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S.E.C. Registration Number

ALPHALAND CORPORATION (formerly MACONDRAY PLASTICS, INC.)

(Company's Full Name)

Penthouse Alphaland Southgate Tower, Chino Roces corner EDSA, Makati, City

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

Rodolfo Ma. A. Ponferrada
Contact Person

(632) 338-5599
Company Telephone Number

1	2		3	1

Month Day
Fiscal Year

1	7	1	Q	

Form Type

0	5			

Month Day
Annual Meeting

Secondary License Type, If Applicable

C	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

			4	1

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign
224,033,196	

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-1Q

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

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

2. SEC Identification No. **183835** 3. BIR Tax Identification No **001-746-612**

4. Exact Name of Issuer as specified in its charter **ALPHALAND CORPORATION** ***(formerly MACONDRAY PLASTICS, INC.)***

Davao, Philippines
5. Province, Country or other jurisdiction of Incorporation or Organization

6. SEC Use Only
Industry Classification Code

Penthouse, Alphaland Southgate Tower, Chino Roces Avenue corner EDSA, Makati City **1232**
7. Address of Principal Office Postal Code

(632) 338-5599
8. Issuer's telephone number, including area code

NA
9. Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt/ Liabilities Outstanding
Common	**1,419,899,041**	**254,778,514**

Are any of the securities listed on the Philippine Stock Exchange?

Yes [/] No [ ]

12. Check whether the issuer

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

Yes [/] No [ ]

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

Yes [/] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The following discussion summarizes the significant factors affecting the operating results, financial condition and liquidity and cash flows of Alphaland Corporation formerly Macondray Plastics, Inc. (the "Company") for the period ended March 31, 2010 and 2009 and the audited financial statements for the year ended December 31, 2009. The following discussion should be read in conjunction with the accompanying unaudited financial statements as of and for the period ended March 31, 2010 and 2009 and notes thereto which form part of this Report. Such financial statements and notes thereto have been prepared in compliance with accounting principles generally accepted in the Philippines ("GAAP") as set forth in Philippine Financial Reporting Standards ("PFRS"). The Company's financial statements are presented in the functional currency of Philippine pesos.

Other than those items disclosed in the notes to financial statements and the management's discussion and analysis of financial condition and results of operations, the Company is not aware of any event, change, contingency or transaction which would have a material effect on the Company's operation or financial performance.

Other than those items disclosed in the notes to financial statements and the management's discussion and analysis of financial condition and results of operations, the Company is not aware of any material off-balance transactions, arrangements, obligations or any other relationship of the Company created during the reporting period.

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

Management Plan of Operations

Alphaland Corporation ("ALPHA" or the "Company") is a Philippine holding company currently with two principal businesses: real property development and plastics manufacturing. Each of these businesses are managed through two wholly-owned subsidiaries: Alphaland Development, Inc. ("ADI") for the property development business and Macondray Plastics Products, Inc. ("MPPI") for the plastics manufacturing interest. The acquisition of the property development business by the Company only became effective last April 7, 2010.

Nature of Business and Brief Historical Background

The Company was formerly known as Macondray Plastics, Inc. and, previous to that, Agro Plastics, Inc. On November, 19, 1990, it was incorporated as Agro Plastics, Inc. under Securities and Exchange Commission No. 183835 with Pioneer Ventures, Inc. as the controlling shareholder. Until 1994, the Company's sole business was to supply the requirements of the Lapanday Group's banana plantations.

Sometime in March 1995, the Company was sold to Macondray & Co., Inc. ("MCI") and was subsequently renamed Macondray Plastics, Inc. During the year, the Company implemented a major expansion program which involved the construction of a modern manufacturing facility in Panacan, Davao City, the acquisition of machinery and equipment which boosted production to an increased annual blown film capacity of 1,380 metric tons and, the addition of a twine production line with an annual capacity of 270 metric tons. In line with its new status as a stand alone, independent supplier, the Company expanded its customer base to companies outside of the Lapanday Group.

In the same year, 1995, with the procurement of the pertinent permit from the Fertilizer and Pesticide Authority ("FPA"), the facility in Panabo, Davao del Norte commenced producing treated banana bunch shrouds.

In 1997, the Company embarked on a program to reduce its total dependence on the banana industry by further expanding its customer base to commercial/industrial accounts. A new "triple-use" blown film machine with the flexibility of processing High Density Polyethylene ("HDPE"), Low Density Polyethylene ("LDPE") or Low Linear Density Polyethylene ("LLDPE") was commissioned together with a 6-color flexographic printing machine. With these machines, the Company acquired capability to serve the requirements of commercial/industrial companies engaged in the poultry business and export of fresh tuna and desiccated coconut, among others. At the same time, the Company organized a sales and marketing group to actively promote its new production capabilities and establish pro-active service to its banana industry customers.

In 1999, the Panabo plant was renovated and the capacity for banana bunch shrouds production was expanded with the installation and commissioning of an additional extruder, also with a "triple-use" capability.

In November 2000, the Company braved the sluggish stock market and became the first Davao-based, Davao-oriented company to list in the Philippine Stock Exchange ("PSE" or the "Exchange"). The proceeds of the initial public offering were used to expand the Company's production capacity and capabilities. The Company has since ventured into new products for agricultural and industrial applications, i.e., mulch sheets, tunnel covers, greenhouse film, foam net, stretch cling, high barrier, heat shrink film, with the increase in its production capacity from 2,400 MT/annum to 3,300 MT/ annum.

In 2003, in fulfillment of its promise during its initial public offering, it completed the construction of a new production facility, acquired additional machinery and equipment and exploited its market coverage towards non-traditional accounts. The Company likewise revisited its Competency Based HR System and reaffirmed its operational values of Quality, Service and Innovation.

In 2006, the Company acquired a 39,830 sqm property to construct a second facility to house its production facility for agricultural film products. It has since constructed a recycling facility which generates resin for its own consumption.

In September 2009, the Company decided to spin off the operations and maintenance of its plastics manufacturing interest to a separate juridical entity. Thus, MPPI was then incorporated and registered with the SEC on September 25, 2009 and became a wholly owned subsidiary of the Company. A deed of conveyance was subsequently executed where the Company shall transfer all of its assets and liabilities relating to the plastics manufacturing business to MPPI. The transfer and conveyance shall be effective upon the approval by the SEC of the increase in the authorized capital stock of MPPI.

On October 1, 2009, a Share Purchase Agreement (the "SPA") was executed between RVO Capital Ventures Corporation ("RVO Capital") and MCI. The transaction involves the acquisition by RVO Capital of MCI's 99,444,000 shares in the Company which represents MCI's entire interest in the Company. Since MCI's interest represents approximately 66% of the Company's outstanding capital stock, the acquisition thereof triggered the application of the mandatory tender offer rule of the Securities Regulation Code ("SRC"). During the tender offer period (October 27, 20098 to November 5, 2009), shareholders tendered a total of 43,212,748 shares. Consequently, RVO Capital acquired a total of 142,656,748 shares representing 95% of the Company's then issued and outstanding capital stock.

Thereafter on November 18, 2009, the Company's Board of Directors approved the agreement among the Company and the stockholders of Alphaland Development, Inc. ("ADI") relating to the share-for-share swap of the ADI stockholders with the Company. The stockholders of ADI are as follows: Masrickstar Corporation (48%), Alphaland Holdings (Singapore) Pte. Ltd. (40%), Boerstar Corporation (10%) and Azurestar Corporation (2%). Under the Share Swap Agreement dated November 18, 2009 between the Company and the four shareholders of ADI (the "Share Swap Agreement"), each ADI share was exchanged for approximately 5.08 previously unissued shares of the Company. To accommodate the issuance, the Company increased its authorized capital stock from ₱400 million to ₱5 billion. Out of said increase, 1,269,734,041 shares will be issued to the stockholders of ADI (in proportion to their current respective shareholdings in ADI).

Aside from the increase in the authorized capital stock of the Company, the Board also approved the amendments of the Company's articles of incorporation to reflect the following changes: (i) change the corporate name of the Company from 'Macondray Plastics, Inc.' to 'Alphaland Corporation', (ii) change in its primary purpose to that of a holding company, and

(iii) change in company address from KM 13 Agusan National Highway, Brgy. Panacan, Davao City to Alphaland Southgate Tower, 2258 Chino Roces Ave. cor. EDSA, Makati City. The changes were effected to reflect the new diversified thrust of the Company. The Board also approved the amendment of the Company's By-Laws to provide for the creation of the executive, audit and compensation committees of the Board of Directors.

During the Special Stockholders' Meeting held on December 23, 2009, the Company's stockholders approved and ratified the share swap and the amendments to the Company's Articles of Incorporation and By-Laws (including the increase in authorized capital stock from P400 million to P5 billion).

On April 7, 2010, the Securities and Exchange Commission ("SEC") approved the application of the Company for the foregoing amendments to the Company's Articles of Incorporation and By-Laws.

With the SEC approval, the Company's primary corporate purpose has been changed to that of a holding company. And with the increase in the authorized capital stock of the Company and with the implementation of the Share Swap Agreement, ADI has become a wholly-owned subsidiary of the Company. With ADI, the Company can now diversify into the property development sector and will benefit from ADI's existing projects, namely: Alphaland Southgate Tower and Mall, Alphaland Makati Tower, Alphaland Bay City, Alphaland Makati Place and Shangri-La at the Fort.

Plastics Manufacturing

The plastics manufacturing interest of the Company is carried out through Macondray Plastics Products, Inc. ("MPPI"). MPPI is engaged in the manufacture of varied polyolefin plastic blown film (mono and multi layer) products, polyethylene ("PE") foam net products and polypropylene ("PP") twine, operating out of two (2) separate manufacturing facilities in Davao with 90% of its current production capacity serving the plastic packaging requirements of the agricultural sector.

