

20 May 2013

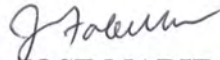
MS. JANET A. ENCARNACION
Head, Disclosure Department
Philippine Stock Exchange
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

RE: FIRST QUARTER REPORT

Dear Ms. Encarnacion,

In compliance with the Philippine Stock Exchange (“Exchange”) Revised Disclosure Rules, we submit herewith the Corporation’s Unaudited Interim Quarterly Report (SEC Form 17-Q) for the quarter ended March 31, 2013.

Very truly yours,


ATTY. JOSE MARIE E. FABELLA
Corporate Secretary

A 1 9 9 9 1 1 6 6 6

SEC Registration Number

C A L A T A C O R P O R A T I O N

(Company's Full Name)

M C A R T H U R H I - W A Y B A N G A I S T

P L A R I D E L B U L A C A N

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

Benison Paul B. De Torres

(Contact Person)

044-795-1979

(Company Telephone Number)

1 2 3 1

Month Day (Fiscal Year)

1 7 - Q

(Form Type)

Month Day (Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

_____ LCU

Document ID

_____ Cashier

STAMPS

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20 May 2013

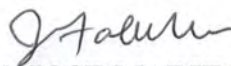
ATTY. JUSTINA F. CALLANGAN
Director
Corporation Finance Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

RE: FIRST QUARTER REPORT

Dear Atty. Callangan,

On behalf of **CALATA CORPORATION** (the "Corporation"), we submit herewith the Corporation's Unaudited Interim Quarterly Report (SEC Form 17-Q) for the quarter ended March 31, 2013 in compliance with the requirements of the Securities Regulation Code and its Implementing Rules and Regulations.

Very truly yours,


ATTY. JOSE MARIE E. FABELLA
Corporate Secretary

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2013
2. Commission identification number A199911666 3. BIR Tax Identification No 005-712-797-000
4. Exact name of issuer as specified in its charter

Calata Corporation

5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code: (SEC Use Only)
-

7. Address of issuer's principal office Postal Code
- McArthur Highway, Banga 1st, Plaridel, Bulacan 3004

8. Issuer's telephone number, including area code
- (044) 795 0136

9. Former name, former address and former fiscal year, if changed since last report Not Applicable

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
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<u>Common Shares</u>	<u>360, 112, 000 shares</u>
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11. Are any or all of the securities listed on a Stock Exchange?

Yes [/] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common Shares

12. Indicate by check mark whether the registrant:

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

Yes [/] No []

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

Yes [/] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached interim unaudited financial statements as of 31 March 2013.

PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.


SIGNATURES

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

CALATA CORPORATION



JOSEPH H. CALATA
President/CEO
May 20, 2013



BENISON PAUL B. DE TORRES
Chief Finance Officer
May 20, 2013

CALATA CORPORATION AND ITS SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2013 (UNAUDITED)
AND DECEMBER 31, 2012 (AUDITED)
AND FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2013 AND 2012 (UNAUDITED)**

CALATA CORPORATION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2013 AND DECEMBER 31, 2012

	Note	2013	2012
ASSETS			
Current assets			
Cash and cash equivalents	8	P119,660,279	P395,503,777
Trade and other receivables, net	9	242,836,465	242,146,197
Loans receivable	10	9,650,000	9,650,000
Advances to related parties	22	175,508,034	41,567,329
Inventories	11	271,630,457	220,483,700
Prepayments and other current assets		3,214,101	3,214,102
Total current assets		<u>822,499,336</u>	<u>912,565,105</u>
Noncurrent assets			
Loans receivable	10	120,000,000	120,000,000
Investment properties	12	112,865,000	112,865,000
Property and equipment, net	13	362,697,672	345,444,069
Deferred tax assets	24	2,681,617	2,589,764
Other noncurrent assets	25	3,305,133	3,305,132
Total noncurrent assets		<u>601,549,422</u>	<u>584,203,965</u>
Total assets		<u>P1,424,048,758</u>	<u>P1,496,769,070</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	P65,689,036	P186,928,204
Loans payable	15	525,691,461	502,137,982
Advances from related parties	22	-	2,070,350
Income tax payable		53,314,622	45,786,638
Total current liabilities		<u>644,695,117</u>	<u>736,923,174</u>
Non-current liabilities			
Loans payable	15	5,637,253	6,022,303
Retirement benefit liability	23	3,244,748	2,938,573
Deferred tax liabilities	24	2,551,425	1,968,000
Total noncurrent liabilities		<u>11,433,426</u>	<u>10,928,876</u>
Total liabilities		<u>656,128,543</u>	<u>747,852,050</u>
Equity			
Share capital	16	360,112,000	360,112,000
Share premium	16	209,157,649	209,157,649
Retained earnings		198,650,566	179,647,371
Total equity		<u>767,920,215</u>	<u>748,917,020</u>
Total liabilities and equity		<u>P1,424,048,758</u>	<u>P1,496,769,070</u>

(The notes on pages 6 to 56 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2013 AND 2012

	Notes	2013	2012
Sales	18	P488,143,877	P570,444,579
Cost of sales	19	<u>(426,796,196)</u>	<u>(507,240,712)</u>
Gross profit		61,347,681	63,203,867
Operating expenses	20	<u>(29,576,793)</u>	<u>(17,054,144)</u>
Other operating income, net	21	<u>951,670</u>	<u>332,415</u>
Profit from operations		32,722,558	46,482,138
Finance income	8, 10	<u>2,494,742</u>	<u>831,760</u>
Finance costs	15	<u>(8,037,380)</u>	<u>(7,940,047)</u>
Profit before tax		27,179,920	39,373,851
Provision for income tax	24	<u>(8,176,725)</u>	<u>(11,665,558)</u>
Profit for the year		<u>P19,003,195</u>	<u>P27,708,293</u>
Basic and diluted earnings per share	26	<u>P0.05</u>	<u>P0.09</u>

(The notes on pages 6 to 56 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2013 AND 2012

	Note	2013	2012
Profit for the year		P19,003,195	P27,708,293
Other comprehensive income		-	-
Total comprehensive income		<u>P19,003,195</u>	<u>P27,708,293</u>
Basic and diluted earnings per share	26	<u>P0.05</u>	<u>P0.09</u>

(The notes on pages 6 to 56 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2013 AND 2012

	Note	Share capital	Share premium	Retained earnings	Total
Balance at January 1, 2012		P324,100,000	P-	P75,904,564	P400,004,564
Net income for the three-month period		-	-	27,708,293	27,708,293
Other comprehensive income		-	-	-	-
Balance at March 31, 2012		<u>324,100,000</u>	<u>-</u>	<u>103,612,857</u>	<u>427,712,857</u>
Issuance of additional shares	16	36,012,000	209,157,649	-	245,169,649
Net income for the nine-month period		-	-	82,666,808	-
Other comprehensive income		-	-	-	-
Effect of purchase of non-controlling interest in subsidiary	6	-	-	(6,632,294)	(6,632,294)
Balance at December 31, 2012		<u>360,112,000</u>	<u>209,157,649</u>	<u>179,647,371</u>	<u>748,917,020</u>
Net income for the three-month period		-	-	19,003,195	19,003,195
Other comprehensive income		-	-	-	-
Balance at March 31, 2013		<u><u>P360,112,000</u></u>	<u><u>P209,157,649</u></u>	<u><u>P198,650,566</u></u>	<u><u>P767,920,215</u></u>

(The notes on pages 6 to 56 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2013 AND 2012

	Notes	2013	2012
Cash flows from operating activities			
Profit before tax		P27,179,920	P39,373,851
Adjustments for:			
Depreciation and amortization	13, 20	3,254,870	1,607,416
Retirement benefit costs	20, 23	306,174	444,598
Finance income	8, 10	(2,494,742)	(831,760)
Finance costs	15	8,037,380	7,940,047
Operating income before working capital changes		36,283,602	48,534,152
Decrease (increase) in:			
Trade and other receivables		1,254,481	(42,933,940)
Advances to related parties	22	(135,398,584)	(16,894,169)
Inventories		(51,146,758)	(16,104,139)
Prepayments and other current assets		(157,167)	3,401,918
Increase (decrease) in:			
Trade and other payables		(121,239,168)	(32,054,864)
Advances from related parties	22	(2,070,351)	(50,546,056)
Cash provided by operations		(272,473,945)	(106,597,098)
Finance income received		549,992	831,760
Net cash provided by operating activities		(271,923,953)	(105,765,338)
Cash flows from investing activities			
Increase in related party loans receivable	10	-	4,000,000
Decrease in advances to related parties	22	1,457,880	-
Acquisition of property and equipment	13	(20,508,473)	(98,537,015)
Net cash used in investing activities		(19,050,593)	(94,537,015)
Cash flows from financing activities			
Net availments (payments) of loans payable	15	23,168,428	55,500,000
Finance cost paid		(8,037,380)	(7,940,047)
Net cash provided by financing activities		15,131,048	47,559,953
Net increase in cash and cash equivalents		(275,843,498)	(152,742,400)
Cash and cash equivalents			
January 1		395,503,777	204,788,818
March 31		P119,660,279	P52,046,418

(The notes on pages 6 to 56 are an integral part of these consolidated financial statements.)

CALATA CORPORATION AND ITS SUBSIDIARY
(formerly Planters Choice Agro Products, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2013 AND DECEMBER 31, 2012
AND FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2013 AND 2012

NOTE 1 - CORPORATE INFORMATION

Calata Corporation (*formerly Planters Choice Agro Products, Inc.*) (the Parent Company) and its subsidiary (collectively referred herein as the Group) was organized under the laws of the Republic of the Philippines.

The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) per Registration No. A199911666 on July 23, 1999.

The primary purpose of the Parent Company is to conduct, engage in and carry on, as principal or otherwise, all lawful business activities involving livestock and agricultural business, corporate or otherwise, such as but not limited to the business of acquiring, raising, breeding, slaughtering, preserving, processing, packing, canning, enveloping, storing, marketing, exporting, and commercially distributing livestock such as chicken, fowl, cattle, calves, hogs, goats, sheep, lambs, all kinds of livestock and other animals, as may be permitted by law, for food purposes; the business of cultivating land and other natural resources, planting, growing, producing, buying, preserving, processing, packing, canning, enveloping, storing, marketing, exporting, and commercially distributing food and agricultural products including all kinds of goods, commodities, wares and merchandise of every kind and descriptions whether natural or artificial as may be permitted by law; the business of manufacturing, preparing stocking, packing, buying, selling, importing and exporting, dealing in and delivering all kinds of livestock and agricultural products such as but not limited to poultry, livestock, feeds, feed additives, fertilizers, pesticides, all types of chemicals and substance used for livestock and agriculture, and/or whatsoever materials which may be necessary or incidental to their manufacture or preparation inside or outside the Philippines and all kinds of materials and products and by-products arising out of or used in the breeding and slaughtering of poultry and livestock and all other agricultural activities for food purposes; and to direct, establish, construct, acquire, sell, lease operate and maintain slaughterhouse, dressing plants, processing plant, refrigerating plants, cold storage, warehouses, sheds, silos, bodegas, storage bins, and other buildings, facilities, structures and equipment necessary or expedient for the carrying out of the purposes aforesaid.

The Group's registered office address and principal place of business is at McArthur Highway, Banga 1st, Plaridel, Bulacan.

On January 5, 2010, the Parent Company's Board of Directors (BOD) amended its By-laws to change the corporate name from Planters Choice Agro Products, Inc. to Calata Corporation. On February 22, 2010, the SEC issued a Certificate of Amendment approving the said amendment.

On December 28, 2011, with the approvals by the Philippine Stock Exchange (PSE) for the Parent Company's application for listing and by the SEC for the Registration Statement, a total of 36,012,000 common shares, with P1 par value, representing 10% of outstanding share capital, was offered and subscribed at P7.50 per share through an initial public offering on May 10 to 16, 2012 (see Note 16). The common shares comprise of 36,012,000 new shares issued by the Parent Company by way of a primary offer. The Parent Company's common shares were listed and commenced trading on the PSE on May 23, 2012.

On January 31, 2012, the Parent Company's BOD amended its article of incorporation to change the primary purpose of the Parent Company to include the cultivation of land and other natural resources and on the other hand, to exclude the sale, at wholesale or retail, of livestock such as chicken, fowl, cattle, calves, hogs, goats, sheep, lambs, all kinds of livestock and other animals, as may be permitted by law, for food purposes; and food and agricultural products including all kinds of goods, commodities, wares and merchandise of every kind and descriptions whether natural or artificial. On February 6, 2012, the SEC issued a Certificate of Amendment approving the said amendment.

