13*	Fair Value Measurement			* ✓
Philippine Accounting Standards		✓		
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation		✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			
PAS 19 (Amended)*	Employee Benefits		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			* ✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		✓
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		

AGRINURTURE, INC.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
(Revised)				
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)*	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures			
PAS 29	Financial Reporting in Hyperinflationary Economies			* ✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation		✓	✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation		✓	
	Amendment to PAS 32: Classification of Rights Issues		✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement			* ✓
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets		✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition		✓	
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			
PAS 40	Investment Property			✓
PAS 41	Agriculture	✓		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

AGRINURTURE, INC.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives		✓	
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes		✓	
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			*✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓

AGRINURTURE, INC.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			
SIC-32	Intangible Assets - Web Site Costs			✓
*New Standards, interpretations and amendments effective after December 31, 2012				✓

AGRINURTURE, INC. AND ITS SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2012 AND 2011

		2012	2011
I. Current/liquidity ratios			
Current ratio		2.55	1.92
Current Ratio =	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{2,514,667,150}{986,716,890}$	$\frac{1,744,170,488}{909,396,751}$
Quick ratio		1.73	0.96
Quick ratio =	$\frac{\text{Current assets-Inventories-Biological Assets- Advances to officers and employees/projects}}{\text{Current Liabilities}}$	$\frac{1,708,334,855}{986,716,890}$	$\frac{873,409,386}{909,396,751}$
II. Solvency ratios/debt-to-equity ratios			
Solvency ratio		-0.05	0.18
Solvency ratio =	$\frac{\text{After tax net profit + depreciation (Non-cash expenses)}}{\text{Total liabilities}}$	$\frac{(76,152,726)}{1,404,619,747}$	$\frac{264,931,102}{1,445,346,234}$
Debt-to-equity ratio		0.40	0.62
Debt-to-equity ratio =	$\frac{\text{Total liabilities}}{\text{Total equity}}$	$\frac{1,404,619,747}{3,488,441,765}$	$\frac{1,445,346,234}{2,315,690,680}$
III. Asset-to-equity ratio			
Asset-to-equity ratio		1.40	1.62
Asset-to-equity ratio =	$\frac{\text{Total assets}}{\text{Total equity}}$	$\frac{4,893,061,512}{3,488,441,765}$	$\frac{3,761,036,914}{2,315,690,680}$
IV. Interest rate coverage ratio			
Interest rate coverage ratio		-0.04	6.42
Interest rate coverage ratio =	$\frac{\text{Earnings before interest and tax(EBIT)}}{\text{Total equity}}$	$\frac{(145,778,272)}{3,488,441,765}$	$\frac{320,613,502}{49,950,841}$
V. Profitability ratios			
Return on equity (ROE)		-0.04	0.09
Return on equity =	$\frac{\text{Net profit}}{\text{Total equity}}$	$\frac{(138,659,549)}{3,494,792,767}$	$\frac{216,101,374}{2,315,690,680}$
Gross margin		0.17	0.23
Gross margin =	$\frac{\text{Gross profit}}{\text{Revenue}}$	$\frac{385,222,207}{2,329,946,985}$	$\frac{519,031,385}{2,253,760,239}$
Net margin		-0.06	0.10
Net margin =	$\frac{\text{Net profit}}{\text{Revenue}}$	$\frac{(145,010,551)}{2,329,946,985}$	$\frac{216,101,374}{2,253,760,239}$