The business activities of the Company are carried out in a competitive environment competing in terms of geographic distribution, market reach, market share, quality, diversity of products, and pricing, among others. MPPI acknowledges that it has been and shall continue to be a quality provider of plastic packaging products for the agricultural banana sector.

MPPI will continually endeavor its efforts to expand its performance along its current product lines and improve production capabilities as well as develop new products and product applications for blown film product applications. Deliberate efforts in pursuing its strategies to increase market coverage and broaden customer base are continually being undertaken to further boost fiscal performance and enhance the quality of its products.

MPPI competes directly with plastic manufacturers ArcMen Industries, Inc. and Davao Packaging Corporation, Southern Plastics, Inc., MCV Plastics, Davao Asian Plastics, EAGA International, Excel Plastics. MPPI considers as a competitive advantage its being one of the few plastic manufacturing companies with a dedicated and active sales and marketing team in the Southern Philippines whose main objective is to establish and maintain business relationships with potential customers through technical assistance on the benefits and constant monitoring of their packaging requirements. MPPI has likewise established a reputation for the innovation of other plastic product lines for other agricultural and aquaculture applications as well as commercial/industrial applications. MPPI is firm on its commitment to continuously undergo research and development on new products or innovative uses to existing products.

MPPI has sufficient access to funds with which to carry out its plan of operations, including any developmental costs it may incur in innovating new products. MPPI shall likewise procure the necessary machinery and equipment needed to bolster and improve business operations and increase productivity. Other than these acquisitions, MPPI does not foresee any other material acquisition of any other significant equipment not consistent with current operations. To support operations, MPPI intends to continually engage the services of a third party cooperative to supplement current manpower requirement. It shall continue to employ such manpower as necessary to support increased business operations.

Despite recurring and evolving challenges for all business enterprises with the escalating fuel and power costs, rising and limited supply of raw materials, intense competition and fluctuating foreign exchange rates, MPPI continues to prevail over these forces with the increase in production and generation of revenues from non-traditional sources, as well as enforce the resilience of its machinery and manpower.

Property Development

ADI, the newly-acquired subsidiary of the Company, is engaged in the business of real estate development and property leasing. Currently, properties available for lease are spaces in a shopping center (Alphaland Southgate Mall) and in an office building (Alphaland Southgate Tower). It also leases carpark spaces and rents out LED billboard spaces. Lease terms vary depending on the type of property and tenant.

The Company intends to further diversify its real property development through ADI's existing projects, namely: Alphaland Southgate Tower and Mall, Alphaland Makati Tower, Alphaland Bay City, Alphaland Makati Place and Shangri-La at the Fort.

Revenue Sources

Plastics Manufacturing

MPPI generates revenues from the manufacture and production of varied polyolefin products utilized for varied applications. Blown film plastic products may be mono or multi-layer and printed or non-printed, and are custom-made to customer requirement and specifications.

MPPI's sales volume for the 1st quarter of 2010 slightly dipped by 2% from the same period last year, or 1,111MT from 1,139MT. 85% of total sales volume was generated from sales for blown film products. About 31% of total sales volume was generated from export sales which catered to customers for export bananas and other agricultural produce. 80% of the Company's total sales volume for the 1st quarter of 2010 was generated from sales to the cultivation and export of bananas.

Packaging requirements for the export of bananas dipped by 14% or 232MT from 269MT posted in the 1st quarter of 2009 mainly due to the over forecast of banana exporters in the 2nd semester of 2009, despite the augmented requirement from new customers. Corollary sales volume for the cultivation of bananas dipped by 6%, or 498MT from 531MT in the 1st quarter of 2009 with the initial effects of El Nino on the production of bananas. Sales volume for monofilament twine marginally grew by 5%, or 155MT from 147MT in the 1st quarter of 2009 with the increased hectarage covered by MPPI.

Sales volume generated for commercial-industrial applications grew 18% over the same period last year, or 136MT from 115MT generated in the 1st quarter of 2009 Sales volume for this segment grew with the decentralization of packaging requirement for certain customers and diversified product mix for this segment. Certain requirements for commercial industrial packaging increased attributed to the increase in requirement for domestic retail packaging, other requirements in this segment significantly declined with the reduction in volume requirement for packaging for fresh and frozen tuna owing to the declining supply in fish catch. Sales volume for other food packaging products likewise reflected marginal decline in requirement, particularly export oriented customers.

Despite the financial and economic global outlook, MPPI expects sales volume to slightly decline due for bananas as a result of climate change. It has and shall continue to implement programs to enhance production output and capability despite the diversity of products it intends to generate.

Revenue Contribution

Plastics Manufacturing

MPPI posted total revenues amounting to P136M in the 1st quarter of 2010, a marginal dip of 1% or P138M posted in the 1st quarter of 2009, despite the 1% increase in average selling price of P122 per Kg from P121 per Kg posted in the 1st quarter of 2009. The marginal dip is mainly attributed to the over forecast in packaging requirements for the 2nd semester of 2009 for certain industries.

Revenues generated from the export of bananas increased by 11% over the comparable period, or P36M from P32M posted in the 1st quarter of 2009 with the increase in exports for non traditional markets as well as the increase in retail packaging for export bananas. Sales for the segment is expected to be sustained in the next quarter as existing and new customers increased production area to serve shortage in supply from South America and non-traditional markets such as Iran, Korea and Russia. MPPI's sales to the banana cultivating segment declined by 7%, or P62M from P66M posted in the 1st quarter of 2009, owing to the tight squeeze in prices from competitors. Corollary sales for monofilament twine marginally increased by 3% over the comparable period, or 16M from P15M posted in the 1st quarter of 2009.

Sales generated from commercial industrial packaging requirements significantly increased by 15%, or 17M from P14M posted in the 1st quarter of 2009 with the increase in requirement for high value packaging products for industrial food packaging. The increase is attributed to the increase in food manufacturing industries within Mindanao and decentralization of the purchasing function from multinational corporations.

Agricultural Film products which increased in sales volume by 25% or 18MT from 14MT yielded positive contributions for the 1st quarter of 2010, as sales revenues grew by 69% or P3M from P2M in the 1st quarter of 2009. The Company markets and sells its agricultural film and corollary services to a wider market base which requires a longer lead-time in re-ordering. The Company expects to generate more sales with an increased market acceptance of non-traditional agricultural practices which contribute to increased yield.

Sales generated from expanded polyethylene foam products significantly declined to P0.8M from P6M sold in the 1st quarter of 2009, owing to the shift of a certain customer to paper trays for the export of its agricultural produce for an export market. Sales for this segment are expected to further decline with this shift in packaging requirement. MPPI has and continues to seek out alternative applications for this product.

MPPI is committed to continually develop and innovate quality products matched with personalized technical service. The Company aims to further its strategic decision to look beyond traditional sources of revenue in developing new product applications and markets for its blown film, monofilament twine and foam net plastic products. This strategy however does not preclude MPPI from other risks, such as unfavorable weather conditions and natural disasters, which may have a significant impact on operations, and global financial concerns which affects customer demand.

Cost and Expenses

Cost of Sales

The marginal dip in sales volume and value as well as the fluctuating increase in cost of raw materials and utilities contributed to the 5% increase in total cost of sales, amounting to P108M from P102M posted in the 1st quarter of 2009.

Owing to the diversified product mix and fluctuating cost of imported resin and other inputs, direct cost of materials increased by 5% or P84M from P80M reported in the 1st quarter of 2009. Average direct material cost was also higher or P75 per Kg from P71 per Kg posted in the 1st quarter of 2009. MPPI forsees a continuous increase in this cost category as global demand for petroleum continues to persist, and prices of resins products continue to rise.

Fluctuating power supply and the high prices in diesel fuel contributed to the increase in total cost of utilities and power which increased by 3% or P6M from P6M posted in the 1st quarter of 2009. Mindanao has continued to experience rotating power disruptions which greatly affect productivity and production capacity. MPPI has set in place power generators to help reduce the effect of these power disruptions.

Costs attributed to direct labor, grew by 21% or P7M from 5M in the 1st quarter of 2009 with the increase in volume and machinery employed to support the continuing increase in sales volume. Average direct manpower cost of sales per Kg of P6 per Kg was marginally lower than the P7 per Kg expended in the 1st quarter of 2009. The Company operates 15 blown film extruder machines, a twine line and 3 expanded polyethylene lines and a recycling facility operation out of two manufacturing facilities.

The Company likewise employs the services of a manpower cooperative to support current operations. Indirect labor cost was 5% lower than the same period last year, or P2M from P2M posted in the 1st quarter of 2009. The Company is evaluating methods by which to mechanize certain production enhancements for consistent quality output as well as lower costs.

Depreciation and amortization cost charged in the 1st quarter of 2010 was posted at P6M from P5M posted in the 1st quarter of 2009 with the acquisition of adjunct machinery and equipment to boost production capacity and capability. MPPI continued to invest in the improvement and enhancement of current machinery to further boost production capacity and capability, resulting in improved machine efficiency. To further extend useful life and machinery efficiency, MPPI expended cost for repairs and maintenance which stood at P1M in the 1st quarter of 2010, comparable to the P2M expended in the 1st quarter of 2009.

MPPI continues efforts to further lower its total cost of sales through its efforts in increasing sales volume for higher yielding margins, reduce cost of waste and further boost productivity through mechanization of certain products, programmed maintenance of the Company's varied machinery and equipment and the implementation of a quality management system.