On July 19, 2012, the Parent Company's BOD approved the conversion of its P55,455,249 worth of advances to equity shares in Agri Phil Corporation (APC) as well as the purchase of all the issued and outstanding shares of stock therein. On August 3, 2012, the SEC approved said conversion which resulted to the Parent Company owning 85.37% ownership in APC. The investing public, including all the shareholders of the Parent Company have been informed of this development through timely and complete disclosures with the SEC via the filing of the requisite Current Report (SEC Form 17-C) and the uploading thereof with the PSE via the PSE Online Disclosure System.

On September 30, 2012, the complete acquisition of APC had been implemented and reflected in the books of the Parent Company's SEC Form 17-Q which was filed with the SEC and uploaded with the PSE via the PSE Online Disclosure System.

APC is a corporation established to engage in import/export, buying, selling, distributing and marketing at wholesale and retail all kinds of goods of every kind and description such as but not limited to agricultural products. APC has been included in the consolidated financial statements by the time the Parent Company gained control.

The consolidated financial statements of the Group as at March 31, 2013 and December 31, 2012 and for the three-month periods ended March 31, 2013 and 2012 were authorized for issue by the BOD on May 15, 2013 and that the President and Chief Executive Officer (CEO) is authorized to approve such consolidated financial statements on their behalf.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to the periods 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

The consolidated financial statements have been prepared on a historical cost basis.

Presentation and functional currency

The consolidated financial statements are prepared in Philippine Peso (P), which is the Group'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 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 consolidated financial statements and their effects are disclosed in Note 3.

Changes in accounting policies and disclosures

a. New standards and amendments effective from January 1, 2013

The accounting policies adopted are consistent with those of the previous period except for the following new standards and amendments effective for the first time on or after either July 1, 2012 or January 1, 2013 of which none have had a material effect on the consolidated financial statements:

- PFRS 10, *Consolidated Financial Statements*
- PFRS 12, *Disclosures of Interests in Other Entities*
- PFRS 13, *Fair Value Measurement*
- Amendments to PFRS 7, *Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities*
- Amendments to PAS 1, *Presentation of Financial Statements: Items of Other Comprehensive Income*
- Amendments to PAS 19, *Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures*
- Amendments to PAS 27, *Separate and Consolidated Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The adoption of the standards or amendments is described below:

i. Standards and amendments relevant to the Group

- **PFRS 10, *Consolidated Financial Statements*:** This standard was developed to eliminate perceived conflict on concept of consolidation between PAS 27 (amended in 2008) and PIC-12, *Consolidation - Special Purpose Entities*. PAS 27 (amended in 2008) requires consolidation of entities based on control whereas PIC-12 mandates consolidation of entities based on risks and rewards. 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, ability to use power over the investee to affect the amount of investor's return.

The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- **PFRS 12, *Disclosures of Interests in Other Entities*:** This standard prescribes all of the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Earlier application is permitted.
- **PFRS 13, *Fair Value Measurement*:** This standard was developed to eliminate inconsistencies of fair value measurements dispersed in various existing PFRS. It clarifies the definition of fair value, provides a single framework for measuring fair value and enhances fair value disclosures. Earlier application is permitted.
- **Amendments to PFRS 7, *Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities*:** 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. Earlier application is permitted.

The amended standard shall be applied for annual periods beginning on or after January 1, 2013 and interim periods within these annual periods.

- **Amendments to PAS 1, *Presentation of Financial Statements: Items of Other Comprehensive Income*:** 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. The amendments also highlighted the importance that the board places on presenting profit or loss and other comprehensive income 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 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. The amendments did not change the option to present items of other comprehensive income 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 items (those that might be reclassified and those that will not be reclassified) must be shown separately.

- **Amendments to PAS 19, *Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures*:** These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendments would also require recognition of all actuarial gains and losses in other comprehensive income as they occur and of all past service costs in the profit or loss. These amendments replace 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).

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.

- **Amendments to PAS 27, *Separate and Consolidated Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*:** This completes the consolidation project. The standard was amended to contain requirements relating only to separate consolidated financial statements.

The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

ii. New standards, amendments and interpretation not relevant to the Group

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards: Government Loans*
- PFRS 11, *Joint Arrangements*
- Amendments to PFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to PAS 28, *Investment in Associates and Joint Ventures*
- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

Annual improvements to PFRS

The FRSC issued improvements to PFRS. The following improvements have been adopted as they become effective for annual periods on or after January 1, 2013:

- Amendments to PFRS 1, *First-Time Adoption of Philippine Financial Reporting Standards*
- PAS 1, *Presentation of Financial Statements* - Clarification of the Requirements for Comparative Information
- PAS 16, *Property, Plant and Equipment* - Classification of Servicing Equipment
- PAS 32, *Financial Instruments: Presentation* - Tax Effect of Distribution to Holders of Equity Instruments
- PAS 34, *Interim Financial Reporting* - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The Group, however, expects no significant impact on its financial position or performance from the adoption of the amendments.

- b. New standards and amendments to existing standards issued but not yet effective and not early adopted by the Group

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

- **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, *Financial Instruments: Recognition and Measurement* 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 classification and measurement of financial liabilities, hedge accounting and derecognition.

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group did not conduct an evaluation on the possible financial impact of an early adoption of the new standard as the Group will not early adopt the standard. However, initial indications show that adoption of PFRS 9 will have no significant impact on its financial position or performance.

- **Amendments to PFRS 9 and PFRS 7, Mandatory Effective Date of PFRS 9 and Transition Disclosures:** 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 to PFRS 9.

The amendments only affect disclosure and will have no impact on the Group's financial position or performance. The amended standard shall be applied for annual periods beginning on or after January 1, 2015. Earlier application is permitted.

- **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 amends PAS 27.

- **Amendments to PAS 32, *Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities*:** This amendment provides 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.

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.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary. A subsidiary is an entity over which the Parent Company has the power to govern the financial operating policies generally accompanying a shareholding giving rise to a majority of voting rights.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary 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.

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

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

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

2.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Where an additional interest in an existing subsidiary is acquired (i.e. an acquisition of non-controlling interest), the transaction is treated as an equity transaction. Any difference between the consideration paid and the reduction in the non-controlling interest is charged directly against the Parent Company equity.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

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

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

2.4 Financial instruments

i. Financial assets

Initial recognition and measurement

Financial assets within the scope of PAS 39 are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at FVPL.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

(a) Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of income.

Financial assets are designated upon initial recognition at FVPL only if the criteria under PAS 39 are satisfied. The Group has not designated any financial assets at FVPL.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. After initial measurement, such financial assets are subsequently measured at amortized cost using effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income in finance costs for loans and in other operating expenses for receivables.

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 of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognized within operating expenses in the consolidated statement of income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise cash and cash equivalents, trade and other receivables, loans receivable, advances to related parties and refundable security deposit in the consolidated statements of financial position (see Notes 8, 9, 10, 22 and 25).

(c) HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The EIR amortization is included as finance income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income in finance costs. The Group did not hold any HTM investments during the period ended March 31, 2013 and for the year ended December 31, 2012.

(d) AFS investments

AFS investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes 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 in the AFS reserve until the investment is derecognized, when the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified from the AFS reserve to the consolidated statement of income in finance costs. Interest earned while holding AFS investments is reported as finance income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, 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 financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold 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 from the AFS category the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the 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 statement of income. The Group does not have any asset under this category.

Derecognition

A financial asset is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Group has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of 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. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii. Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first 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 the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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.

If there is objective evidence that an impairment loss has been incurred, 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 (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the consolidated statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

(b) Financial 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.

(c) AFS investments

For AFS investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income - is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

iii. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

(a) Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of income. Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied.

The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at FVPL.

(b) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

Other financial liabilities include trade and other payables, loans payable, advances from related parties and dividends payable (see Notes 14, 15, 17 and 22).

Derecognition

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. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

iv. 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.

v. 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.

vi. Fair value of financial instruments

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), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 4.

Fair value measurement hierarchy

PFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see Note 4). The fair value hierarchy has the following levels:

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

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

2.5 Cash and cash equivalents

Cash and cash equivalents consist of cash in banks and deposits held at call with banks with original maturities of three months or less and are subject to an insignificant risk of change in value. For the purpose of reporting cash flows, cash and cash equivalents are unrestricted and available for use in current operations.

2.6 Trade and other receivables

Trade and other receivables are recognized initially at the transaction price and are subsequently measured at amortized cost using the EIR method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

2.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realizable value (NRV). Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. NRV represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distributing the goods.

When the NRV of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the consolidated statement of income.

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.

2.8 Prepayments and other current 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 statement of income as they are consumed in operations or expire with the passage of time.

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

Other assets are recognized when the Group expects to receive future economic benefit from it and the amount can be measured reliably. Other assets are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Parent Company's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

2.9 Investment properties

Investment property, which pertains to land and building held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated impairment loss, if any.

Transfers to, or from, investment property shall be made only when there is a change in use.

Investment property is derecognized by the Group upon its disposal or the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in the consolidated statement of income in the year of retirement or disposal. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged to the consolidated statement of income in the year the costs are incurred.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of income.

2.10 Property and equipment

Property and equipment are initially measured at cost. At the end of each reporting period, items of property and equipment are measured at cost less any subsequent accumulated depreciation, amortization and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expense in the period in which those are incurred.

Depreciation and amortization is computed on the straight-line method based on the estimated useful lives of the assets, except for leasehold improvements, as follows:

Office equipment	5 years
Transportation equipment	5 years
Leasehold improvement	7 years or terms of the lease whichever is shorter

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes materials used, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss arising on the disposal or retirement of an asset, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in the consolidated statement of income.

2.11 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets such as investment properties and property and equipment are reviewed at each 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 cash generating unit's (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 CGU 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 statement of income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the consolidated statement of income.

2.12 Refundable security deposits

Refundable security deposits represent payments made in relation to the leases, utilities and other agreements entered into by the Group. These are carried at amortized cost and will generally be refunded without interest or be applied to certain rentals due and owing and/or damages to the leased premises.

Refundable security deposits are classified in the consolidated statement of financial position as other current assets when the asset is expected to be recovered or settled not more than twelve months after the reporting date. Otherwise, refundable security deposits are classified as noncurrent assets.

2.13 Trade and other payables

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the EIR method.

2.14 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 is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the Group's consolidated financial statements. They are disclosed in the notes 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.

2.15 Employee benefits

Retirement benefit 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. Retirement benefit expense 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 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 retirement 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 income over the expected average remaining working lives of employees.

Past-service costs are recognized immediately in income, unless the changes to the retirement 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

Share capital is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Share premium" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Costs that relate to the stock market listing, or otherwise are not incremental costs directly attributable to issuing new shares, should be recorded as an expense in the statement of income.

Transaction costs that relate jointly to more than one transaction (for example, costs of a concurrent offering of some shares and a stock exchange listing of other shares) are allocated to those transactions using a basis of allocation that is rational and consistent with the joint transactions.

2.17 Retained earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "deficit", and presented as a deduction from equity.

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 declared and 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 measured reliably. 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.

Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

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

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

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

2.20 Costs and expense recognition

Costs and expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in the consolidated statement of income: 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 consolidated statements of financial position as an asset.

Costs and expenses in the consolidated statement of income are presented using the function of expense method. Costs of sales are expenses incurred that are associated with the goods sold and includes purchases of goods and distribution costs. Operating expenses are costs attributable to administrative, marketing and other business activities of the Group.

2.21 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group does not have any leases under finance lease.

The Group as lessee

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.

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.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss in the period in which they are incurred.

2.23 Income taxes

The tax expense for the period comprises current and deferred tax. Tax expense is recognized in the consolidated statement of income, except to the extent that it relates to items recognized in other comprehensive income 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 or directly in equity are also recognized in other comprehensive income 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 reporting date.

Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the 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;
 - (ii) the initial recognition of an asset or liability in a transaction which is not a business combination at the time of the transaction affects neither accounting nor taxable profit; and
 - (iii) investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

2.24 Earnings per share (EPS)

Basic EPS is determined by dividing profit or loss by the weighted average number of shares issued and outstanding during the year.

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

2.25 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. The key management personnel of the Group and post-employment benefit plans for the benefit of the Group's employees are also considered to be related parties.

