



REPUBLIC OF THE PHILIPPINES  
**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Greenhills,  
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS200319138

**CERTIFICATE OF FILING  
OF  
AMENDED ARTICLES OF INCORPORATION**

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**  
(Amending Article VII thereof)

copy annexed, adopted on June 14, 2011 and August 01, 2011 by a majority vote of the Board of Director and by the vote of the stockholders owning or representing more than two-thirds of the outstanding capital stock and certified under oath by the Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/ membership certificates issuers or selling agents thereof. Neither does Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 25<sup>th</sup> day of November, Twenty Eleven.



  
BENITO A. CATARAN  
Director

Company Registration and Monitoring Department

13

SM 11/3/11

Republic of the Philippines  
**DEPARTMENT OF FINANCE**  
**SECURITIES & EXCHANGE COMMISSION**  
 SEC Building, EDSA, Greenhills  
 City of Mandaluyong, 1554

# PAYMENT ASSESSMENT FORM

No. 11022011-923476

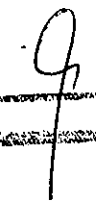
DATE 11/02/2011	RESPONSIBILITY CENTER (DEPARTMENT) CRMD
PAYOR: ALLIANCE SELECT FOODS INTERNATIONAL, INC. PASIG CITY	

NATURE OF COLLECTION	ACCOUNT CODE	AMOUNT
LRF (A0823)	131	11,010.00
INCREASE/DECREASE CAPITAL STOCK	606	1,100,000.00
AMENDED ARTICLES	606	500.00

**TOTAL AMOUNT TO BE PAID** Php 1,111,510.00

Assessed by: *MM* 11/2/11  
 MMVELASQUEZ OR# 0544935 Nov 2, 2011 02:12PM SEC No. null

Machine Validation: *ICS 2011102-96*  
*AAH 2011102-108*

**RECORDS**  


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**AMENDED ARTICLES OF INCORPORATION**

**OF**

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**  
**formerly Alliance Tuna International, Inc.**

**Know All Men By These Presents:**

The undersigned incorporators, all of legal age and majority of whom are residents of the Philippines, have this day voluntarily agreed to form a stock corporation under the laws of the Republic of the Philippines.

**THAT WE HEREBY CERTIFY:**

**FIRST:** That the name of this corporation shall be:

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**  
*(As amended by the Board of Directors in their meeting held  
on May 26, 2010 and approved by the stockholders in  
their meeting held on July 1, 2010)*

**SECOND: A.** That the primary purpose of this corporation is to engage in the business of manufacturing, canning, preserving, preparing, processing, packing, repacking, trading on a wholesale basis, marketing, distributing, importing, exporting, shipping and selling food products such as marine, aquaculture, agriculture, and meat products, their by-products, other products with food base or their derivatives or those analogous or similar food products of every class and description, fresh, processed, preserved or otherwise, and all food and other preparations; to own, acquire, pledge, buy, sell, convey, assign and transfer, food products such as marine, aquaculture, agriculture, and meat products, their by-products, other products with food base or their derivatives or those analogous or similar food products of every class and

16524 0008 0003

description, fresh, processed, preserved or otherwise, goods and merchandise of every kind or description which may be incidental in carrying out the business of the corporation.

and IN FURTHERANCE of the foregoing purposes:

1. To purchase, acquire, own, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the Corporation and in accordance with Philippine laws.
2. To borrow or raise money necessary to meet the financial requirements of its business by issuances of bonds, promissory notes and other evidences of indebtedness, and to secure the repayment thereof by mortgage, pledge, deed of trust, or lien upon the properties of the Corporation or to issue pursuant to law, shares of its capital stock, debentures and other evidences of indebtedness in payment for properties acquired by the Corporation or for money borrowed in the prosecution of its lawful activities;
3. To invest and deal with the money and properties of the Corporation in such manner as may from time to time be considered wise or expedient for the advancement of its interests and to sell, dispose of or transfer the business, properties and goodwill of the Corporation or any part thereof for such consideration and under such terms as it shall see fit to accept;
4. To aid in any manner any corporation, association, domestic or foreign, or any firm or individual, any shares of stock in which or any bonds, debentures, notes, and securities, evidences of indebtedness, contracts or obligations of which are held by or for the Corporation;
5. To enter into any lawful arrangement for sharing profits, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the Corporation;

6. To acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to the business of the Corporation;
7. To establish and operate one or more branch offices or agencies and to carry on any or all of its operations and business without any restrictions as to place or amount including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in and with real and personal property anywhere within and/or outside the Philippines;
8. To conduct and transact any and all lawful activities, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or without Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of the Corporation; and
9. To make and alter all kinds of investments and make mortgage loans or with any kind of guarantee to make monetary investments; in whatever may be necessary or incidental to the business of the Corporation, guarantee in behalf of the Corporation, solely or jointly, any debt, obligation or loan of any of its subsidiary companies or any other company where it has an interest, or mortgage, pledge or encumber the properties and assets of the Corporation for stated purposes. *(As amended by the Board of Directors in their meeting held on May 26, 2010 and approved by the stockholders in their meeting held on July 1, 2010)*

**B.** That the corporation shall have all the express powers of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

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**THIRD:** That the place where the principal office of the corporation is to be established is at:

Suite 1205, East Tower, Philippine Stock Exchange Centre,  
Exchange Road, Ortigas Center, Pasig City, Metro Manila.

**FOURTH:** That the term for which the corporation is to exist is fifty (50) years from and after the date of issuance of the certificate of incorporation.