Operating Expenses

Increased business activity contributed to the 11% increase in total overhead costs, amounting to P13M from P12M posted in the 1st quarter of 2009. Overhead expenditures accounted for 10% of total revenue turnover.

Total salaries and wages which accounted for 37% of total overhead expenditures, likewise increased by 37% over the comparable period, or P5M from P3M mainly attributed to an increase in manpower complement and personnel movements within MPPI. The increase was driven by the increase in manpower count which increased from 353 total headcount employed to 376 in the 1st quarter of 2010, an additional 23 person headcount over the comparable period. During the 1st quarter of 2009, MPPI employed additional manpower to sustain the increased business activities and to sustain operations from two separate manufacturing facilities. MPPI continues to engage the services of a manpower cooperative to sustain the Company's diverse operations. MPPI continues to employ a Competency Based HR Management System.

Rent, Utilities and allied services declined by 14% or P1M from P2M posted in the 1st quarter of 2009, with the acquisition of the adjunct properties in the second facility.

Total marketing and selling expenses, which accounted for 12% of total overhead expenditures, declined by 18% or P1M from P2M posted in the 1st quarter of 2009 mainly attributed to the decline in commission expenses.

General and administrative charges, which accounts for 28% of total overhead expenditures, declined by 6% or P3M from P4M posted in the 1st quarter of 2009. The decline is mainly attributed to the decline in freight and handling charges as well as a marginal decline in taxes and licenses.

The increase in depreciable assets, adjunct machinery and equipment and improvement in facilities to support MPPI's increased business activity resulted in a significant increase in depreciation cost amounting to 2M from P1M posted in the 1st quarter of 2009.

Tighter fiscal management and aggressive collection efforts allowed the MPPI to utilize its cash resources more efficiently as it expended other expenditures amounting to P7M from P10M, a 30% decline from the same period last year.

Result of Operations

Plastics Manufacturing

MPPI posted a 24% dip in gross income in the 1st quarter of 2010, or P28M from P37M posted in the 1st quarter of 2009. Gross margin for the 1st quarter of 2010 was at 21%, six percentage points lower than the 27% gross margin achieved in the 1st quarter of 2009. The decline in gross margin is mainly attributed to the marginal dip in sales revenue and product mix coupled with the increase in manufacturing costs.

The 24% dip in gross income, 7% increase in cost of sales, 10% increase in operating overhead contributed to the 59% decline in net income for the 1st quarter of 2010, which amounted to P5M from P11M posted in the 1st quarter of 2009. Net profit margin fell to 3% from 8% posted in the 1st quarter of 2009.

Plastics Manufacturing

Earnings Per Share

	As at 31 March 2010	As at 31 March 2009
Weighted Ave. no of Shares	**150,624,500**	**125,562,000**
Net Income	**4,697,186**	**9,663,758**
Earnings per Share	*₱ 0.03*	*₱ 0.08*

Liquidity and Capital Resources

Plastics Manufacturing

Summary of Certain Significant Balance Sheet Items

Recovering from the effects of the global economic crisis, volatile pricing on resin raw materials and other manufacturing inputs, shifting foreign exchange rates, intense competition from local and foreign competitors, total capital base dipped by 3%, or P527M from P542M in the 1st quarter of 2009.

Aggressive collection efforts and tighter fiscal management contributed to the increase in cash and cash equivalent balance for the 1st quarter of 2010, which amounted to P11M from P8M in the 1st quarter of 2009.

Despite the increase in sales volume and value, accounts receivables declined by 18%, or P140M from P172M in the 1st quarter of 2009.

Liquidity and Capital Resources

Summary of Certain Significant Balance Sheet Items

Below is a summary of certain significant balance sheet items:

	Unaudited March 31			Audited December 31	
	2010	2009		2009	
Cash	11,526,934	7,826,392	47%	13,995,258	-18%
Trade Receivables	156,728,358	183,898,147	-15%	155,351,714	1%
Inventories	91,566,535	86,278,578	6%	94,136,600	-3%
Amounts owed by related parties	1,209,159	3,073,208	-61%		
Other Current Assets	2,514,458	5,728,412	-56%	28,597,139	-91%
Total Current Assets	263,545,443	286,804,736	-8%	292,080,711	-10%
Property, Plant and Equipment	245,342,422	242,117,629	1%	247,142,874	-1%
Other Non Current Assets	18,332,145	13,672,082	34%	9,898,901	85%
Total Non Current Assets	263,673,567	255,789,711	3%	257,041,775	3%
TOTAL ASSETS	527,220,010	542,594,448	-3%	549,122,485	-4%
Notes Payable	143,000,000	118,000,000	21%	149,000,000	-4%
Trade and other payables	22,545,237	22,554,555	-	29,361,638	-30%
Liabilities under trust receipts	81,033,196	135,872,041	-40%	99,800,248	-19%
Income Tax Payable	4,058,833	4,516,852	-10%	634,207	540%
Total Current Liabilities	248,733,076	282,110,772	-12%	216,700,169	15%
Retirement Obligation	4,141,248	5,608,882	-26%	2,552,672	62%
Capital Stock	150,624,500	125,562,000	20%	150,562,000	0%
Retained Earnings	120,237,525	118,967,521	1%	118,395,246	2%
Treasury Shares	(1,213,526)	(1,015,248)	20%	(1,213,526)	0%
Stockholders' Equity	ÿ ÿ ÿ ÿ ÿ ÿ ÿ	ÿ ÿ ÿ ÿ ÿ ÿ ÿ	ÿ ÿ	267,743,720	2%

MPPI reported a 3% dip in total asset base versus 1Q 2009 asset balance or P527M from P542M and 4% lower than the December 2009 balance of P549M. Return on Assets was a percentage point lower than the same period last year, or 1% from the 2% posted as at March 2009 and significantly lower than the 5% return on assets reported in December 2009. 50% of total assets were current as of March 2010.

Closer coordination with customers and more aggressive collection efforts resulted in the 15% decline in trade receivables which amounted to P156M from P183M in March 2009. The marginal increase revenue turnover likewise resulted in the marginal increase in trade receivables from the December 2009 level of P155M. MPPI provides an average credit term of 90 days to its regular customer base. Day sales outstanding as at 31 March 2010 was at 87 days, much lower than the 103 days posted in March 2009 and 101 days sales outstanding posted in December 2009. MPPI has made a provision for a doubtful account of P0.3M. MPPI believes that it shall be able to collect a major portion of these accounts and believes that no additional provision for doubtful accounts is necessary.

March 2010 inventory level of P91M was 6% higher than the P86M posted in March 2009 but lower than the P94M posted in December 2009. MPPI maintained an inventory level of 76 days on hand as at March 2010. About 95% of MPPI's resin raw material is imported from foreign sources, any fluctuation in the foreign exchange, fluctuation in the world market prices and rise in prices for petroleum products has a significant impact on the Company's operations.

The Company posted other current assets of P2M as at March 2010 from the 28M posted in December 2009 and P5M posted in March 2009, mainly with the reclassification of certain current assets and decrease in deferred tax assets, deposits and other miscellaneous assets.

MacPlas posted Total Current Assets as at March 2010 amounting to P263M, 8% lower than the P289M reported in March 2009, and 10% lower than the P292M reported as at December 2009. 50% of total assets as at March 31 2010 were posted as current. Current Ratio for the 1st quarter of 2010 was at 1:1

Property, Plant and Equipment marginally increased by 1%, or P245M from P242M posted as at March 2009 and 1% lower than the P247M posted in December 2009. The variance from the March 2009 fixed asset balance is mainly attributed to acquisitions of various machinery and equipment within the period while the decline from the December 2009 balance is attributed to depreciation costs.

Other non-current assets as at March 2010 stood at 18M, a 34% increase from the P13M posted as at March 2009 and 85% higher than the P9M posted in December 2009. Non current assets comprise deposits and other deferred charges for uncompleted projects and/or activities.

MPPI was able to partially service the short term loans mainly used to finance working capital requirements that resulted in a marginal decline in notes payable. Loans payable as at March 2010 stood at P143M from P149M as at December 2009 and P118M posted in March 2009. The Company has various credit facilities with several banks and financial institutions from which it can draw to finance its working capital requirements. All the Company's loans are short term in nature with a maturity within 360 days. The Company believes that it has sufficient financial resources with which to settle these or any other obligations.

Tighter fiscal management allowed MPPI to likewise service liabilities under trust receipts in March 2010 which significantly declined to P81M from P99M posted in December 2009 and P135M as at March 2009. MPPI secured trust receipts mainly for the importation of resin raw materials and other corollary machinery and equipment.

Trade payables as at March 31 2010 amounting to P22M were comparable to the P22M posted in March 2009 mainly with the recurring increased business activities of the Company. Trade payables as at December 2009 were higher by 23% or P29M.

Retirement obligation as at March 2010 stood at 4M from P2M posted in December 2009 with the actuarial valuation completed in the 1st quarter of 2010.

MPPI posted a 2% return on equity, significantly lower than the 11% return on equity posted in December 2009 mainly with the marginal dip in net income reported in the 1st quarter of 2010.

Sources and Uses of Cash

Plastics Manufacturing

MPPI's primary source of liquidity and capital resource is cash provided from manufacturing operations. Incremental cash is sourced from short-term borrowings. MPPI mainly utilizes cash to fund the acquisition of raw materials and supplies, payment of trade payables and capital expenditures to increase and enhance productivity.

MPPI posted higher net cash balance as at 31 March 2010 of P11M, 47% higher than the P8M reported as at March 2009.

Cash generated from operating activities as at March 2010 of P9M was significantly higher than the P5M posted in March 2009. Cash was mainly utilized for the purchase of merchandise inventory and settlement of trust receipts and acceptances.