2.26 Events after the reporting date

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

2.27 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.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

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. Unallocated items comprise mainly corporate assets, head office expenses, interest income and expenditures and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, and equipment and investment properties.

NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the 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 and accompanying notes.

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 functional currency is determined to be the Philippine Peso. It is the currency that mainly influences the Group's operations.

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 an equity instrument. In addition, the Group also determines and evaluates its intention and ability to keep the investments until its 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 whether an arrangement contains a lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

The Group has entered into operating lease arrangement as a lessee. The Group, as a lessee, has determined that the lessor retains substantial risks and rewards of ownership of these properties, which are on operating lease agreements.

Leases accounted for as operating leases are disclosed in Note 25.

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 values and carrying values of financial assets and financial liabilities as of March 31, 2013 and December 31, 2012 are disclosed in Note 4.

Estimates

Impairment of loan and trade and other receivables

The Group reviews its loans and receivables at each reporting date to assess whether a provision for impairment should be recognized in its consolidated statement of income or loans and receivables balance should be written off. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance is required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Moreover, management evaluates the presence of objective evidence of impairment which includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial re-organization.

The carrying value of loans receivable amounted to P129,650,000 as of March 31, 2013 and December 31, 2012 (see Note 10). The carrying value of trade and other receivables amounted to P242,836,465 and P242,146,197 as of March 31, 2013 and December 31, 2012, respectively (see Note 9). The Group provided an allowance for impairment loss on trade receivables amounting to P5,693,975 for the year ended December 31, 2012 (see Note 9).

Impairment of inventories

At each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to sell, and an impairment loss is recognized immediately in profit or loss.

Based on management's assessment, inventories are fairly stated, thus, no impairment loss needs to be recognized as of March 31, 2013 and December 31, 2012. The carrying amount of inventories amounted to P271,630,457 and P220,483,700 as of March 31, 2013 and December 31, 2012, respectively (see Note 11).

Estimation of useful lives of property and equipment

The Group reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts. The estimated useful lives of property and equipment are discussed in Note 2.9 to the consolidated financial statements, which showed no changes during the three-month period ended March 31, 2013.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that the carrying amount of all non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. At the reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Based on management's assessment, non-financial assets are fairly stated, thus, no impairment loss needs to be recognized as of December 31, 2012 and 2011. The Group's investment property amounted to P112,865,000 as of March 31, 2013 and December 31, 2012 (see Note 12). The Group's property and equipment, net of accumulated depreciation and amortization, amounted to P362,697,672 and P345,444,069 as of March 31, 2013 and December 31, 2012, respectively (see Note 13).

Realizability of deferred tax assets

Management reviews the carrying amount of deferred tax assets at each reporting date. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

The Group's recognized deferred tax assets amounted to P2,681,617 and P2,589,764 as of March 31, 2013 and December 31, 2012, respectively (see Note 24).

Estimation of retirement benefits

The determination of the obligation and retirement benefits is dependent on management's assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rates per annum and salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

The details of the Group's retirement benefit are provided in Note 23. Retirement benefit liability amounted to P3,244,748 and P2,938,573 as of March 31, 2013 and December 31, 2012, respectively. Net retirement benefit costs presented under operating expenses amounted to P306,174 and P444,598 for the three-month periods ended March 31, 2013 and 2012, respectively (see Note 20).

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 March 31, 2013 and December 31, 2012:

	2013		2012	
	Carrying value	Fair value	Carrying Value	Fair value
Financial assets:				
<i>Loans and receivables</i>				
Cash and cash equivalents (Note 8)	P119,660,279	P119,660,279	P385,035,496	P385,035,496
Trade and other receivables (Note 9)	234,543,514	234,543,514	236,849,508	236,849,508
Loans receivable (Note 10)	129,650,000	129,650,000	129,650,000	129,650,000
Advances to related parties (Note 22)	175,508,034	175,508,034	41,567,329	41,567,329
Refundable security deposit (Note 25)	1,652,566	1,540,977	1,652,566	1,529,477
	P661,014,392	P660,902,802	P794,754,899	P794,631,810
Financial liabilities:				
<i>Other financial liabilities</i>				
Trade and other payables (Note 14)	P63,077,095	P63,077,095	P182,883,130	P182,883,130
Loans payable (Note 15)	531,328,713	531,328,713	508,160,285	508,160,285
Advances from related parties (Note 22)	-	-	2,070,350	2,070,350
	P594,405,808	P594,405,808	P693,113,765	P693,113,765

Due to the short-term nature of the transactions, the carrying amounts of cash and cash equivalents, trade and other receivables, short-term loans receivables, advances to (from) related parties, trade and other payables, and short-term loans payable approximate its fair values as of the reporting date.

The fair value of the long term loans receivable from Avestha Holding Corporation is based on its carrying amount which approximates the discounted value of future cash flows using its interest rate of 6%.

The fair value of the refundable security deposit is based on the approximate discounted value of future cash flows using an interest rate of 3% on similar financial instruments with a term of three years. The difference in the fair value and the carrying value of the refundable security deposits will not materially affect the Group's financial position.

The fair value of the long term loans payable from a bank is based on its carrying amount which approximates the discounted value of future cash flows using interest rates ranging from 9.87% to 10.47%.

The income, expense, gain and/or losses recognized from financial instruments are as follows:

	<u>2013</u>	<u>2012</u>
Finance costs (Note 15)	<u>P8,037,380</u>	<u>P7,940,047</u>
Finance income (Notes 8 and 10)	<u>P2,494,742</u>	<u>P831,760</u>

NOTE 5 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

General objectives, policies and processes

The BOD has overall responsibility and authority for the determination of the Group's risk management objectives and policies and designing and operating processes that ensure the effective implementation of such objectives and policies. The BOD has constituted certain committees to effectively manage the operations of the Group. The Group's principal committees of the BOD include the Executive Committee, the Audit Committee, the Compensation Committee and the Nominations Committee. A brief description of the functions and responsibilities of the key committees are set out below:

Executive Committee

The Executive Committee is composed of three (3) members of the BOD. The Executive Committee may act by majority of all its members, on such specific matters within the competence of, and as may be delegated by the BOD.

Audit Committee

The Audit Committee provides an oversight of financial management functions, specifically in the areas of managing credit, liquidity, market, operational, legal and other risks and is primarily responsible for monitoring the statutory requirements of the Group. The Audit Committee is responsible for the setting up of an internal audit department and for the appointment of an internal auditor, as well as an independent external auditor. It monitors and evaluates the adequacy and effectiveness of the Group's internal control systems. It ensures that the BOD is taking appropriate corrective action in addressing control and compliance functions with regulatory agencies. It also ensures the Group's adherence to corporate principles, best practices and compliance with the Manual on Corporate Governance.

Compensation Committee

The Compensation Committee is primarily responsible for establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers who are receiving compensation from the Group. It is responsible for providing an oversight of remuneration of senior management and other key personnel and ensuring that compensation is consistent with the Group's culture, strategy and control environment.

Nomination Committee

The Nomination Committee is primarily responsible for the review and evaluation of the qualifications of all persons nominated to positions requiring appointment by the BOD and the assessment of the BOD's effectiveness in directing the process of renewing and replacing Board members.

The overall objective of the BOD is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Financial risk management objectives and policies

The Group is exposed through its operations to credit risk, liquidity risk and market risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The policies for managing specific risks are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The receivable balances are monitored on an ongoing basis with the result that the Group's exposure to impairment is not significant. The Group has a credit and collection department that is separate and independent from the sales department. The Group instituted this separate department even though the normal practice in its industry is that the sales people are also the ones who collect the receivables. The Group deals only with creditworthy counterparty duly approved by management.

The following table provides information regarding the maximum credit risk exposure of the Group as of March 31 and December 31:

	<u>2013</u>	<u>2012</u>
Cash in banks and cash equivalents (Note 8)	P119,337,336	P385,035,496
Trade and other receivables (Note 9)	242,836,465	242,146,197
Loans receivables (Notes 10 and 22)	129,650,000	129,650,000
Advances to related parties (Note 22)	175,508,034	41,567,329
Refundable security deposit (Note 25)	1,652,566	1,652,566
	<u>P668,984,401</u>	<u>P800,051,588</u>

The following table provides information regarding the Group's analysis of the age of financial assets by class as at the reporting date:

March 31, 2013	Total	Neither past due nor impaired	Past due but not impaired			Impaired
			31-60 days	61-90 days	Over 90 days	
<i>Loans and receivables</i>						
Cash in banks and cash equivalents	P119,337,336	P119,337,336	P-	P-	P-	P-
Trade and other receivables	242,836,465	195,089,418	12,685,647	13,640,231	27,115,144	5,693,975
Loans receivable	129,650,000	129,650,000				
Advances to related parties	175,508,034	175,508,034	-	-	-	-
Refundable security deposit	1,652,566	1,652,566				
	<u>P668,984,401</u>	<u>P621,237,354</u>	<u>P12,685,647</u>	<u>P13,640,231</u>	<u>P27,115,144</u>	<u>P5,693,975</u>

December 31, 2012	Total	Neither past due nor impaired	Past due but not impaired			Impaired
			31-60 days	61-90 days	Over 90 days	
<i>Loans and receivables</i>						
Cash in banks and cash equivalents	P385,035,496	P385,035,496	P-	P-	P-	P-
Trade and other receivables	242,146,197	194,399,149	12,685,647	13,640,231	27,115,144	5,693,975
Loans receivable	129,650,000	129,650,000	-	-	-	-
Advances to related parties	41,567,329	41,567,329	-	-	-	-
Refundable security deposit	1,652,566	1,652,566	-	-	-	-
	<u>P800,051,588</u>	<u>P752,304,540</u>	<u>P12,685,647</u>	<u>P13,640,231</u>	<u>P27,115,144</u>	<u>P5,693,975</u>

The Group's loans receivable from Avestha Holdings Corporation amounting to P120,000,000 is fully secured by the borrower's real estate properties independently valued at P166,549,000 on June 21, 2011 by Cuervo Appraisers, Inc. In exchange for the settlement of the loan, as of the reporting date, Avestha Holding Corporation is in the process of transferring to the Group the rights to the aforementioned real estate properties, pending compliance with regulatory requirements.

There were no other credit enhancements attached to the Group's financial assets aside from this collateral.

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 of the Group based on their historical experience with the corresponding parties as of March 31, 2013 and December 31, 2012:

	March 31, 2013						Total
	Neither past due nor impaired			Unrated	Past due but not impaired	Impaired	
	High grade	Standard grade	Substandard grade				
<i>Loans and receivables</i>							
Cash in banks and cash equivalents	P119,337,336	P-	P-	P-	P-	P-	P119,337,336
Trade and other receivables	195,089,418	-	-	-	53,441,022	5,693,975	242,836,465
Loans receivable	129,650,000	-	-	-	-	-	129,650,000
Advances to related parties	175,508,034	-	-	-	-	-	175,508,034
Refundable security deposit	1,652,566	-	-	-	-	-	1,652,566
	<u>P621,237,354</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>	<u>P53,441,022</u>	<u>P5,693,975</u>	<u>P668,984,401</u>

December 31, 2012							
	Neither past due nor impaired			Unrated	Past due but not impaired	Impaired	Total
	High grade	Standard grade	Substandard grade				
<i>Loans and receivables</i>							
Cash in banks and cash equivalents	P385,035,496	P-	P-	P-	P-	P-	P385,035,496
Trade and other receivables	194,399,149	-	-	-	53,441,022	5,693,975	242,146,197
Loans receivable	129,650,000	-	-	-	-	-	129,650,000
Advances to related parties	41,567,329	-	-	-	-	-	41,567,329
Refundable security deposit	1,652,566	-	-	-	-	-	1,652,566
	<u>P752,304,540</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>	<u>P53,441,022</u>	<u>P5,693,975</u>	<u>P800,051,588</u>

The Group has no financial assets whose terms have been renegotiated.

Liquidity risk

This represents the risk or difficulty in raising funds to meet the Group's commitment associated with financial obligation and daily cash flow requirement. The Group is exposed to the possibility that adverse exchanges in the business environment and/or its operations would result to substantially higher working capital requirements and the subsequent difficulty in financing additional working capital.

The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary. The Group has credit lines with several of the top banks of the Philippines which gives it financial flexibility in its operations. The Group likewise regularly evaluates other financing instruments to broaden the Group's range of financing sources.

The following table summarizes the maturity profile of the Group's other financial liabilities as of March 31, 2013 and December 31, 2012, respectively, based on the contractual undiscounted payments:

At March 31, 2013

	On demand	Within 1 year	More than 1 year but not more than 5 years	Total
Trade and other payables	P63,077,095	P-	P-	P63,077,095
Loans payable	-	525,691,461	5,637,253	531,328,713
	<u>P63,077,095</u>	<u>P525,691,461</u>	<u>P5,637,253</u>	<u>P594,405,808</u>

At December 31, 2012

	On demand	Within 1 year	More than 1 year but not more than 5 years	Total
Trade and other payables	P182,883,130	P-	P-	P182,883,130
Loans payable	-	502,137,982	6,022,303	508,160,285
Advances from related parties	2,070,350	-	-	2,070,350
	<u>P184,953,480</u>	<u>P502,137,982</u>	<u>P6,022,303</u>	<u>P693,113,765</u>

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and commodity price risk. Financial instruments affected by market risk include bank loans payable.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans payable.

Interest rate sensitivity

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

	Increase/decrease interest rate	Effect on profit before tax
2013	+1%	(P80,374)
	-1%	P80,374
2012	+1%	(P79,400)
	-1%	P79,400

The assumed movement in interest rates for the interest rate sensitivity analysis is based on the management's assessment of the reasonably possible change in interest rates during the years presented.

ii. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not exposed to the risks of changes in foreign exchange rates as it has not entered into transactions denominated in a currency other than its functional currency.

iii. Commodity price risk

Commodity price risk is the risk related to the volatility of price of certain commodities. The Group is not exposed to this risk as its operations do not constitute goods which prices are volatile.

Capital risk management

The Group manages its capital structure (total equity) and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust or delay the dividend payment to shareholders and appropriate a percentage of retained earnings towards expansion and capital expenditures.

The Group through the Finance function sets operational targets and performance indicators in order to assure that the capital and returns requirements are achieved. Appropriate monitoring and reporting systems accompany these targets and indicators to assess the achievement of Group goals and institute appropriate action.

No changes were made in the objectives, policies and processes in 2013 and 2012.

The Group has no externally imposed capital requirements.

NOTE 6 - BUSINESS COMBINATION

On July 19, 2012, the Parent Company's BOD approved the conversion of its P55,455,249 worth of advances to equity shares in APC as well as the purchase of all the issued and outstanding shares of stock therein. On August 3, 2012, the SEC approved said conversion which resulted to the Parent Company owning 85.37% ownership in APC. The investing public, including all the shareholders of the Parent Company have been informed of this development through timely and complete disclosures with the SEC via the filing of the requisite SEC Form 17-C and the uploading thereof with the PSE via the PSE Online Disclosure System.

APC is a corporation established to engage in import/export, buying, selling, distributing and marketing at wholesale and retail all kinds of goods of every kind and description such as but not limited to agricultural products. The Parent Company acquired APC since the subsidiary's retail chain stores allow the Parent Company to sell its products on a significant larger area than it has previously access to, thus increasing its market share.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of APC as at the date of acquisition were:

Assets	
Cash and cash equivalents	P21,529,109
Other receivables	606,887
Inventories	94,141,759
Property and equipment	28,045,513
	<u>144,323,268</u>
Liabilities	
Advances from related parties	29,944,280
Trade and other payables	47,842,868
	<u>77,787,148</u>
Total identifiable net assets at fair value	<u>66,536,120</u>
Non-controlling interest measured at the non-controlling interest's share of the acquiree's identifiable net assets	(2,867,706)
Gain from bargain purchase (Note 21)	(8,213,165)
Purchase consideration transferred	<u><u>P55,455,249</u></u>

The fair value of other receivables equals its book value. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

From the date of acquisition, APC has contributed P608,219,477 of revenue and P22,428,329 to the profit before tax from continuing operations of the Group.

On September 30, 2012, the Parent Company completed the acquisition of 100% ownership over APC. Cash consideration of P9,500,000 was paid to all the minority shareholders comprising 14.63% of the issued and outstanding capital stock of APC.

The carrying value of the net assets of APC at the acquisition date was P68,696,134, and the carrying value of the additional interest acquired was P2,867,706. The difference of P6,632,294 between the consideration and the carrying value of the interest acquired has been recognized in retained earnings within equity.

NOTE 7 - SEGMENT REPORTING

The CEO is the Group'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 CEO considers the business based on the methods used to distribute the Group's products. Management considers the performance based on the three methods used by the Group, distributorship and retailing of agro-products and farming operations.

The reportable operating segments of distributorship and retailing derive its revenue primarily from different agro-products such as feeds, seeds, chemicals and fertilizers. The revenue of the reportable segments arises both from a related party and external customers. Transfer prices between the related party are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation. The Group has yet to earn revenues from its farming operations.

The operating segments are organized and managed separately according to the different methods used to distribute the Group's products, with each segment representing a strategic business unit that offers the same types of products sold either through wholesale or retail or used in farming operations. 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, *Operating Segments*.

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 operating expenses. Interest expense is not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Transfer prices between operating segments, if any, are on an arm's length basis in a manner similar to transactions with third parties.

Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables and inventories. Segment liabilities include all operating liabilities and consist principally of trade and other payables. Segment assets and liabilities do not include deferred income taxes.

Segment transactions

Segment sales, expenses and performance include sales and purchases with a related party and third parties. Intercompany balances and transactions between segments, if any, are eliminated during the preparation of the Group's consolidated financial statements.

The segment information provided to the CEO for the years ended March 31, 2013 and 2012 is as follows (amounts in thousands):

	Distribution		Retail		Farming		Unallocated expense	
	2013	2012	2013	2012	2013	2012	2013	2012
Sales	P294,317	570,445	P193,827	P-	P-	P-	P-	P-
Cost of sales	(258,377)	(507,240)	(168,419)	-	-	-	-	-
Other operating income	952	332	-	-	-	-	-	-
Operating expenses	(19,658)	(17,054)	(9,919)	-	-	-	-	-
Finance income	2,495	832	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-	(8,037)	(7,940)
Provision for income tax	(3,530)	(11,666)	(4,647)	-	-	-	-	-
Profit (loss) for the year	P16,199	35,649	P10,842	-	-	-	(8,037)	(7,940)
Interest	-	-	-	-	-	-	8,037	7,940
Taxes	3,530	11,665	4,647	-	-	-	-	-
Depreciation and amortization	1,364	1,607	1,891	-	-	-	-	-
EBITDA	P21,093	P48,921	P17,380	P-	P-	P-	P-	P-

A reconciliation of the total EBITDA of the reportable segments to the Group's profit for the year is provided as follows (amounts in thousands):

	Total	
	2013	2012
Sales	P488,143,877	P570,444,579
Cost of sales	(426,796,196)	(507,240,712)
Other operating income	951,670	332,415
Operating expenses	(29,576,793)	(17,054,144)
Finance income	2,494,742	831,760
Finance costs	(8,037,380)	(7,940,047)
Provision for income tax	(8,176,725)	(11,665,557)
Profit (loss) for the year	P19,003,195	P27,708,293
Interest	8,037,380	7,940,047
Taxes	8,176,725	11,665,557
Depreciation and amortization	3,254,870	1,607,416
EBITDA	P66,291,170	P48,921,313

The segment assets and liabilities as of March 31, 2013 and December 31, 2012 are as follows (amounts in thousands):

	Distribution		Retail		Farming		Unallocated	
	2013	2012	2013	2012	2013	2012	2013	2012
Segment assets	P534,395	P801,575	P187,592	P165,989	P281,357	P242,533	P420,705	P286,672
Segment liabilities	P18,484	P152,275	P100,520	P80,440	P-	P71,700	P537,125	P443,437
Additions to property and equipment	P6,124	P71,730	P658	P22,369	P17,536	P192,156	P-	P-

The total reportable segments' assets are reconciled to the Group's total assets as follows:

	2013	2012
Reportable segments' assets	P1,003,344,107	P1,210,096,978
Unallocated:		
Loans receivable (Note 10)	129,650,000	129,650,000
Advances to related parties (Note 22)	175,508,034	41,567,329
Investment properties (Note 12)	112,865,000	112,865,000
Deferred tax assets (Note 24)	2,681,617	2,589,764
	P1,424,048,758	P1,496,769,071

The total reportable segments' liabilities are reconciled to the Group's total liabilities as follows:

	2013	2012
Reportable segments' liabilities	P119,003,657	P304,414,843
Unallocated:		
Loans payable (Note 15)	531,328,713	436,460,285
Advances from related parties (Note 22)	-	2,070,350
Retirement benefit (Note 23)	3,244,748	2,938,573
Deferred tax liabilities (Note 24)	2,551,425	1,968,000
	P656,128,543	P747,852,051

The amounts provided to the CEO with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements.

The reportable segments' assets are allocated based on the operations of the segment and the physical location of the assets. The Group's loans receivable, advances to related parties, investment properties and deferred tax assets are not considered as segment assets.

The reportable segments' liabilities are allocated based on the operations of the segment. The Group's loans payable, advances from related parties, dividends payable and retirement benefit liability are not considered as segment liabilities.

Unallocated assets and liabilities are managed by the central treasury function.

The Group does not have revenues from transactions with a single external customer amounting to ten percent (10%) or more of the Group's total revenues.

NOTE 8 - CASH AND CASH EQUIVALENTS

The account consists of:

	<u>2013</u>	<u>2012</u>
Cash on hand	P322,943	P10,468,281
Cash in banks	99,337,336	365,035,496
Cash equivalents	<u>20,000,000</u>	<u>20,000,000</u>
	<u>P119,660,279</u>	<u>P395,503,777</u>

Cash in banks earns interest at the respective bank deposit rates. Interest income earned from bank deposits amounted to P549,992 and P831,760 for the three-month periods ended March 31, 2013 and 2012, respectively.

NOTE 9 - TRADE AND OTHER RECEIVABLES, NET

The account consists of:

	<u>2013</u>	<u>2012</u>
Trade receivables	P224,098,759	P228,717,028
Advances to suppliers	6,519,531	3,744,493
Accrued interest on loans receivable (Note 10)	11,109,750	9,165,000
Advances to employees	1,773,420	1,552,196
Other receivables	<u>5,028,980</u>	<u>4,661,455</u>
	248,530,440	247,840,172
Allowance for impairment loss on trade receivables (Note 21)	<u>(5,693,975)</u>	<u>(5,693,975)</u>
	<u>P242,836,465</u>	<u>P242,146,197</u>

Trade receivables are from dealers and customers of the Group and are not interest-bearing. Normal credit terms of trade receivables are 30 days and 60 days.

Advances to suppliers represent advanced payments made to suppliers for purchases of goods. These are deducted from the purchase price upon receipt of the goods.

Advances to employees are subject to liquidation upon utilization.

The Group provided for an allowance for impairment loss on trade receivables amounting to P5,693,975 as of March 31, 2013 and December 31, 2012. Details of changes in allowance for impairment loss of receivables are as follows:

	<u>2013</u>	<u>2012</u>
Beginning	P5,693,975	P4,375,816
Provision during the three-month period ended March 31, 2013 and for year ended December 31, 2012 (Note 21)	-	1,318,159
Ending	<u>P5,693,975</u>	<u>P5,693,975</u>

NOTE 10 - LOANS RECEIVABLE

The details of and movements in the account are as follows:

Borrower	Interest rate	Term	Security	Balance at January 1, 2012	Availments (collections) during the year	Balance at December 31, 2012	Availments (collections) during the three-month period	Balance at March 31, 2013
Avestha Holdings Corporation (i)	6% per annum	3 years	Real estate properties	P120,000,000	P-	P120,000,000	P-	P120,000,000
Andres Lipana (ii)	6% per annum	1 year, renewable	Unsecured	15,000,000	(5,350,000)	9,650,000	-	9,650,000
Total				<u>P135,000,000</u>	<u>(P5,350,000)</u>	<u>P129,650,000</u>	<u>P-</u>	<u>P129,650,000</u>
Less: Current portion				<u>15,000,000</u>		<u>9,650,000</u>		<u>9,650,000</u>
Loans receivable, net of current portion				<u><u>P120,000,000</u></u>		<u><u>P120,000,000</u></u>		<u><u>P120,000,000</u></u>

- i) On September 26, 2011, the Group granted a loan to Avestha Holding Corporation, a related party (see Note 22), amounting to P120,000,000 for a term of three (3) years. The principal of the loan will be payable after two (2) years in which an interest at the rate of six percent (6%) will be payable on the balance at the end of every month. The loan is fully secured by the borrower's various real estate properties independently valued by Cuervo Appraisers, Inc. at P166,549,000. This loans receivable is presented under noncurrent assets in the consolidated statements of financial position. In exchange for the settlement of the loan, as of the reporting date, Avestha Holding Corporation is in the process of transferring to the Group the rights to the aforementioned real estate properties, pending compliance with regulatory requirements.
- ii) On November 4, 2010, the Group granted a loan to Andres Lipana amounting to P15,000,000 for a term of one (1) year, renewable annually upon mutual agreement of both parties. The principal of the loan is subject to an interest at the rate of 6 percent (6%) payable at the end of every month. In 2012 and 2011, the loan is renewed with the same terms and conditions. This loan receivable is presented under current assets in the consolidated statements of financial position.