MPPI invested cash assets for varied machinery and equipment to further enhance the Company's production capacity and capability. Net cash used in investing activities amounted to P3M as at March 2010, significantly lower than the P31M utilized in 2009.

Cash used in financing activities amounted to P6M as at March 2010 from P18M provided in March 2009. MPPI settled net short term borrowings of P6M from collections of accounts receivables.

	As at 31 Mar 2010	As at 31 Mar 2009
Net cash from operating activities	9,492,592	4,786,606
Net cash from investing activities	(2,921,542)	(31,601,706)
Net cash from financing activities	(6,355,915)	18,509,893

MPPI is confident that cash generated from operations and financing from existing and pending credit facilities shall be adequate to provide sufficient liquidity to fund the Company's current operations, investments and capital expenditures, as well as service its payables to financial institutions and suppliers. This does not preclude the Company from pursuing various initiatives towards further improving the Company's balance sheet and cash flows.

The Company is not aware of any material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the company with affiliated entities or other persons created during the reporting period.

Key Performance Indicators

<u>Plastics Manufacturing</u>

The Company employs several measures to benchmark its operations. The following are some of the major performance measures that the Company uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of the previous year.

KPI	March 31, 2010	March 31, 2009
Operating Efficiency		
Operating Margin (Income from Operations/Net Sales)	11.0%	14.7%
Net Profit Margin (Net Income/Net Sales)	3.4%	7.0%
Gross Margin (Gross Profit/Net Sales)	20.9%	26.0%
	December 2009	**March 2010**
Liquidity		
Current Ratio (Current Asset/Current Liabilities)	1.0	1.1
Days Sales Outstanding (Accounts Receivables/Sales)	78	87
Solvency		
Debt to Equity (Total Liabilities/Stockholders' Equity)	0.8:1	0.8:1
Profitability		
Return of Average Stockholders' Equity (Net Income/Stockholders Equity)	11.5%	2%
Financial Efficiency		
Return on Assets (Net Income/Total Assets)	6.3%	1%
Financial Growth		
Earnings Per Share (Net Income/ Number of Shares)	0.20	0.08

Manpower Complement

Plastics Manufacturing

	March 2010	December 2009	March 2009
Executive/Managerial	10	12	10
Supervisor	23	23	22
Foreman	16	20	20
Rank and File	109	99	83
Probationary	14	32	21
Manpower Cooperative	205	167	197
Total	377	353	353

MPPI is one of the first companies in Davao to have employed a competency-based human resource system in the management of its human resource. The competency-based system is hinged on compensating employees based on an inventory of competencies required and expected of each employee plus incentives based on performance.

MPPI engaged the services of a Labor Cooperative to provide non-critical tasks in the production of the Company's various products. These personnel assist in the productivity efforts of the Company to better improve plant efficiency.

MPPI's employees are not unionized. No labor-related litigation or claim is pending or, to the best knowledge of the Company, threatened against the Company.

Discussion and Analysis of Material Events and Uncertainties

As of reporting date:

There are no known trends or events, which may have a material effect on the Company's short-term or long-term liquidity.

There were no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation. Funding of maturing obligations shall be sourced from internally generated cash flow or from borrowings under the available credit facilities.

There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons during the reporting period.

The commitment for capital expenditures is those within the ordinary course of trade or business and will be funded partly from short term credit and operations.

There were no significant trends, events, or uncertainties that will have a material impact on the registrant's sales. There are no significant elements of income or loss not arising from the Company's continuing operations. There are no seasonal aspects that had or have a material effect on the financial condition or results of operations. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

There are no items this year affecting assets, liabilities and equity, net income or cash flows that are unusual because of their nature, size or incidents, except those stated in the Management's Discussion and Analysis.

There were no material changes in estimates of amounts reported in the current year or changes in estimates of amount reported in prior financial years.

There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date. No material contingencies and any other events or transactions exist that are material to an understanding of the current year.
There are no issuances, repurchases, repayments of debt and equity securities during the year except for those which have been disclosed and those which occur within the ordinary course of business.

There are no material events subsequent to the end of the period that have not been reflected in the financial statements for the year.

There are no effects of changes in the composition of the Company during the year, including business combinations, acquisitions or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

Disclosures on Market Risks

Plastics Manufacturing

MPPI is exposed to various risks in its regular operations, including foreign exchange risks, interest rate risks, liquidity risks, inflation risks and supply risks.

In view of improving its current operations and safeguarding shareholder interests, and faced with the inherent changes in the political and business environment, the Company has and continues to seek and implement measures to curtail these risks.

Foreign Exchange Risks
MPPI recognizes approximately 30% of its revenues in US Dollars, as it is an indirect exporter of plastic materials. Sales of export bags are mostly paid for in U.S. Dollars. Most of its raw materials and certain operating supplies, however, are imported and are paid for in U.S. Dollars. This makes the Company a net user of U.S. Dollars. A weakening of the Philippine Peso vis-à-vis the U.S. Dollar may have an adverse effect on the Company's financial performance. However, the Company believes that its pricing policy helps mitigate such risk.

Interest Rate Risk
MPPI has unsecured loans from local banks in peso and US Dollar currency with an average borrowing rate of 6.25%. Any fluctuations in interest rates may have a significant impact on the company's financial position. MPPI believes that it has sufficient cash from its operations to liquidate and mitigate these risks should the need arise.

Liquidity Risk
MPPI intends to utilize internally generated funds and proceeds from debts to finance operating and investing requirements. Cash flows are regularly evaluated based on projected and actual cash flow in order to assess the Company's financial requirements at any given time.

Inflation Risks
MPPI believes that changes in local inflation will have a material, adverse impact on the Company's operations.

Supply Risks
The manufacture of the Company's plastic products requires various types of polyethylene and polypropylene resins, 98% of which is paid for in US Dollars. Prices of these materials are dictated by seasonal supply and demand in the world market. A significant increase in the prices of these materials would have an adverse effect on the Company's profit margins.

MPPI has established a program of tracking prices of its raw material requirements in the world market thereby enabling it to enter into purchase contracts during seasons of low prices and continues to seek alternative sources of raw materials to curtail any risks in the shortage of raw material supply. The Company constantly updates its customers on price trends and assists them in planning inventory requirements at times of rising prices.

Natural Occurrences
MPPI is subject to various other risks that are beyond the Company's and its clients' control. These include weather conditions and natural disasters, which may disrupt the Company's operations. There can be no assurance that the above risks will not have an adverse effect on the Company.

Compliance with Environmental Regulations
Treated bunch shrouds contain the active ingredient chlorpyrifos, a pesticide which requires proper handling and disposal. As such, plastic manufacturers are under constant supervision from the Department of Environment and Natural Resources ("DENR") and the Fertilizer and Pesticide Authority ("FPA") insofar as plastic production and storage facilities are concerned. Any violation of DENR and FPA regulations may cause disruption of MPPI' operations.

The Company has always been in compliance with health, sanitary, and environmental regulations as imposed by the DENR and the FPA, evidenced by its DENR Permit to Operate and FPA License, and is currently working with the said agencies in establishing the production facility standards for producing pesticide-impregnated bunch shrouds. In addition, MPPI sells such bunch shrouds only to clients who have secured the required licenses from the FPA.

Economic and Political Conditions
The Company's continuing operations areinfluenced by the general economic and political condition of the Philippines. Any event that would trigger economic and/or political instability may adversely affect the Company's growth and financial performance.

The prevailing peace and order situation in Davao, where the Company's manufacturing facilities and its customers' plantations are located, is generally stable. Nevertheless, a political disturbance that may be brought about by the existing crisis in Mindanao remains to be a threat to companies operating in Davao, including MPPI.

PART II - OTHER INFORMATION

There are no disclosures not reported under SEC Form 17-C.

SIGNATURES

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

Issuer	:	**ALPHALAND CORPORATION**
Signature and Title	:	**MARIO A. ORETA** President
Principal Financial Officer	:	for **DENNIS O. VALDES** Treasurer
Date	:	

ALPHALAND CORPORATION
BALANCE SHEET

	Unaudited March 31 2010	March 31 2009	Audited December 31 2009
ASSETS			
Current Assets			
Cash and cash equivalent	11,526,934	7,830,457	13,995,258
Accounts Receivable Trade – net	140,334,825	172,278,733	155,351,714
Inventories – net	91,566,535	85,931,666	94,136,600
Prepaid expenses and other current assets	20,117,149	23,180,676	28,597,140
Total Current Assets	**263,545,443**	**289,221,532**	**292,080,712**
Non Current Assets			
Property, plant and equipment – net	245,342,422	238,335,108	247,142,873
Other assets	18,332,145	8,832,243	9,899,490
Total Non Current Assets	263,674,567	247,167,351	257,042,363
TOTAL ASSETS	**527,220,010**	**536,388,884**	**549,123,075**
LIABILITIES & STOCKHOLDERS'S EQUITY			
Current Liabilities			
Loans payable	143,000,000	118,000,000	149,000,000
Trust Receipts payable	81,033,196	81,033,196	99,800,248
Accounts payable and accrued expenses	22,545,237	22,554,555	29,361,638
Due to Affiliated Companies	-	-	30,000
Income tax payable	4,058,833	3,678,455	634,207
Total Current Liabilities	**250,637,266**	**280,105,051**	**278,826,093**
Non Current Liabilities			
Retirement Benefits	4,141,248	4,126,178	2,552,672
Total Non Current Liabilities	4,141,248	4,126,178	2,552,672
TOTAL LIABILITIES	254,778,514	284,231,229	281,348,765
STOCKHOLDERS' EQUITY			
Capital Stock – P1 par value	150,588,900	125,562,000	150,588,900
Authorized – 400,000,000 shares			
Issued - 125,562,000 shares			
Retained Earnings	123,066,122	127,591,525	118,368,936
TOTAL STOCKHOLDERS' EQUITY	273,655,022	253,153,525	268,957,836
Less: cost of treasury shares	(1,213,526)	(995,871)	(1,213,526)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**527,220,010**	536,388,884	549,123,075