Interest income earned from these loans amounted to P1,944,750 and Nil for the three-months period ended March 31, 2013 and 2012, respectively.

NOTE 11 - INVENTORIES

The account consists of:

	<u>2013</u>	<u>2012</u>
Chemicals		P159,003,786
Feeds		18,347,804
Fertilizers		20,005,070
Seeds		23,127,040
	<u> </u>	<u> </u>
	<u> </u>	<u>P220,483,700</u>

The above inventories are carried at the lower of cost and NRV. The Group has no unusual purchase commitments or inventories pledged as security for liabilities.

NOTE 12 - INVESTMENT PROPERTIES

During 2011, the Group acquired various lands amounting to P134,592,963. The acquisition value is based on the valuation report dated June 21, 2011 conducted by an independent appraiser who holds a recognized and relevant professional qualification and has experience in the location and category of the investment property being valued. The Group applies the cost model in its investment properties. Management believes that the carrying amounts of the said properties approximate the fair values as of reporting date.

During 2012, the Group reclassified investment properties amounting to P21,287,963 to property and equipment. The land will be used as a large scale farm for the Group's livestock farming operations (see Note 13).

The reconciliation of the carrying amount of investment properties at the beginning and end of the period is as follows:

	<u>2013</u>	<u>2012</u>
At January 1	P112,865,000	P134,152,963
Transfer to property and equipment (Note 13)	-	(21,287,963)
At March 31 and December 31	<u>P112,865,000</u>	<u>P112,865,000</u>

NOTE 13 - PROPERTY AND EQUIPMENT, NET

The details of and movements in this account are as follows:

	Office equipment	Transportation equipment	Leasehold improvement	Farms	Construction In progress	Total
Cost						
At January 1, 2012	2,186,439	27,088,640	-	-	50,376,897	79,651,976
Additions	8,850,838	13,478,031	25,198,217	-	192,156,097	239,683,183
Transfer from investment properties (Note 12)	-	-	-	21,287,963	-	21,287,963
Acquisitions through business combinations	3,335,799	1,221,618	20,726,509	-	-	25,283,926
Disposals	-	(3,320,000)	-	-	-	(3,320,000)
At December 31, 2012	14,373,076	38,468,289	45,924,726	21,287,963	242,532,994	362,587,048
Additions	-	6,602,134	-	-	17,535,860	24,137,994
Disposals	(3,494,671)	-	(134,850)	-	-	(3,629,521)
At March 31, 2013	10,878,405	45,070,423	45,789,876	21,287,963	260,068,854	383,095,521
Accumulated depreciation and amortization						
At January 1, 2012	629,864	6,256,792	-	-	-	6,886,656
Depreciation and amortization	2,360,582	6,072,239	5,143,502	-	-	13,576,323
Disposals	-	(3,320,000)	-	-	-	(3,320,000)
At December 31, 2012	2,990,446	9,009,031	5,143,502	-	-	17,142,979
Depreciation and amortization	637,429	791,251	1,826,190	-	-	3,254,870
Disposals	-	-	-	-	-	-
At March 31, 2013	3,627,875	9,800,282	6,969,692	-	-	20,397,849
Net book values						
March 31, 2013	P7,250,531	P35,270,142	P38,820,184	P21,287,963	P260,068,854	P362,697,672
December 31, 2012	P11,382,630	P29,459,258	P40,781,224	P21,287,963	P242,532,994	P345,444,069

During the three-month period ended March 31, 2013 and the year ended December 31, 2012, the Group capitalized expenditures amounting to P260,068,584 and P242,532,994, respectively, related to properties under construction. These expenditures consist of farm equipments, materials, labor and overhead directly related to the construction of the assets. The Group had not capitalized any borrowing costs attributable to the construction of such assets.

The Group's transportation equipment is subject to a chattel mortgage used as security for the long-term loans payable (see Note 15).

Aside from the abovementioned chattel mortgage, there are neither restrictions on title on the Group's property and equipment nor was any of it pledged as security for liability. The Group has no contractual commitment for the acquisition of property and equipment.

Depreciation and amortization expense amounted to P3,254,870 and P1,607,416 for the three-month periods ended March 31, 2013 and 2012, respectively (see Note 20).

The cost of fully depreciated property and equipment still in use amounted to P23,757,079 in March 31, 2013 and December 31, 2012, respectively.

Management has reviewed the carrying values of the Group's property and equipment as of March 31, 2013 and December 31, 2012 for impairment. Based on the results of its evaluation, there were no indications that the property and equipment were impaired.

NOTE 14 - TRADE AND OTHER PAYABLES

The account consists of:

	<u>2013</u>	<u>2012</u>
Trade payables	P63,077,096	P182,883,129
Others	<u>2,611,940</u>	<u>4,045,075</u>
	<u>P65,689,036</u>	<u>P186,928,204</u>

Trade payables are from suppliers of agro-products and are non-interest-bearing. Normal credit terms are 30 to 60 days.

Other payables mainly consist of the one percent (1%) tax withheld by the Group on its collections from customers.

NOTE 15 - LOANS PAYABLE

The loans payable as of March 31, 2013 and December 31, 2012 consist of secured short-term and long-term peso denominated loans obtained from local banks.

The secured short-term peso-denominated loans were obtained to augment the Group's funding for its farming operations. Various properties owned by the shareholders were used as collateral for these types of loans. The details of and movements in these loans are as follows:

Lending institution	Interest rate	Terms	Security	Balance at January 31, 2012	Payments during the year	Availments during the year	Balance at December 31, 2012	Availments during the year	Payments during the three-month period	Balance at March 31, 2013
Banco de Oro Unibank Inc.	Prevailing interest rate	Renewable	Unsecured	P150,000,000	P-	P4,000,000	P154,000,000	P16,000,000	P-	P170,000,000
Metropolitan Bank and Trust Company	Prevailing interest rate	Renewable	Real estate properties	52,500,000	-	7,500,000	60,000,000	-	(15,000,000)	45,000,000
Allied Bank	Prevailing interest rate	Renewable	Unsecured	25,000,000	(25,000,000)	-	-	-	-	-
Bank of the Philippine Islands	Prevailing interest rate	Renewable	Suretyship	165,000,000	-	5,000,000	170,000,000	-	(5,000,000)	165,000,000
Planters Bank	Prevailing interest rate	Renewable	Deed of Assignment	-	-	45,000,000	45,000,000	5,000,000	-	50,000,000
Development Bank of the Philippines	9%	Renewable	Real estate properties	-	-	71,700,000	71,700,000	22,900,000	(383,333)	94,216,667
				<u>P392,500,000</u>	<u>(P25,000,000)</u>	<u>P133,200,000</u>	<u>P500,700,000</u>	<u>P43,900,000</u>	<u>(P20,383,333)</u>	<u>P524,216,667</u>

Finance costs arising from these loans amounted to P7,820,465 and P7,940,047 in March 31, 2013 and 2012, respectively.

The secured long-term peso-denominated loans were obtained to finance the Group's acquisition of transportation equipment. These loans are secured by a chattel mortgage on the Group's transportation equipment with a carrying amount of P8,561,421 (see Note 13). The details of and movements in these loans are as follows:

<u>Lending institution</u>	<u>Interest rate</u>	<u>Terms</u>	<u>Security</u>	<u>Balance at January 1, 2012</u>	<u>Payments during the year</u>	<u>Availments during the year</u>	<u>Balance at December 31, 2012</u>	<u>Payments during the year</u>	<u>Balance at March 31, 2013</u>
Bank of the Philippine Islands	9.87%-10.47%	30 or 60 equal monthly installments	Chattel mortgage	P-	(P494,825)	P7,955,110	<u>P7,460,285</u>	(P348,239)	<u>P7,112,047</u>
Less: Current portion							<u>(1,437,982)</u>		<u>(1,474,794)</u>
Long-term loans payable, net of current portion							<u>P6,022,303</u>		<u>P5,637,253</u>

Finance costs arising from these loans amounted to P187,453 and Nil for the three-month period ended March 31, 2013 and 2012.

There were no breaches of loan agreement terms such as any defaults of principal and interest of these loans payable during the period.

NOTE 16 - SHARE CAPITAL

The account consists of:

	<u>2013</u>	<u>2012</u>
Authorized:		
845,400,000 shares at P1 par value each	<u>P845,400,000</u>	<u>P845,400,000</u>
Issued and outstanding at January 1:		
324,100,000 shares at P1 par value each	<u>P360,112,000</u>	<u>P324,100,000</u>
Issued during the year:		
36,012,000 shares in 2012 at P1 par value each	<u>-</u>	<u>36,012,000</u>
Issued and outstanding at December 31:		
360,112,000 shares at P1 par value each	<u>P360,112,000</u>	<u>P360,112,000</u>

On May 23, 2012, the Group issued 36,012,000 shares by way of a primary offer. The share premium resulting from the said offer is as follows:

Gross proceeds	<u>P269,551,028</u>
Underwriting and selling fees for the offer shares	8,102,700
Tax on Initial Public Offering	10,782,041
Documentary Stamp Tax	180,060
Philippine SEC filing and legal research fees	733,991
Professional fees	4,582,587
Total expenses	<u>24,381,379</u>
Net proceeds	<u>245,169,649</u>
Par value of offer shares	<u>(36,012,000)</u>
	<u>P209,157,649</u>

Share premium arises when the amount subscribed for share capital is in excess of nominal value.

NOTE 17 - DIVIDENDS

On a meeting held on November 18, 2011, the BOD unanimously approved the declaration of cash dividends in the amount of Twenty Five Million Pesos (P25,000,000) to shareholders of record as of November 8, 2011, subject to the condition on the availability of unrestricted retained earnings to cover said dividend declaration. These dividends were paid in 2012 through offsetting of its advances to its shareholders (see Note 22). The dividend per share is P0.07.

NOTE 18 - SALES

The account consists of:

	<u>2013</u>	<u>2012</u>
Feeds	P150,464,911	P152,451,183
Chemicals	159,443,756	146,858,243
Fertilizers	148,104,825	109,254,597
Seeds	30,130,385	4,723,210
Others	-	157,157,346
	<u>P488,143,877</u>	<u>P570,444,579</u>

The Group has an existing Complementary Feeds Distributorship Agreement (the Agreement) with San Miguel Foods, Inc. (SMFI) wherein the parties agreed that the Group will exclusively distribute B-MEG Feeds. The Agreement is valid for one year and shall be automatically renewed upon expiry with the same terms and conditions except as may be agreed by the parties in writing, unless SMFI notifies the Group in writing of its intent to terminate the Agreement within 60 days prior to the end of the term.

The Group also has distributorship agreements with Monsanto Philippines, Gustin Corporation and Syngenta Philippines, Inc. for the exclusive distribution in Luzon of the products sold by the said parties. The Group has other distributorship agreements but on a non-exclusive basis. In general, all supply and distribution agreements are renewed on a yearly basis. Renewal may be express when parties opt to execute a written agreement or implied when parties continue to do business dealings with each other such as taking of orders of supplies. The Group does not usually have duly executed distribution agreements with the rest of its suppliers of agro chemicals, fertilizers and seeds. Furthermore, based on industry practice, actual exclusive distribution agreements are not issued on a yearly basis. In the case of non-exclusive distribution agreements, no formal agreement is executed except for some. Instead, certifications are issued to attest that the Group is a distributor of the pertinent supplier products indicating therein exclusivity or non-exclusivity. However, for other non-exclusive suppliers, certifications are not even given since supply of the products continues for so long as the Group places an order.

The Group's revenue may be affected by any program developed or supported by the Department of Agriculture of the Philippines

The Group's revenue comes primarily from the sale of agricultural products. Any agricultural program that the Department of Agriculture develops for the farmers of the country may affect the Group's revenue. In the event that the government is unable to effectively implement its programs, this might result in a slowdown of the Group's business as farmers might not have the required resources to purchase the Group's products. There is no guarantee that the Philippine government will not change or prioritize programs for agriculture in the coming years.

To mitigate this risk, the Group updates itself regularly with the Department of Agriculture's policies or programs developed for the agricultural product industry. This allows the Group to react quickly to government programs relating to agricultural products. It also enables the Group to plan ahead to meet the Department of Agriculture's ongoing or future policies or programs.

The Group also conducts its own marketing activities to promote the use or consumption of its product. The Group intends to strengthen its marketing efforts nationwide.

Risk of natural calamities

The Group's revenues are highly dependent on the weather conditions in the Philippines. Severe drought or flooding in a certain agricultural region will significantly affect the productivity of the farmers. This will highly affect the demand for fertilizers, pesticides and other agricultural chemicals.

To mitigate this risk, the Group in partnership with its key suppliers would distribute new products manufactured through the use of modern technology to withstand if not totally resist the devastating effects brought by forces of nature. In addition, the Group distributes other agricultural products which are unaffected by natural calamities such as animal feeds for poultry, hogs and ducks.

Risk of outbreak of animal diseases

The Group's revenues may be affected by the outbreak of swine and poultry diseases because the demand for animal feeds decreases in case an outbreak happens.

To mitigate this risk the Group, in partnership with its key suppliers, currently deploys farm assistant technicians in the field to prevent and/or treat swine and poultry diseases. In addition, the Group also distributes veterinary medicines that help prevent or treat the said diseases.

NOTE 19 - COST OF SALES

The account consists of:

	<u>2013</u>	<u>2012</u>
Inventories, beginning	P220,483,700	P179,835,048
Net purchases	<u>477,942,953</u>	<u>523,344,851</u>
Cost of goods available for sale	698,426,653	703,179,899
Inventories, ending (Note 11)	<u>271,630,457</u>	<u>195,939,187</u>
	<u>P426,796,196</u>	<u>P507,240,712</u>

NOTE 20 - OPERATING EXPENSES

The account consists of:

	<u>2013</u>	<u>2012</u>
Salaries, wages and benefits	P8,673,953	P4,830,796
Rental (Note 19)	5,245,459	1,159,300
Depreciation and amortization (Note 8)	3,254,870	1,607,416
Marketing	1,887,418	401,296
Transportation and travel	1,771,921	1,630,948
Professional fees	1,553,103	2,617,502
Communication, light and water	1,265,434	598,690
Taxes and licenses	1,019,097	786,697
Commissions	734,128	229,346
Representation and entertainment	673,883	277,581
Repairs and maintenance	607,404	641,874
Association dues	547,640	-
Office supplies	406,021	245,742
Retirement benefit costs (Note 16)	306,174	444,598
Insurance	272,209	199,120
Others	1,358,078	1,383,238
	<u>P29,576,793</u>	<u>P17,054,144</u>

NOTE 21 - OTHER OPERATING INCOME, NET

The account consists of:

	<u>2013</u>	<u>2012</u>
Rebate income	P951,670	P11,000
Others	-	321,415
	<u>P951,670</u>	<u>P332,415</u>

NOTE 22 - RELATED PARTY TRANSACTIONS

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its shareholders.

The details of the Group's related parties are summarized as follows:

<u>Name of the related party</u>	<u>Relationship</u>	<u>Nature of Operations</u>
Calata Builders	Under common control	A corporation established in the Philippines which ventures as a subcontractor and into the realty business
Calata Farms	Under common control	A sole proprietorship owned by which offers high efficiency poultry growing using climate-controlled system
Avestha Holdings Corporation	Under common control	A corporation established to engage in holding of shares of different corporations
Individuals	Shareholders	Individuals who own shares of the Parent Company
Individuals	Key management personnel	Individuals who have authority and responsibility for planning, directing and controlling the activities of the Group

Significant transactions and outstanding balances with related parties are as follows:

Transactions

Related parties	Relationship	Rent expense (i)		Key management personnel compensation (ii)		Cash advances to (from) (iii)	
		2013	2012	2013	2012	2013	2012
Individuals	Key management personnel	P-	P-			P-	P-
Individuals	Shareholders	-	-			135,400,780	(2,072,545)
Calata Builders	Under common control					(1,457,880)	-
		P-	P-			P133,942,900	(P2,072,545)

Outstanding balances

<u>Loans receivable (iv)</u>									
Related parties	Relationship	2013	2012	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Guarantees given or received	Allowance for impairment loss	Impairment loss
Avestha Holdings Corporation	Under common control	<u>P120,000,000</u>	<u>P120,000,000</u>	3 years, 6% per annum	Real estate properties	Cash	N/A	P-	P-

<u>Advances to related parties (v)</u>									
Related parties	Relationship	2013	2012	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Guarantees given or received	Allowance for impairment loss	Impairment loss
Calata Builders	Under common control	P5,363,712	6,821,592	None	Unsecured	Cash	N/A	-	-
Individuals	Shareholder	170,144,322	34,745,737	None	Unsecured	Cash	N/A	-	-
		<u>P175,508,034</u>	<u>P41,567,329</u>					P-	P-

<u>Advances from related parties (vii)</u>									
Related parties	Relationship	2013	2012	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Guarantees given or received		
Individuals	Shareholder	P-	<u>P2,070,350</u>	None	Unsecured	N/A	N/A		

- i) An operating lease agreement was executed between the Group and the shareholders whereby the latter granted the former with the rent-free use of office premises and a warehouse located in Bulacan (see Note 25).
- ii) The key management personnel compensation recognized in salaries, wages and other benefits under operating expenses in the consolidated statements of income consists of short-term benefits. There are no long term compensation and post-employment and termination benefits of key management personnel for the three-month periods ended March 31, 2013 and 2012.

Movements of the outstanding balances showing the nature and amount of transactions under each category are as follows:

iii) Loans receivable

	<u>2013</u>	<u>2012</u>
Avestha Holdings Corporation		
January 1	P120,000,000	P120,000,000
Loaned to	-	-
March 31 and December 31	<u>P120,000,000</u>	<u>P120,000,000</u>

The term of the loan is three (3) years. The principal of the loan will be payable after two (2) years in which an interest at the rate of six percent (6%) per annum will be payable on the balance at the end of every month. The loan is fully secured by the borrower's various real estate properties independently valued at P166,549,000 on June 21, 2011 by Cuervo Appraisers, Inc. In exchange for the settlement of the loan, as of the reporting date, Avestha Holding Corporation is in the process of transferring to the Group the rights to the aforementioned real estate properties, pending compliance with regulatory requirements.

iv) Advances to related parties

	<u>2013</u>	<u>2012</u>
Agri Phil Corporation		
January 1	P-	P55,455,249
Cash advances to	-	(55,455,249)
December 31	<u>-</u>	<u>-</u>
Calata Builders		
January 1	6,821,592	7,725,347
Cash advances to (collections from)	(1,457,880)	(903,755)
December 31	<u>5,363,712</u>	<u>6,821,592</u>
Individuals		
January 1	34,745,737	3,315,016
Cash advances to	135,400,780	57,643,729
Cash advances from	(2,195)	(1,213,008)
Cash dividends distributed	-	(25,000,000)
December 31	<u>170,144,322</u>	<u>34,745,737</u>
Total advances to related parties	<u>P175,508,034</u>	<u>P41,567,329</u>

Cash advances were made to related parties to support their operating capital requirements. These are repayable once the related parties have sufficient cash flows to support their respective operations. These advances are non-interest bearing, unsecured and have no fixed repayment terms.

- v) The assessment of the allowance for impairment loss related to the amount of outstanding balances of the Group's loans receivable and advances to related parties and the expense recognized during the period in respect of impairment loss is undertaken through examining the financial position of the related parties and the market in which they operate.
- vi) Advances from related parties

	<u>2013</u>	<u>2012</u>
Individuals		
January 1	(P2,070,350)	(P52,461,454)
Cash advances from	-	(68,890,289)
Cash advances to	<u>2,070,350</u>	<u>119,281,393</u>
	<u>P-</u>	<u>(P2,070,350)</u>

Cash advances from shareholders are used to support the operating capital requirements of the Group.

NOTE 23 - RETIREMENT BENEFIT COSTS

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

The following tables summarize the components of net retirement benefit cost recognized in the consolidated statement of income and the amounts recognized in the consolidated statements of financial position:

Net retirement benefit costs presented under operating expense are as follows:

	<u>2013</u>	<u>2012</u>
Current service cost	P246,411	P347,571
Interest cost	<u>59,763</u>	<u>97,027</u>
	<u>P306,174</u>	<u>P444,598</u>

Components of net retirement benefit liability and the amounts recognized in the consolidated statements of financial position are as follows:

	<u>2013</u>	<u>2012</u>
Present value of defined benefit obligation	P5,458,168	P1,820,747
Unrecognized actuarial gain	<u>(2,213,420)</u>	<u>1,117,826</u>
	<u>P3,244,748</u>	<u>P2,938,573</u>

Present value of defined benefit obligation is as follows:

	<u>2013</u>	<u>2012</u>
Balance at January 1	P5,151,994	P2,008,832
Actuarial loss	-	2,025,336
Interest cost	59,763	985,645
Current service cost	<u>246,411</u>	<u>132,181</u>
Balance at December 31	<u>P5,458,168</u>	<u>P5,151,994</u>

The principal assumptions used in determining retirement benefit liability of the Group are shown below:

	<u>2013</u>	<u>2012</u>
Discount rates	4.64%	5.62%
Future salary increase rates	5.00%	5.00%

NOTE 24 - INCOME TAXES

a. The components of the Group's provision for income tax are as follows:

	<u>2013</u>	<u>2012</u>
Current	P7,685,152	P11,798,937
Deferred	491,573	(133,379)
	<u>P8,176,725</u>	<u>P11,665,558</u>

b. The components of the Group's deferred tax assets are as follows:

	<u>Balance at January 1, 2012</u>	<u>Charged to operations during the period</u>	<u>Balance at December 31, 2012</u>	<u>Charged to operations during the year</u>	<u>Balance at March 31, 2013</u>
Allowance for impairment losses on trade receivables	P1,312,745	P395,448	P1,708,193	P-	P1,708,193
Retirement benefit liability	546,224	335,347	881,571	91,853	973,424
	<u>P1,858,969</u>	<u>P730,795</u>	<u>P2,589,764</u>	<u>P91,853</u>	<u>2,681,617</u>

The Group reviews deferred tax assets at each reporting date and recognizes 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 March 31, 2013 and December 31, 2012 as management believes that the carryforward benefit would be realized in its future operations.

c. The components of the Group's deferred tax liabilities are as follows:

	<u>Balance at January 1, 2012</u>	<u>Charged to operations during the period</u>	<u>Balance at December 31, 2012</u>	<u>Charged to operations during the year</u>	<u>Balance at March 31, 2013</u>
Movement in accrued interest	P-	P1,893,000	P1,893,000	P583,425	P2,476,425
Unrealized gain on disposal of equipment	-	75,000	75,000	-	75,000
	<u>P-</u>	<u>P1,968,000</u>	<u>P1,968,000</u>	<u>P583,425</u>	<u>2,551,425</u>

- d. The reconciliation of the provision for income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statement of income are as follows:

	<u>2013</u>	<u>2012</u>
Income tax computed at 30%	P8,153,976	P11,812,155
Add (deduct) income tax effects resulting from:		
Non-deductible expenses	187,747	102,930
Income subjected to final tax	<u>(164,998)</u>	<u>(249,527)</u>
	<u>P8,176,725</u>	<u>P11,665,558</u>

NOTE 25 - LEASE AGREEMENTS

The Group has entered into various lease agreements with different individuals for the lease of warehouses located in various provinces in Central Luzon, all of which fall under the category of operating leases. The lease agreements are renewable every year where terms and conditions are subject to the agreement of both parties. The Group has entered in a lease agreement with its shareholders for the lease of office premises and warehouse located in Bulacan. The said lease is rent-free and renewable every year upon mutual agreement by the parties (see Note 22).