See accompanying Notes to Financial Statements

ALPHALAND CORPORATION

UNAUDITED STATEMENTS OF INCOME

	For the quarter ended March 31	
	2010	**2009**
NET SALES	₱ **136,262,646**	₱ 138,290,829
COST OF GOODS SOLD	**107,786,303**	102,427,851
GROSS PROFIT	**28,476,344**	35,862,978
OPERATING EXPENSES	**13,453,560**	15,469,291
Foreign exchange gain (loss) – net	**(618,315)**	(451,175)
Interest and other charges - net	**(3,739,862)**	(4,973,254)
Miscellaneous – net	**(2,872,969)**	(1,627,045)
INCOME BEFORE INCOME TAX	**7,791,637**	13,342,213
PROVISION FOR INCOME TAX	**(3,094,451)**	3,678,455
NET INCOME	₱ **4,697,186**	₱ 9,663,758
Earnings Per Share	₱ **0.03**	₱ 0.08

See accompanying Notes to Financial Statements

ALPHALAND CORPORATION

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the period ended March 31, 2010 and 2009 and For the year ended December 31, 2009

	Capital Stock	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2008	**125,562,000**	**118,967,521**	**(557,328)**	**254,068,799**
Net Income		9,663,758		9,663,758
Treasury Shares			(438,543)	(438,543)
Balance at March 31, 2009	**125,562,000**	**128,631,279**	**(995,871)**	**263,294,014**
Cash dividend during the year		(5,022,480)		(5,022,480)
Stock Dividend during the year	25,026,900			25,026,900
Treasury Shares			(656,198)	(656,198)
Net Income		29,450,795		29,450,795
Balance at December 31, 2009	**150,588,900**	**118,368,936**	**(1,213,526)**	**267,744,310**
Net Income		4,697,186		4,697,186
Balance at March 31, 2010	**150,588,900**	**123,066,122**	**(1,213,526)**	**272,441,496**

See accompanying Notes to Financial Statements

ALPHALAND CORPORATION

STATEMENTS OF CASH FLOWS

	For the quarters ended March 31	
	2010	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱7,791,637**	₱13,342,213
Adjustments for:		
Depreciation and amortization	**7,385,116**	5,837,856
Interest expense	**3,746,330**	4,967,793
Provisions for:		
Doubtful accounts		
Retirement benefit costs	**320,779**	264,210
Inventory obsolescence		
Interest income	**(22,455)**	(11,429)
Operating income before working capital changes	**19,221,407**	24,400,644
Decrease (increase) in:		
Trade receivables	**(4,547,676)**	1,424,354
Inventories	**2,369,376**	7,766,540
Prepaid expenses and other current assets	**1,735,762**	5,927,895
Increase (decrease) in:		
Accounts payable and accrued expenses	**(2,415,919)**	(4,847,474)
Liabilities under trust receipts and acceptances	**(19,279,590)**	(24,928,989)
Cash generated from operations	**13,216,467**	9,742,970
Interest received	**22,455**	11,429
Income taxes paid		
Interest paid	**(3,746,330)**	(4,967,793)
Net cash from operating activities	**9,492,592**	4,786,606
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment - net	**(2,921,542)**	(31,601,706)
Increase in:		
Investment in government securities		
Other noncurrent assets		
Net cash used in investing activities	**(2,921,542)**	(31,601,706)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	**6,000,000**	21,000,000
Payment of notes payable	**(12,000,000)**	-
Net changes in accounts with related parties	**(355,915)**	(2,032,187)
Purchases of Treasury shares	**-**	(457,919)
Net cash from (used in) financing activities	**(6,355,915)**	18,509,893
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**215,135**	(8,305,207)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**11,311,799**	16,135,664
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱11,526,934**	₱7,830,457

See accompanying Notes to Financial Statements.

1. Corporate Information

   a. Organization

Alphaland Corporation, formerly Macondray Plastics, Inc. (the Company) is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commision (SEC). The Company, through its wholly owned subsidiary Macondray Plastics Products, Inc. (MPPI) (collectively referred to as the Group), is engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail, any and all kinds of goods, including bags, containers, agricultural products, insecticide bags and other goods of similar nature, and any and all equipment, materials, supplies used or employed in or related to the manufacture of such finished products.

The Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The registered office of the Company is Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City. As of March 31, 2010, the Group is operating in only one business segment.

   b. Change in Ownership

On October 1, 2009, Macondray and Company, Inc. (MCI) entered into a share purchase agreement (the SPA) with RVO Capital Venture Corporation (RVO) with the latter to acquire MCI's existing 66% ownership in the Company. The sale and purchase of the shares was transacted and executed through the PSE on November 11, 2009. Under the SPA, upon execution threof, RVO shall make a tender offer for the approximately 34% of the remaining interest in the Company. As a result of the foregoing transaction, MCI and all companies under common control of MCI and other related parties ceased to be a related of the Company starting November 12, 2009. RVO became the new parent company of the Company owning 95% of the voting shares as of December 31, 2009.

On November 12, 2009, a new set of directors and officers were elected from representatives of RVO. Effective this date, any financial and operating decisions relating to the activity of the Company shall require majority votes from the new set of directors and officers.

On a special stockholders' meeting held on December 23, 2009, the following matters were taken and approved by the Company's stockholders:

1. The amendment of the Company's articles of incorporation to reflect the following:

   a. change in its corporate name from 'Macondray Plastics, Inc.' to 'Alphaland Corporation';
   b. change its primary purpose from that of a manufacturing company to that of a holding company;
   c. change the principal place of business from 'Davao City' to 'Alphaland Southgate Tower, Chino Roces Avenue corner EDSA, Makati City';
   d. increase the Company's authorized capital stock from P400 million to P5 billion, the increase to be supported by a share-for-share swap with the stockholders of Alphaland Development, Inc. at a conversion rate of one (1) Alphaland Development, Inc. share for approximately every 5.08 shares of the Company.

2. The amendment of the Company's By-laws to provide for the creation of the executive, audit and compensation committees of the Board of Directors.

3. The Company's application for additional listing with the Philippine Stock Exchange, Inc. with respect to the 1,269,734,041 Primary Shares to be issued to the stockholders of Alphaland Development, Inc. out of the increase in authorized capital stock in connection with the share-for-share swap between the Company and the stockholders of Alphaland Development, Inc.

The amendments to the Company's Articles of Incorporation and By-laws enumerated above were approved by the Philippine SEC on April 7, 2010. Further, the Company, Alphaland Development, Inc. (ADI) and the shareholders of ADI are currently in the process of completely implementing the share-for-share swap including: the issuance of primary shares of the Company to the stockholders of ADI and the transfer of the latter's ADI shareholdings in favor of the Company.

c. Incorporation of Macondray Plastics Products, Inc. (MPPI)

The Company decided to spin off the operation and maintenance of its plastic manufacturing to a new entity. Thereafter, MPPI was incorporated and registered with the SEC on September 25, 2009 and became a wholly-owned subsidiary of the Company. The Company incorporated MPPI for initial capitalization of ₱250,000.00 consisting of 250,000 shares with par value of ₱1.00. Of the total subscribed capital, ₱62,500.00 of which were already paid by the Company.

d. Spin off of operations of MPPI

The Company spun off the operation and maintenance of its plastic manufacturing operations to MPPI. In view of this, the Company and MPPI entered into a deed of conveyance on October 13, 2009 where the Company shall transfer and convey in favor of MPPI all of the Company's rights, titles and interests in and obligations to its net assets in consideration of and solely in exchange for shares of stock of MPPI. The transfer of the specific assets and liabilities of the Company to MPPI shall be tax free. The transfer of properties and obligations to MPPI from the Company shall be effective upon the approval by the SEC of the increase in the authorized capital stock of MPPI.

As of April 8, 2010, necessary steps have already been undertaken by management to obtain the approval of the SEC for the increase in MPPI's authorized capital stock so that transfer can be done as specified in the deed of conveyance.

Effective December 1, 2009, MPPI manages the Company's plastic and manufacturing operation. On the same date, all the employees of the Company were transferred to MPPI.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared on a historical cost basis. The Company's financial statements are presented in Philippine peso, which is the functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso except as otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with PFRS.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following Philippine Interpretations which:

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 11, PFRS 2 - *Group and Treasury Share Transactions*
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*
- Philippine Interpretation IFRIC 14, Philippine Accounting Standards (PAS) 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement,* and PFRS 7, *Financial Instruments: Disclosures - Reclassification of Financial Assets*

Adoption of the above changes in PFRS did not have any significant effect to the Company.

Future Changes in Accounting Policies

The Company has not applied the following PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2008:

Effective in 2009:

PFRS 1, *First-time Adoption of PFRS - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: (a) cost determined in accordance with PAS 27; (b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or (c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*
The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

PFRS 8, *Operating Segments*
PFRS 8 will replace PAS 14, *Segment Reporting,* and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the balance sheet and statement of income and the Company will provide explanations and reconciliations of the differences. This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party.

Amendments to PAS 1, *Presentation of Financial Statements*
This Amendment introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with "other comprehensive income". Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the balance sheet and owner's equity as well as additional disclosures to be included in the financial statements.

PAS 23, *Borrowing Costs*
The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009.

Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
Amendments to PAS 27 will be effective on January 1, 2009 which has changes in respect of the holding companies separate financial statements including (a) the deletion of "Cost method", making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in statement of income. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

Amendment to PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets, (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) all instruments in the subordinate class have identical features, (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets, and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire.

Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
This Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net

investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to PFRSs

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard:

PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*

When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.

PAS 1, *Presentation of Financial Statements*

Assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.

PAS 16, *Property, Plant and Equipment*

The amendment replaces the term "Net selling price" with "Fair value less costs to sell", to be consistent with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and PAS 36, *Impairment of Assets*.

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

PAS 19, *Employee Benefits*

Revises the definition of "Past service costs" to include reductions in benefits related to past services ("negative past service costs") and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

Revises the definition of "return on plan assets" to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.

Revises the definition of "short-term" and "other long-term" employee benefits to focus on the point in time at which the liability is due to be settled.

Deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*

Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.

PAS 23, *Borrowing Costs*

Revises the definition of borrowing costs to consolidate the types of items that are considered components of "borrowing costs", i.e., components of the interest expense calculated using the effective interest rate method.

PAS 27, *Consolidated and Separate Financial Statements*
When a parent entity accounts for a subsidiary at fair value in its financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

PAS 28, *Investment in Associates*
If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

PAS 29, *Financial Reporting in Hyperinflationary Economies*
Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

PAS 31, *Interest in Joint Ventures*
If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

PAS 36, *Impairment of Assets*
When discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

PAS 38, *Intangible Assets*
Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

PAS 39, *Financial Instruments: Recognition and Measurement*
Changes in circumstances relating to derivatives - specifically derivatives designated or de-designated as hedging instruments after initial recognition - are not reclassifications.

When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.

Removes the reference to a "segment" when determining whether an instrument qualifies as a hedge.

Requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

PAS 40, *Investment Property*
Revises the scope (and the scope of PAS 16, *Property, Plant and Equipment*) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

PAS 41, *Agriculture*
Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.

Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the "most relevant market" are taken into account.

Effective in 2010:

Revised PFRS 3, *Business Combinations*, and PAS 27, *Consolidated and Separate Financial Statements*
The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as "minority interests"); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with non-controlling interests.

Amendment to PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
Amendment to PAS 39 will be effective on July 1, 2009, which addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

Effective in 2012:

Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on stage of completion.

The Company does not expect any significant impact in the financial statements when it adopts the above standard, amendments and interpretations. The revised and additional disclosures provided by the standard, amendments and interpretations will be included in the Company's financial statements when these are adopted in 2009, 2010 and 2012, if applicable.

Summary of Significant Accounting Policies

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition
Financial assets and liabilities are recognized in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition of Financial Instruments
All financial instruments are initially measured at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial instruments in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available for sale (AFS) investments, loans and receivables, financial liabilities at FVPL, and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of March 31, 2009 and 2008 and for the year ended December 31, 2008, the Company has no financial assets and financial liabilities at FVPL, HTM investments and AFS investments.

Loans and Receivables
These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "financial assets held for trading", designated as "AFS investments" or "financial assets designated at FVPL".

Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Any amortization will be included in "Interest income" in the statement of income. Any losses arising from impairment are recognized in "Provision for impairment losses of receivables" in the statement of income.

As of March 31, 2009 and 2008 and for the year ended December 31, 2008, the Company's loans and receivables include cash, trade receivables and amounts owed by related parties.

Other Financial Liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transactions costs. Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

As of March 31, 2009 and 2008 and for the year ended December 31, 2008, the Company's other financial liabilities include notes payable, trade and other payables (excluding statutory payables), liabilities under trust receipts and acceptances and amounts owed to related parties.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or,

- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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 balance sheet.

Impairment of Financial Assets Carried at Amortized Cost
The Company assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., trade receivable) 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 discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statement of income.

The Company first assesses whether its objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The factors in determining whether objective evidence of impairment exist include, but are not limited to, the length of the Company's relationship with debtors, their payment behavior and known market factors. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in payments, the probability that they will enter bankruptcy, or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Finished Goods and Work-in-Process

Determined primarily on the basis of average production cost; cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs.

Raw Materials and Supplies

Determined primarily on the basis of weighted average cost.

NRV for finished goods and work-in-process is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for raw materials and supplies and spare parts is the current replacement cost.

Property, Plant and Equipment

Property, plant and equipment, except for land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment if the recognition criteria are met. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization is computed on the straight-line basis over the following estimated useful lives of the assets:

Category	Number of Years
Land improvements	20
Leasehold improvements	2-10
Buildings and structures	10-20
Machinery, equipment and tools	2-15

Transportation equipment	5
Office furniture and equipment	2-5

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

Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the term of the lease, whichever is shorter.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.
The asset's residual values, useful lives and methods are reviewed and adjusted if appropriate, at each financial year-end.

Construction in progress, included in property, plant and equipment, is stated at cost. This includes cost of construction and equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are available for use.

Impairment of Non-Financial Assets

An impairment loss is recognized by a charge against current operations for the excess of the carrying amount of an asset over its recoverable amount. An asset's recoverable amount is the higher of the asset's value in use or its net selling price. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

A previously recognized impairment loss is reversed by a credit to current operations (unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset) to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Foreign Currency Translation

The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 the 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 interest expense.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue from sale of goods is recognized when the title passes to the buyer.

Interest
Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

<u>Leases</u>
Determination of 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 and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or,

(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are amortized as an expense in the statement of income on a straight-line basis over the lease term.

<u>Retirement Benefit Costs</u>
The Company has a funded, non-contributory defined benefit retirement plan.

Retirement costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions.

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the defined benefit liability and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan. Actuarial valuation of the Company's retirement plan is done as necessary.

Pasts service costs, if any, 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 case, the past-service costs are amortized on a straight-line basis over the vesting period.

The defined benefit asset or liability comprises the present value of the defined benefit retirement liability less past service costs not yet recognized and less the fair value of any plan assets out of which the liabilities are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

<u>Borrowing Costs</u>

Borrowing costs are recognized as expense in the period the costs are incurred.

<u>Income Taxes</u>

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable 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 balance sheet date.

Income taxes relating to items recognized directly in statement of changes in equity are recognized in statement of changes in equity and not in the parent company statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes related to the same taxable entity and the same taxation authority.

Contingencies

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

Events After the Balance Sheet Date

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Earnings Per Share

Earnings per share is determined by dividing net income by the weighted average number of shares outstanding during the period after giving retroactive effect to any stock dividends declared.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale of goods and the costs of producing the goods, in which funds from financing activities are generated and of which receipts from operating activities are generally retained.

Legal Contingencies
The estimate of probable costs for the resolution of possible claims is developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. As of March 11, 2009, the Company is not involved in any legal cases that will have material impact to the Company. No provision for probable losses arising from legal contingencies was recognized in the Company's financial statement in 2008 and 2007.

Operating Lease
The Company has entered into commercial property lease on its facility. The Company has determined that it does not retain all the significant risks and rewards of ownership of these properties, therefore such lease is treated as an operating lease.

Assessing Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of deferred tax assets at each balance sheet date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilized. The Company recognized deferred tax assets amounting to P2.4 as of March 31, 2009 and P2.4 million as of December 31, 2008.

<u>Estimates and Assumptions</u>
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Estimating Allowance for Impairment Losses of Receivables
The Company estimates the allowance for impairment losses related to receivables based on specific evaluation of accounts and collectively for receivables that are not individually significant, and where the Company has information that certain customers are unable to meet their financial obligations. In these cases, the use of judgment is based on the best available facts and circumstances, including but not limited to, the length of relationship with the debtors and known market factors, to record specific reserves against amounts due from debtors to reduce the receivable amount that is expected to be collected. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets. As of March 31, 2009, trade receivables, net of allowance for impairment losses, amounted to P172.3 and P172.4 million as of December 31, 2008. Amounts owed by related parties as of March 31, 2009 amounted to and ₱3.3 million as of December 31, 2008.

Estimating Allowance for Inventory Losses
The Company maintains allowance for inventory losses at a level considered adequate to reflect the excess

of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories, but only to the extent of their original acquisition costs. As of March 31, 2009, inventories amounted to P85.9 and P92.3 million as of December 31, 2008.

Estimating Useful Lives of Property, Plant and Equipment
The Company reviews annually the estimated useful lives of the property, plant and equipment based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

Assessing Impairment of Non-Financial Assets
PRFS requires that an impairment review be performed when certain impairment indicators are present. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an assets and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the net selling price. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements.

Determining Retirement Benefit Costs
The determination of the Company's obligation and cost for retirement is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of returns on plan assets and salary increase rates (see Note 14). In accordance with PFRS, actual results that differ from the Company's assumptions, subject to the 10% corridor test, are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future periods. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of balance sheet date. The expected return on plan assets assumption is determined on a uniform basis, taking into consideration the historical returns and the future estimates of investment returns. As of December 31, 2008, retirement obligation amounted to ₱5.3 million. Retirement benefit costs reported in the statements of income amounted to ₱2.5 million in 2008.

Determining Fair Value of Financial Assets and Liabilities
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g. foreign exchange rates, interest rates and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect the statement of income and the statement of changes in equity.

4. Trade Receivables

	March 2010	December 2009
Trade Receivables	₱144,622,497	₱159,218,987
Less: allowance for impairment losses	4,287,672	3,867,273
	140,334,825	155,351,714

Trade receivables are non-interest bearing and are generally on a 30 day term.