On August 1, 2012, the Group entered into a lease agreement with KSA Realty Corporation for the lease of its office premises in Makati. The terms of the lease is for three (3) years and is subject to annual escalation rate of ten (10) percent. The lease agreement has a renewal option. The details of the security deposit and advanced rental on this lease agreement are as follows:

Terms and conditions		<u>2013</u>	<u>2012</u>
Refundable security deposit	Equivalent to three (3) months' lease payment and refundable at the end of the lease term	P1,652,566	P1,652,566
Advanced rental	Equivalent to three (3) months' lease payment and to be applied on the last three months of the lease term	<u>1,652,566</u>	<u>1,652,566</u>
		<u>P3,305,132</u>	<u>P3,305,132</u>

The refundable security deposit and the advanced rental are recognized in the consolidated statements of financial position under other non-current assets.

There were no restrictions imposed by these lease arrangements such as those concerning dividends, additional debt and further leasing.

The rent expense charged to operations for the three-month periods ended March 31, 2013 and 2012 amounted to P5,245,459 and P1,159,300, respectively (see Note 20).

Future minimum annual rentals are as follows:

	<u>2013</u>	<u>2012</u>
Not later than one year	P1,206,440	P1,206,440
More than one year but not later than five years	<u>-</u>	<u>-</u>
	<u>P1,206,440</u>	<u>P1,206,440</u>

NOTE 26 - EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing net profit for the period 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 per share for the three-month periods ended March 31, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Profit for the year attributable to ordinary equity holders of the Parent Company	P19,003,195	P27,708,293
Weighted average number of shares outstanding	<u>360,112,000</u>	<u>324,100,000</u>
	<u>P0.05</u>	<u>P0.09</u>

There are no dilutive potential ordinary shares for the three-month periods ended March 31, 2013 and 2012. Therefore, the Group's basic and diluted EPS for the said periods are equal.

NOTE 27 - EVENTS AFTER THE REPORTING DATE

On a meeting held on April 15, 2013 the BOD unanimously approved the declaration of cash dividends equivalent to 25% of the issued and outstanding shares of record as of May 17, 2013, or a total amount of Ninety Million Twenty Eight Thousand Pesos (P90,028,000) subject to the condition on the availability of unrestricted retained earnings to cover said dividend declaration.

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

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited and unaudited financial statements, including the related notes, contained in this Prospectus. This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors." In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors."

Overview

The Company saw record-breaking revenues and net income in the year 2012. Both revenues and net income in 2012 were the highest in the Company's history. Revenues in 2012 amounted to P2.20 Billion compared to P2.00 Billion in 2011. This is an increase of P204.00 Million or 10%.

The Company has been recording significant revenue growths and has not been negatively affected by the economic crisis that hit the global economy hard in 2008. In fact the Company recorded the biggest jump in its revenues in 2008 when the global economic crisis was at its strongest. The Company recorded PhP1.61 Billion in revenues in 2008 against PhP1.08 Billion in 2007 or an increase of PhP530 Million or an increase of 33%.

RESULTS OF OPERATIONS

Results of operations for the first quarter ended March 31, 2013 compared to the same period March 31, 2012 ended last year.

Sales for the period decreased by P82.30 Million or 14.43%. The decrease is mainly due to the Company's shift in focus from distribution sales to retail sales where the margins are higher.

Gross profit decreased by P1.86 Million or 2.94%. The decrease is mainly due to the decrease in sales. It is noteworthy that the decrease is much lower compared to the decrease in sales, this is due to the abovementioned strategy of focusing on higher margin sales.

Operating expenses increased by P8.96 Million or 52.55%. The increase is mainly due to the focus on higher margin sales which is the retail sales. The said retail sales necessitate higher operating expenses.

Finance costs decreased by P0.09 Million or 1.14%. The slightly higher balance of loans this period compared to last period is offset by lower interest rates for this period.

Audited results for the fiscal year ended December 31, 2012 compared to Audited results for the fiscal year ended December 31, 2011

Sales for the year ended December 2012 amounted to P2.20 Billion which is the highest that the Company has achieved in its history. This represents an increase of P204.00 Million or 10% compared to the 2011 sales. The increase in sales is mainly brought about by the sales contribution of the Company's wholly owned chain of stores under Agri Phil Corporation. The retail store chain allowed the Company to sell its products on a significantly larger area than it has previously access to.

Gross Profit increased by increased by P42.38 Million or 20% compared to 2011. Besides the increase in sales, the gross profit increased because of the increase in margins enjoyed by the Company in its sales direct to end users thru its retail stores.

Operating expenses increased significantly. The increase amounted to P48.03 Million or 82%. The increase is mainly due to increased expenses incurred from retail operations, which began its first full year of operations in 2012. The Company aggressively competed for market share for its retail shares thru extensive marketing activities in its area of operations. The operations of the retail stores incurred large amounts of expenditures most notably salaries due to the large number of the Company's stores that require a large number of people needed to operate.

Other operating income increased by P19.59 Million or 203%. This is mainly due to the P8.21 Million recorded as gain from the purchase of Agri Phil Corporation. The Company also recorded a gain from a liability that was forgiven by an affiliate which amounted to P5.28 Million.

Finance income increased by P6.67 Million or 174%. This is mainly due to the P7.97 Million interest from loans receivables recorded in 2011.

Finance costs increased by P5.96 Million or 22%. This is mainly due to the increase in loans payable balances mainly to fund the increased operations as well as for the construction of the Company's farms which resulted in a big increase in the Company's property and equipment.

Audited results for the fiscal year ended December 31, 2011 compared to Audited results for the fiscal year ended December 31, 2010

The year 2011 saw the highest recorded revenues and net income in the Company's history.

The Revenues amounted to P2.00 Billion in 2011 from P1.80 Billion in 2010 or an increase of P203.65 Million or 11%. The net income amounted to P100.17 Million in 2011 from P33.84 Million in 2010 or an increase of P66.34 Million or 196%.

The increase in sales is mainly attributed to increased market penetration primarily through the affiliate "AGRI" retail store chain which allowed to Company to sell in markets not previously accessible.

The fertilizer business also had a bigger contribution this year compared to the previous years as the Company saw favorable price movements in fertilizer products.

The increase in net income is aside from the increased revenues, mainly due to the increase in the Company's margins. The Company's gross profit amounted to P227.31 Million and P142.65 Million in 2011 and 2010 respectively, or an increase of P84.66 Million or 59%.

The Company's operating expenses decreased, for 2011 it amounted to P63.30 Million from P67.33 Million in 2010. The decrease amounted to P4.53 Million or 7%. The decrease is mainly due to the Company's austerity measures which have resulted in decreasing expenses for the past several years. The Company recorded finance income amounting to P3.83 Million in 2011. This is the interest from the loans receivable of the Company.

The Company's finance cost had no significant movement.

Material Changes to the Company's Audited Income Statement as of Fiscal Year ended December 31, 2011 compared to the Audited Income Statement as of Fiscal Year ended December 31, 2010 (increase/decrease of 5% or more)

Sales amounted to P2.00 Billion in 2011 from P1.80 Billion in 2010 or an increase of P203.65 Million or 11%. The increase is primarily due to increased market penetration mainly due to the affiliate "AGRI" retail store chain which allowed the Company to access markets that were not accessible to it before.

Cost of sales increased by P118.96 Million or 7%. It amounted to P1.77 Billion in 2011 and P1.66 Billion in 2010. The increase in this account is due to the increase in sales.

Gross Profit increased by P84.66 Million or 59%. It amounted to P227.31 Million in 2011 and P142.65 Million in 2010. The increase is mainly due to the Company's availment of cash discounts and the best possible volume deals.

Operating expenses decreased by P4.53 Million or 7%. It amounted to P63.30 Million from P67.33 Million in 2010. This is due to the Company's implementation of austerity measures.

Finance income increased by P3.83 Million. It amounted to P3.83 Million in 2011. This is the interest from the Company's loans receivable.

Audited Results for the fiscal year ended December 31, 2010 compared to Audited results for the fiscal year ended December 31, 2009

The year 2010 was another record breaking year for the Company in terms of net income with PhP33.84 Million recorded in 2010 from PhP7.50 Million in 2009 or an increase of PhP26.34 Million or 350%. The huge jump in net income was achieved through the successful policies implemented by the Company intended to increase its margins. This included price increases, and the availment of the lowest possible costs from suppliers through cash discounts and volume deals. To counteract the expected negative impact these measures will bring, the Company intensified its existing marketing programs putting particular emphasis on those programs targeting end users (pull strategies). The pull strategies were focused on the price increases' immediate impact on the dealers, whose natural tendency is to resist and possibly adversely affect our sales. The programs' focus on end users will make the end users buy products from dealers that the dealers should have bought from us.

The Sales of the Company was relatively unchanged amounting to PhP1.80 Billion and PhP1.81 Billion in 2010 and 2009 respectively or a decrease of only PhP10 Million or 0.5%.

Operating expenses amounted to PhP88.02 Million in 2010 and 2009 respectively, or a decrease amounting to PhP20.19 Million or 23%. The decrease was in line with the Company's austerity measures implemented in 2010.

Finance cost increased with recorded amounts of PhP26.73 Million and PhP20.90 Million in 2010 and 2009 respectively, an increase of PhP5.82 Million or 27.85%. The increase is primarily due to the increased availment of loans to fund early payments to suppliers to take advantage of cash discounts.

Material Changes to the Company's Audited Income Statement as of Fiscal Year ended December 31, 2010 compared to the Audited Income Statement as of Fiscal Year ended December 31, 2009 (increase/decrease of 5% or more)

The Company's recorded Gross Profit amounted to PhP142.65 Million and PhP119.41 Million in 2010 and 2009 respectively, or an increase amounting to PhP23.24 Million or 20%. The increase was primarily due to the price increases implemented the Company and the negotiation of the lowest possible costs from suppliers.

Operating expenses amounted to PhP88.02 Million in 2010 and 2009 respectively, or a decrease amounting to PhP20.19 Million or 23%. The decrease was in line with the Company's austerity measures implemented in 2010.

Finance cost increased with recorded amounts of PhP26.73 Million and hPP20.90 Million in 2010 and 2009 respectively, an increase of PhP5.82 Million or 27.85%. The increase is primarily due to the increased availment of loans to fund early payments to suppliers to take advantage of cash discounts.

Net income increased by P10.20 Million or 10%. The increase is mainly due to the Company's increased sales as well as an increase in margin percentage compared to last year.

FINANCIAL POSITION

Financial position as of March 31, 2013 compared to December 31, 2012 including discussion on Material Changes to the Balance Sheet as of March 31, 2013 compared to Audited Balance Sheet as of Fiscal year ended December 31, 2012 (increase/decrease of 5% or more).

Cash and cash equivalents decreased by P275.83 Million or 69%. The decrease is mainly due to the decrease in trade and other payables. Trade payables were paid up to take advantage of higher discounts on cash payments. Purchases were also made as much as possible on cash terms or the short credit terms to take advantage of the lowest possible inventory costs for the Company. The advances to affiliates also increased thereby decreasing the cash. The Company also purchased additional property and equipment.

Trade and other receivables decreased by P1.25 Million or 0.52%. There was no significant change in this account. There was no significant change even though the sales decreased because the Company extended the credit terms for some customers who were willing to purchase at higher prices from the Company.

Advances to related parties increased by P131.00 Million or 315%. The increase is mainly due to the expansion programs of affiliates for which the Company has the option to purchase if and when it decides to.

Property and equipment increased by P21.04 Million or 6.09%. The Company spent for additional property and equipment particularly for its farm projects.

Trade and other payables decreased by P121.24 Million or 64.86%. The trade payables were paid up to take advantage of higher discounts on cash payments. Purchases were also made as much as possible on cash terms or the short credit terms to take advantage of the lowest possible inventory costs for the Company.

Loans payable increased by P22.08 Million or 4.40%. The increase is mainly due to additional financing for the Company's farms.

Audited financial position as of December 31, 2012 compared to December 31, 2011 including discussion on Material Changes to the Company's Audited Balance Sheet as of Fiscal year ended December 31, 2012 compared to Audited Balance Sheet as of Fiscal year ended December 31, 2011 (increase/decrease of 5% or more)

Total assets increased by P443.72 Million or 42%. This is mainly due to the increase of P272.68 Million in the Property and equipment of the Company which increased due to the Construction of the Company's farming projects. The cash balance also increased by P190.71 Million mainly due to the Company's Initial Public Offering last year.