5. Inventories

	March 2010	December 2009
Finished Goods at NRV	₱24,659,900	₱30,252,668
Raw materials and supplies at cost	50,118,571	53,508,401
Work in process at cost	5,407,027	6,087,593
	80,185,498	89,848,662
Raw materials and supplies in transit at cost	11,381,037	4,287,938
	91,566,535	94,136,600

The cost of inventories charged to cost of goods sold amounted to P85.37 million as at March 2010 and P324.8 million as at December 2009.

Under the terms of the agreements covering the Group's liabilities under trust receipts, certain inventories have been released to the Group in trust for the banks. The Group is accountable to the banks for the trusteed inventories or their sales proceeds.

6. Prepaid Expenses and Other Current Assets

	March 2010	December 2009
Import bills and others	₱1,233,766	₱13,778,054
Net input value added tax	2,105,727	6,888,816
Tax credit certificates	4,477,950	4,477,950
Advances to suppliers	3,317,901	386,284
Others	8,981,805	3,065,496
	₱20,117,149	₱28,597,140

7. **Property, Plant and Equipment** - Net

	2009							
	Land and Improvements	Leasehold Improvements	Buildings and Structures	Machinery, Equipment and Tools	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
Cost:								
At January 1	37,657,227	4,963,815	131,175,373	228,759,753	13,957,291	7,341,309	3,033,710	426,888,478
Additions	-		441,589	1,691,556		67,028	3,306,531	5,506,704
At March 31	37,657,227	4,963,815	131,616,962	230,451,309	13,957,291	7,498,339	6,340,241	432,395,182
Accumulated depreciation and amortization:								
At January 1	5,014,848	4,963,815	42,676,703	112,602,992	8,489,918	5,997,329	–	179,745,605
Additions	341,593		1,988,913	4,371,373	517,854	165,383		7,397,156
At March 31	5,356,441	4,963,815	44,665,616	108,231,619	9,007,772	6,162,712		187,142,761
Net Book Values	**32,300,786**	**-**	**86,951,346**	**122,219,690**	**4,949,518**	**1,335,627**		**₱245,342,422**

	2009							
	Land and Improvements	Leasehold Improvements	Buildings and Structures	Machinery, Equipment and Tools	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
Cost:								
At January 1	₱32,518,994	₱4,963,815	₱124,452,314	₱157,196,304	₱13,959,621	₱5,858,033	₱29,547,274	₱368,496,355
Additions	5,040,683		708,519	20,045,914	1,918,020	1,405,151	31,194,186	60,312,473
Disposals					(1,920,350)			(1,920,350)
Reclassifications	97,550		6,014,540	51,517,535	-	78,125	(57,707,750)	-
At December 31	37,657,227	4,963,815	131,175,373	228,759,753	13,957,291	7,341,309	3,033,710	426,888,478
Accumulated depreciation and amortization:								
At January 1	3,641,101	4,662,596	35,268,705	95,131,351	8,166,600	5,272,222	–	152,142,575
Additions	1,373,747	301,219	7,407,998	17,471,641	2,243,668	725,107	-	29,523,380
At December 31	5,014,848	4,963,815	42,676,703	112,602,992	8,489,918	5,997,329	–	179,745,605
Net Book Values	₱32,642,379	₱-	₱88,498,670	₱116,156,761	₱5,467,373	₱1,343,980	₱3,033,710	₱247,142,873

8. **Notes Payable**

	March 2010	December 2009
China Banking Corporation (CBC)	₱42,000,000	₱42,000,000
Security Bank and Trust Company (SBTC)	40,000,000	40,000,000
Union Bank of the Philippines	31,000,000	31,000,000
Metropolitan Bank and Trust Company (MBTC)	20,000,000	20,000,000
MCI	10,000,000	16,000,000
	P143,000,000	₱149,000,000

On December 14, 2009, the Company entered into a loan agreement with MCI totaling P16.0 million to finance the Company's working capital requirements. The said loan is subject to 7.5% interest per annum with a term of 90 days.

To secure the payment of the loan from MCI, the Company has assigned (in favor of MCI) its rights and interest by way of pledge over the subscribed and outstanding capital stock of its wholly owned subsidiary, MPPI.

The unsecured loans obtained from local commercial banks bear interest rates of 6.0 to 7.5% in 2010 and 2009, and renewable on an annual basis. Interest expense for the period ended March 31, 2010 amounted to P3.7 million and P9.1 million for the year ended December 31, 2009.

9. **Trade and Other Payables**

	March 2010	December 2009
Trade	₱5,716,099	₱13,256,562
Others	16,829,138	16,105,076
	₱22,545,237	₱29,361,638

Trade payables are non-interest bearing with a 30-day to a 60-day settlement term.

10. **Liabilities Under Trust Receipts and Acceptances**

	March 2010	December 2009
SBTC	23,139,628	₱38,234,413
MBTC	25,129,547	36,723,433
UBP	32,764,020	23,929,142
PNB		913,260
	₱81,033,196	₱99,800,248

Under the terms of the agreements covering the Company's liabilities under trust receipt certain inventories have been released to the Company in trust for the bank. The Company accountable to the banks for the trusteed inventories or their sales proceeds.

11. Equity

On May 27, 2009, the BOD approved the declaration of a 20% stock dividend or 25,026,900 common shares and P0.04 per share or P5 million cash dividend in favor of all stockholders of record as of June 16, 2009. As of December 31, 2009, the stock dividends were issued and the corresponding shares and cash dividends were fully paid.

In accordance with the buy-back of P10.0 million worth of the Company's shares as approved by the BOD on February 12m 2001, the Company bought 217,000 shares in 2009, amounting to P0.7 million.

12. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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 or common significant influence.

The Company, in its regular conduct of business, has transactions with its parent company and related parties, which principally consists of the following:

RVO

The parent company made cash advances amounting to P30,000 for out of pocket expenses. These cash advances are due and demandable and are presented as "Amounts owed to related parties" in the balance sheet.

Related party transactions under previous ownership structure

a. Sales to former related parties which comprise to about 2%-8% of the Company's net sales in 2009. The Company's sales transactions with its former related parties are summarized as follows:

	March 2010	December 2009
Sales made to related parties *(companies owned or controlled by the stockholders of MCI)*		
Lapanday Foods Corporation	**₱11,690,575**	₱ 33,479,643
Lead Export and Agro Development Corp	**4,912,946**	17,820,954
Lapanday Agricultural and Dev't Corp	**3,816,228**	16,932,143
	₱20,419,749	₱ 68,232,740

b. Management services agreement (the Agreement) with MCI, the Company's ultimate parent. The Agreement commenced on August 16, 2006. MCI provides the Company finance, treasury, audit, management information, legal, tax, human resources management, corporate planning and corporate relations and administrative services. The Company shall pay MCI a monthly management fee for the above services, for such consideration as to be mutually agreed by the parties. Should the parties fail to agree on the service fee consideration amount within 30 days from the end of each fiscal year, the percentage shall be 2% of the Company's monthly net income. Total management fee paid to MCI amounted to ₱0.5 million in December 2009.

The balance sheets include the following amounts resulting from the above transactions with related parties:

	March 2010	December 2009
Trade Receivables		
LEADC	₱2,715,500	₱4,875,000
LFC	10,842,279	4,188,900
LADC	1,949,175	4,180,000
	₱15,503,954	₱13,243,900

Compensation of Key Management Personnel of the Company

The Company's key management personnel includes its senior managers.

	December 2009
Short-term employee benefits	₱8,334,801
Post-employment benefits	121,778
	₱8,456,579

13. Cost of Goods Sold

	March 2010	December 2009	March 2009
Inventories	85,370,556	₱324,833,792	₱81,386,393
Utilities and others	6,134,678	51,832,176	5,938,534
Depreciation and amortization	5,796,916	25,864,393	4,998,790
Salaries, wages and allowances	8,787,520	13,095,272	7,682,373
Repairs and maintenance	1,696,633	12,245,417	1,652,709
Employees' benefits		4,229,127	
Others			769,052
	107,786,303	₱432,100,177	₱102,427,851

14. General and Administrative

	March 2010	December 2009	March 2009
Salaries, wages and allowances	₱4,278,927	₱17,501,196	₱6,064,399
Selling	1,032,113	7,028,041	2,364,357
Taxes and licenses	809,401	6,213,349	991,055
Service and professional fees	995,292	6,199,264	1,110,429
Depreciation and amortization	1,623,139	3,658,987	839,067
Employees' benefits	1,153,110	5,149,325	1,204,818
Repairs and maintenance	273,600	2,320,314	358,501
Rental	-	-	1,011,889
Travel and transportation	230,263	1,541,149	218,189
Retirement costs	134,153	599,351	109,863
Communication	161,291	657,495	170,485
Entertainment, amusement and recreation	70,634	244,483	23,709
Provision for impairment losses		3,446,874	91,380
Miscellaneous	2,691,637	5,816,812	895,899
	₱13,453,560	₱60,376,640	₱15,454,040

15. Others

	March 2010	December 2009
Interest Income	(3,739,862)	₱52,835
Foreign exchange gains (losses) – net	(618,315)	(839,282)
Miscellaneous – net	(2,878,969)	(3,808,409)
	₱7,231,146	₱(4,594,856)

16. Retirement Benefit Plan

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all its regular employees. Benefits are dependent on the years of service and the respective employee's compensation. The retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the periods ended March 31, 2010 and 2009 and for the year ended December 31, 2009.

The following tables summarize the retirement cost recognized in the statements of income, the funded status and the amounts recognized in the balance sheets and other information about the plan.

Components of retirement costs recognized in the statements of income for the year ended December 2009 follow:

Current service cost	₱723,100
Interest cost	938,600
Expected return on plan assets	(543,100)
Actuarial losses (gains)	(254,800)
Retirement benefit expense	₱863,800

Components of retirement obligation recognized in the balance sheets follow:

Present value of obligation	₱6,919,768
Fair value of plan assets	(10,227,462)
Unfunded (funded) status	(3,307,694)
Unrecognized actuarial losses (gains)	5,860,366
Retirement obligation	₱2,552,672

Changes in the present value of defined benefit obligations as of December 31, 2009 are as follows:

Balances at January 1	₱5,323,900
Current service cost	723,100
Interest cost	938,600
Benefits paid	(65,832)
Actuarial loss (gain)	(112,206)
Balances at December 31	₱10,227,462

Changes in the fair value of plan assets as of December 31, 2009 are as follows:

Balances at beginning of year	₱6,206,600
Expected return on plan assets	543,100
Contributions by the Company	3,655,800
Benefits paid	(65,832)
Actuarial losses	(112,206)
Balances at end of year	₱10,227,462

Based on the Company's actuarial valuation report for funding requirements, the Company's normal cost for the year 2009 amounts to ₱1.8 million or approximately 6.83% of the annual covered compensation. Total unfunded actuarial liability amounts to ₱8.0 million which the Company may fund over five to 22 years. The Company expects to contribute to its defined benefit retirement plan in 2009 the amount of its normal cost plus the chosen annual amortization payment.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2009
Government securities	52%
Deposits in bank	28%
Others	2%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Principal actuarial assumptions used to determine retirement benefit obligations in 2008 were as follows:

	2009
Discount rate	18%
Salary increase rate	8%
Expected rate of return	9%
Average expected future service years of active plan members	19 years

17. Income Taxes

Major components of income tax expenses are as follows:

	March 2010	December 2009	March 2009
Current	₱4,058,833	₱14,292,648	₱4,476,638
Deferred	(964,382)	(1,663,869)	(798,183)
	₱3,049,451	₱12,628,779	₱3,678,455

The Company's regular corporate income tax for the period ended March 31, 2009 and 2008 and for the year ended December 31, 2009 exceeded its minimum corporate income tax.

MPPI has no current provision for income tax for the period September 25, to December 31, 2009 because of its net loss tax position. MPPI will not be subject to corporate income tax until 2012.

The components of net deferred tax assets are as follows:

	December 2009
Deferred tax assets:	
Allowance for	
Impairment losses	1,160,182
Inventory writedown	299,126
Unamortized past service cost	816,889
Retirement obligation	765,802
NOLCO	665,643
Unrealized foreign exchange losses	226,834
	3,974,476

On May 24, 2005, Republic Act (RA) 9337 was signed into law, amending certain provisions of the National Internal Revenue Code of 1997. Effective January 1, 2009, the rate of regular corporate income tax was reduced from 35% to 30% and unallowable interest rate is reduced from 42% to 33%.

18. Basic and Diluted Earnings Per Share

Earnings per share was computed as follows:

	March 2010	December 2009	March 2009
Net income	₱4,697,186	₱29,450,795	₱9,663,758
Divided by: Weighted average number of shares outstanding	150,211,624	150,211,624	125,203,100
Earnings per share	₱0.03	₱0.20	₱0.08

19. Financial Risk Management and Objectives

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and notes payable. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, trade and other payables and liabilities under trust receipts and acceptances and amounts owed by/to related parties, which arise directly from its operations. The main risks arising from the use of financial instruments are liquidity risk, foreign currency risk, credit risk and interest rate risk.

The Company's BOD reviews and approves the policies for managing each of these risks and are summarized below.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Company also maintains a balance between continuity of funding and flexibility. The policy of the Company is to first exhaust lines available from affiliated companies before local bank lines are availed of. The Company seeks to manage its liquid funds through cash planning on a weekly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Company only places funds in the money market which are exceeding the Company's requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

Foreign Currency Risk
The Company follows a policy to manage its currency risk by (a) not maintaining major cash accounts aside from US dollar (US$) and Philippine peso and (b) exposures in non-Philippine peso currencies shall be locked on a per event basis at the rate effective at the date of signing the contract.

The Company also has transactional currency exposures. Such exposure arises from the sale of products and purchases of raw materials by the Company in currencies other than its functional currency. Approximately 38% of its revenues are in US$ and 97% of raw materials and certain operating supplies used in production are imported and paid in US$. The Company's policy is to match cash flows from highly probable future sales and costs in foreign currency.

Credit Risk
The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Company, the Company does not offer credit terms without the specific approval of the Vice President - Finance and General Managers.

With respect to credit risk arising from the other financial assets, which comprise cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Company trades with recognized third parties and related parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Company.

Trade and other receivables and amounts owed by related parties are non-interest bearing and are generally on 30-90 days' term.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Except for those impaired accounts receivable, the Company assessed the accounts receivable as collectible and in good standing.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. To manage this risk, the Company's policy is to obtain loans with interest rates similar to the actual market rates. The Company has minimal exposure to changes in interest rates since the Company avails only short-term loans at prevailing market rates. The Company has no floating rate financial instruments. Hence, the Company is not sensitive to cash flow interest rate fluctuations.

20. Registration with the Board of Investments

On December 26, 2007, the Company obtained a registration with the Board of Investments for its recycling plant operations as a new producer of recycled plastic resin on a non-pioneer status under the Omnibus Investments Code of 1987, otherwise known as Executive Order 226. The Company is entitled to income tax holiday (ITH) incentive for its recycling plant operations for four years starting December 26, 2007 and certain tax and nontax incentives (subject to compliance with certain requirements), among them are as follows:

a. Income tax holiday (ITH) for three years from January 2008;
b. Additional deduction from taxable income for the first five years from the date of registration equivalent to fifty (50%) percent of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment against the previous year subject to certain qualifications;
c. Tax credit on the National Internal Revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of 10 years from the start of commercial operations;
d. Exemption from wharfage dues, any export tax, duty and fees for a period of 10 years from date of registration;
e. Access to Customs Bonded Manufacturing Warehouse (CBMW) subject to the Bureau of Customs rules and regulations;
f. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; and,
g. Simplification of customs duties and procedures for the importation of equipment, spare parts, raw materials and supplies.

No tax incentives have been availed by the Company for the year ended December 31, 2009 as it has not met the production volume and sales value requirement.

21. Segment Reporting

The group has only one reportable segment that manufactures and sells only one product line.

All segment revenue is derived from external customers. The Company sells virtually all its plastic products to companies engaged in the production of bananas, pineapples and other agricultural fruits.

Operating results of the Company are regularly reviewed by the Company's Chief Operating Decision Maker (CODM), which is the Company's BOD, to make decisions about resources to be allocated to the segment and assess its performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classication of segment revenue and segment expenses are consistent with the consolidated statement of comprehensive income.

The CODM uses percentage analysis and financial highlights as the key performance indicators for the Company's operations.

SUMMARY OF ACCOUNTS RECEIVABLES – as at March 31, 2010

	Balance at Beginning of Period	Jan - Mar additions	Jan - Mar collections	Amount written off	Current	Non-Current	Balance at End of Period
Lapanday Foods Corporation	11,017,500	11,690,575	11,865,796		8,973,444	1,868,835	10,842,279
Laysun Services Co Limited	7,711,405	30,300,635	28,584,607		9,376,209	51,225	9,427,434
Greendale Agri Development Inc	13,025,292	1,732,813	732,510		1,375,124	12,650,471	14,025,595
Mt. Kitanglad Agri Ventures, Inc.	10,986,830	5,523,658	4,920,222		6,621,964	4,968,301	11,590,266
La Frutera Inc	5,114,780	2,914,083	4,234,621		3,623,773	170,469	3,794,242
Lapanday Agricultural and Development Corp	4,380,703	3,816,228	6,247,756		1,949,175	-	1,949,175
Lead Export and Agro Development Corp	3,330,962	4,912,946	5,531,408		2,712,500	-	2,712,500
Marsman Estate Plantation, Inc.	4,998,880	6,523,451	6,831,217		4,929,890	(238,776)	4,691,114
MD Rio Vista Agri Ventures, Inc.	2,231,616	2,020,374	2,673,221		1,578,769	-	1,578,769
Agrinanas Development Co, Inc.	12,263,920	3,777,134	13,358,259		1,031,835	1,650,960	2,682,795
Alip River Development and Export Corp	1,338,975		738,975			600,000	600,000
Darpmupco B	4,808,621	1,159,554	1,510,210		1,298,700	3,159,265	4,457,965
Universal Prime Trading and Logistics Corp	6,324,296		1,459,453			4,864,843	4,864,843
Manupali Agri Development Corp	2,812,769	2,515,916	3,242,878		2,049,271	36,536	2,085,806
Mt. Kalatungan Agri Ventures, Inc.	4,358,665	3,314,094	3,270,330		3,711,785	690,643	4,402,428
Pristine Meadows Agri Development	9,838,736	1,804,504			2,021,045	9,622,195	11,643,240
Dole Philippines	1,698,503	1,934,549	3,039,750		528,414	64,889	593,303
Comval Tropical Fruits, Inc.	2,794,866	1,267,857	2,802,554		1,245,303	14,866	1,260,169
Nader and Ebrahim S O Hassan Phils	5,484,016	3,881,996	4,547,854		4,768,506	49,653	4,818,159
Others	46,234,270	47,172,280	47,019,450		30,811,559	15,790,857	46,602,416
Subtotal	160,755,604						
Allowance for impairment loss	(4,287,672)						(4,287,672)
	317,223,537	136,262,646			88,607,264	56,015,232	140,334,825