Trade receivables decreased by P10.38 Million or 4%. This is mainly due to the lower amount of credit sales for the year by the Company which is a result of the significant sales recorded by the Company's retail operations.

Current loans receivables decreased by P5.35 Million or 36%. This is mainly due to the payment received by the Company.

Advances to related parties P24.93 Million or 37%. This is mainly due to payment received from related parties.

Inventories increased by P40.65 Million or 23%. The inventories increased due to the amount of inventories stocked on the Company's retail stores.

Other current assets decreased by P2.41 Million or 43%. This is mainly due to the collection of other current receivables from different sources.

Loans receivable is unchanged at P120.00 Million. This loan earns a 6% interest rate per annum. This is fully secured by the borrower's various real estate properties independently valued by Cuervo Appraisers, Inc. at P166,549,000.

Investment properties decreased by P21.29 Million or 16%. The decrease is mainly due to the change in classification of some of the properties into the property and equipment account.

Property and equipment increased by P272.68 Million or 375%. The increase is mainly due to the construction of the Company's farms. The Company's farms total project cost is projected to be over P500 Million.

Other current assets amounted to P3.31 Million. There was no amount recorded in this account last year. This account consists of the security and rental deposits to the Company's numerous leased retail stores.

Trade and other payables increased by P52.23 Million or 39%. The increase is mainly due to the increased inventory requirements of the Company in order to support the inventory requirement of the Company's retail stores.

Current Loans payables increased by P109.64 Million or 28%. The increase is used mainly to fund the increased operations.

Advances from related parties decreased by P50.39 Million or 96%. The increase is mainly due to the payments made to the Company's related parties.

Dividends payable decreased by P25.00 Million. There is no balance in this account as of the end of 2012. The dividends recorded last year has already been paid in full.

Non-current loans payables increased by P6.02 Million. This account is for the loans for vehicles acquired by the Company.

Retirement benefit liability increased by P1.12 Million or 61%. This is due to the increased provision for the year mainly due to the increased number of employees to be covered by provision for retirement benefits.

Share capital increased by P36.01 Million or 11%. This is due to the capital raised from the Company's Initial Public Offering last year.

Share premium increased by P209.16 Million. This is due to the capital raised from the Company's Initial Public Offering last year.

Audited financial position as of December 31, 2011 compared to December 31, 2010 including discussion on Material Changes to the Company's Audited Balance Sheet as of Fiscal year ended December 31, 2011 compared to Audited Balance Sheet as of Fiscal year ended December 31, 2010 (increase/decrease of 5% or more)

Total assets increased by P391.74 Million or 59%. Recorded amounts were P1.05 Billion and P661.31 Million as of year end 2011 and 2010 respectively. The increase in assets is primarily due to the Company's income from operations and the infusion of P323.10 Million additional capital by stockholders during the year. The infused capital shall be used for general corporate purposes and expansion of the business such as but not limited to contract growing and breeding of hogs and poultry. These aforementioned projects, however, is not the target for the use of proceeds of the Company's application for listing and initial public offering of its shares to the public.

Total liabilities had no significant movement, it only decreased by P6.54 Million or 1%. There was no significant movement because the reduction in the amounts of trade payables and short term loans were offset by the increase in amounts owed to stockholders and the increased provision for income tax.

Cash increased by P185.68 Million or 972%. It amounted to P204.79 Million in 2011 up from P19.11 Million in 2010. This is primarily due to the additional cash invested by the stockholders.

Trade receivables decreased by P88.36 Million or 26%. It amounted to P252.53 Million in 2011 down from P340.86 Million in 2010. The decrease is mainly due to the normalization of our terms, the 2010 balance is high because we extended terms to our dealers to encourage them to book their orders. We did this in 2010 because of the effects of the El Nino phenomenon on our sales. In year end 2011, we no longer offered the extended terms.

The advances to related parties increased by P31.62 Million or 91%. It amounted to P66.50 Million in 2011 up from P34.87 Million in 2010. This is due to the expansion of operations of affiliates which necessitated the increase in funds needed for investment and operations.

Inventories decreased by P44.41 Million or 20%. It amounted to P179.84 Million in 2011 down from P224.44 Million in 2010. This is mainly due to the favorable weather and market conditions for our products in 2011. Our products were fast moving especially in the year-end which is our peak season. This contrasts to the situation in 2010 when the El Nino phenomenon affected the sales of our products which resulted in higher than anticipated levels of inventory in year-end 2010.

Loans receivable amounted to P120.00 Million in 2011, there was no amount recorded in 2010. This account represents the amount loaned to Avestha Holding Corporation, which is an affiliate of the Company. The loan is intended as an advance for the planned purchase of the Company of Avestha's properties. The loan is provided with a market rate of interest set at 6%, so as to compensate the Company for the loan until the purchase of the properties is finalized.

Investment properties amounted to P134.15 Million in 2011, there was no amount recorded in 2010. These are the properties purchased by the Company, which are being used as collateral by the Company for loans.

Property and equipment increased by P47.55 Million or 189%. It amounted to P72.77 Million in 2011 up from P25.22 Million in 2010. The increase represents amounts spent for the Company's construction of Hog and Broiler farms.

Trade payables decreased by P34.66 Million or 20%. It amounted to P134.70 Million in 2011 down from P169.36 Million in 2010. The decrease is mainly due to the fact that the Company takes advantage of cash discounts as much as possible.

Loans payable decreased by P77.00 Million or 16%. The decrease is mainly due to the increased cash infusion from stockholders and also from cash internally generated from operations which has allowed the Company to lower its debt levels, while at the same time having enough funds for current operations and also pursue its expansion programs in Hog and Broiler farms.

To clarify, the intended target expansion program for part of the additional cash infusion is the Hog and Broiler Farms. On the other hand, the expansion program relating to the establishment of a chain of Calata Retail Stores will be funded by the net proceeds of the Initial Public Offering.

Advances from related parties amounted to P52.46 Million in 2011, there was no amount recorded in 2010. This represents the amount loaned from stockholders which is intended to offset the amounts advanced by the Company to its affiliates with the intention that the Company's funds are intact for its own operations and expansion programs.

Dividends payable amounted to P25.00 Million, there was no amount recorded in 2010. This is the accrual of the dividend declared by the Company's board of directors from the Company's unrestricted retained earnings.

Capital stock increased by P323.10 Million or 32,310%. The increase is due to the additional investment in the Company from the stockholders. As previously explained said capital infusion was useful in decreasing the loans payable by 16% and partially funding the Hog and Broiler Farm construction.

Debt to equity decreased from 271.25 in 2010 to 0.98 in 2011 or a decrease of 270.27 or 27,579%. The increase is mainly due to the increase in stockholders' equity from P1.73 Million in 2010 to P400.00 Million in 2011. The increase in stockholders' equity came from the additional investment infused by stockholders amounting to P323.10 Million which increased the paid up capital stock to P324.10 Million from only P1.00 Million the year before. The stockholders' equity also increased due to the increase in retained earnings brought about by the net income earned by the Company during the year which amounted to P100.17 Million after taxes. The increase in retained earnings from the net income was partially offset by the declaration of dividend in 2011 amounting to P2.00 Million.

Material Changes to the Company's Audited Balance Sheet as of Fiscal year ended December 31, 2010 compared to Audited Balance Sheet as of Fiscal year ended December 31, 2009 (increase/decrease of 5% or more)

Trade and other receivables increased by 17%. Trade and other receivables amounted to PhP355.86 Million and PhP304.03 Million as of 2010 and 2009 respectively or an increase of PhP51.83 Million or 17%.

Inventories decreased by 17%. Inventory amounted to PhP224.24 Million and PhP269.14 Million as of 2010 and 2009 respectively, or a decrease of PhP44.90 Million or 17%.

Property and equipment increased by 1,200%. Property and equipment amounted to PhP25.22 Million and PhP1.94 Million as of 2010 and 2009 respectively or an increase of PhP23.28 Million or 1200%.

Advances to related parties increased by PhP31.50 Million or 934%. Advances to related parties amounted to PhP34.87 Million and PhP3.37 Million as of 2010 and 2009 respectively.

Trade and other payables decreased by PhP66.96 Million or 28%. The amounts recorded are PhP169.36 Million and PhP236.32 Million as of 2010 and 2009 respectively.

Short-term loans increased by PhP127.99 Million or 37%. The amounts recorded are PhP469.50 Million and PhP341.51 Million as of 2010 and 2009 respectively.

Debt to equity ratio increased from 22.93 in 2009 to 271.25 in 2010 or an increase of 1,083%. The increase is mainly due to the decrease in stockholders' equity from P13.89 Million in 2009 to P0.73 Million in 2010 or a decrease of P13.16 Million or 1,803%. The decrease in stockholders is due to declaration of dividends in 2010 amounting to P47.00 Million.

Discussion and Representation on both Interim and Year End Audited Financial Statements

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way.

The Company does not anticipate having any cash flow or liquidity problems within the next twelve (12) months.

The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. No significant amount of the Company's trade payables have not been paid within the stated trade terms.

The Company does not foresee any event that will trigger direct or contingent financial obligation that is material to it, including any default or acceleration of an obligation.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

No significant elements of income or loss had arisen from the Company's continuing operations.

There are no other material changes in the Company's financial position (5%) or more and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition of the Company.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

LIQUIDITY AND CAPITAL RESOURCES

In the years 2009, 2010, 2011, and 2012, the Company's primary source of liquidity was proceeds from sales and bank financing activities and also the proceeds of the Company's IPO. Net cash from operating and financing activities were sufficient to cover the Company's working capital and capital expenditure requirements in the years 2009, 2010, 2011 and 2012. The Company has credit lines with several of the top banks of the Philippines which gives it financial flexibility in its operations.

The Company's cash position as of December 31, 2012 amounted to P395.50 Million, this is an increase of 93% from the December 31, 2011 recorded amount.

The Company's cash position has been steadily increasing since 2009. From only PhP20.21 Million in December 31, 2009 to PhP395.50 Million in Dec. 31, 2012, an increase of PhP184.58 Million or 1,857%. The increase is primarily due to earnings from the Company's operations and the additional capital infusion from stockholders in 2011 and the Company's Initial Public Offering in 2012.

The following table sets forth information from the Company's pro forma statements of cash flows for the periods indicated:

Cash Flows

	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Net cash provided by (used in) operating activities	127,225,605	302,478,444	(73,335,053)	8,414,870
Net cash provided by (used in) investing activities	(257,813,354)	(335,961,664)	(29,032,075)	(816,542)
Net cash provided by (used in) financing activities	321,302,708	219,165,977	101,262,787	(3,542,629)
Beginning Cash	204,788,818	19,106,061	20,210,402	16,154,703
Ending Cash	395,503,777	204,788,818	19,106,061	20,210,402

Indebtedness

The Company has no long-term loans. All of the Company's bank financing are short term loans with average terms of 90 to 120 days with the exception of P6.02 Million long term loans for the acquisition of Company vehicles. The Company's loan balance as of Dec. 31, 2012 is P502.14 Million.¹

To date, the Company has never been in default in making principal and interest payments.

KEY PERFORMANCE INDICATORS

The Company' top five (5) key performance indicators are listed below:

	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Current Ratio ¹	1.24	1.11	0.91	1.02
Debt to Equity Ratio ²	0.67	0.98	271.25	22.93
Earnings per Share ³	0.32	0.31	33.84	7.50
Earnings before Interest and Taxes ⁴	190,408,476	169,794,248	75,015,214	31,566,350
Return on Equity ⁵	19%	50%	407%	67%

¹ Current Assets / Current Liabilities

² Bank Loans/Stockholders' Equity

³ Net Income/Outstanding Shares

⁴ Net Income plus Interest Expenses and Provision for Income Tax

⁵ Net Income / Average Stockholders' Equity

These key indicators were chosen to provide Management with a measure of the Company's financial strength (i.e., Current Ratio, Debt to Equity Ratio, and Earnings before Interest and Taxes) and the Company's ability to maximize the value of its stockholders' investment in the Company (i.e., Return on Equity, Earnings per Share). Current ratio shows the liquidity of the Company by measuring how much current assets it has over its current liabilities. The Debt to Equity Ratio indicates how much debt the Company has incurred for each amount of equity in the Company. A higher ratio means that the Company is more aggressive in its use of capital. Earnings per share show how much the Company is earning for each share that is currently issued and outstanding. Earnings before interest and taxes indicate how much income the Company is generating from its entire operations before interest charges.