**FIFTH:** That the names, nationalities, and residences of the incorporators are as follows:

<b>Name</b>	<b>Nationality</b>	<b>Residence (Complete Address)</b>
Alvin Y. Dee	Filipino	1205 East Tower PSEC, Ortigas Center, Pasig City
Jonathan Y. Dee	Filipino	1205 East Tower PSEC, Ortigas Center, Pasig City
Joanna Dee-Laurel	Filipino	1205 East Tower PSEC, Ortigas Center, Pasig City
Teresita S. Ladanga	Filipino	1205 East Tower PSEC, Ortigas Center, Pasig City
Arak Ratboriharn	Thai	3300/12 Elephant Tower, Tower A 14/F, Phaholyothin Road, Chatujak, Bangkok, Thailand

**SIXTH:** That the number of directors of the corporation shall be seven (7), two (2) of whom shall be independent; *(As amended on June 6, 2006)*

**SEVENTH:** That the authorized capital stock of the corporation is ONE BILLION FIVE HUNDRED MILLION PESOS (Php1,500,000,000.00) in lawful money of the Philippines, divided into One Billion Five Hundred Million (1,500,000,000) shares, with the par value of One Peso (Php1.00) per share. (As amended on January 19, 2004, December 14, 2005 and further amended on June 6, 2006, August 8, 2007 & August 1, 2011)

No stockholders of any class shall be entitled to any pre-emptive right to purchase, subscribe for, or receive any part of the shares of the Corporation, whether issued from its unissued capital or its treasury stock. (As amended on June 6, 2006.)

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**EIGHT:** That the subscribers to the capital stock and the amount paid-in to their subscriptions are as follows:

<b>Name</b>	<b>Nationality</b>	<b>No. of shares Subscribed</b>	<b>Amount Subscribed</b>	<b>Amount Paid</b>
Alvin Y. Dee	Filipino	20,000	P 20,000.00	P 20,000.00
Jonathan Y. Dee	Filipino	20,000	20,000.00	20,000.00
Joanna Dee-Laurel	Filipino	19,999	19,999.00	19,999.00
Teresita S. Ladanga	Filipino	1	1.00	1.00
Arak Ratboriharn	Thai	340,000	340,000.00	40,000.00
<b>Total</b>		<b>400,000</b>	<b>P 400,000.00</b>	<b>P 100,000.00</b>

**NINTH:** That JOANNA DEE-LAUREL has been elected by the subscribers as Treasurer of the corporation to act as such until her successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, she has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

**TENTH:** That the corporation manifests its willingness to change its corporate name in the event another person, firm or entity has acquired a prior right to use the said firm name or one deceptively or confusingly similar to it.

IN WITNESS WHEREOF, we have set our hands this 25<sup>th</sup> day of August 2003 at Pasig City, Metro Manila.

(Sgd.)  
**ALVIN Y. DEE**

(sgd.)  
**JONATHAN Y. DEE**

(Sgd.)  
**JOANNA DEE-LAUREL**

(sgd.)  
**TERESITA S. LADANGA**

(Sgd.)  
**ARAK RATBORIHARN**

1524000007

**WITNESSES:**

\_\_\_\_\_ (Sgd.)

\_\_\_\_\_ (Sgd.)

**ACKNOWLEDGMENT**

Republic of the Philippines } S.c.  
Pasig City }

BEFORE ME, a Notary Public in and for Pasig City, Philippines, this 25<sup>th</sup> day of August, 2003 personally appeared:

<u>Name</u>	<u>Comm. Tax Cert. No.</u>	<u>Date &amp; Place Issued</u>
Alvin Y. Dee	02191479	01.06.03/Mandaluyong City
Jonathan Y. Dee	02191480	01.06.03/Mandaluyong City
Joanna Dee-Laurel	02191481	01.06.03/Mandaluyong City
Teresita S. Ladanga	23421483	03.26.03/Marikina City
Arak Ratboriharn	Passport # E545253	12.02.02/Bangkok, Thailand

all known to me and to me known to be the same persons who executed the foregoing Article of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

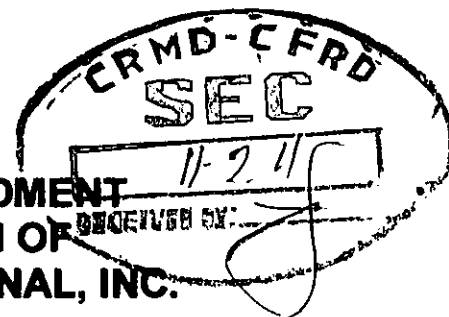
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above written.

(Sgd.)  
**MARIA ROSARIO Z. DEL ROSARIO**  
Notary Public Until December 31, 2004  
PTR No. 1589324; Pasig City; 4-09-03  
IBP No. 584900; Rizal Chapter; 3-12-03

Doc. No. 135 ;  
Page No. 28 ;  
Book No. I ;  
Series of 2003.



16524 0003 0003



**DIRECTORS' CERTIFICATE OF AMENDMENT  
OF ARTICLES OF INCORPORATION OF  
ALLIANCE SELECT FOODS INTERNATIONAL, INC.**

We, the undersigned members of the Board of Directors and Corporate Secretary, hereby certify that the Articles of Incorporation of **Alliance Select Foods International, Inc.** (the Corporation), a corporation duly organized and existing under the laws of the Republic of the Philippines, with business address at Suite 1205, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, was amended increasing the authorized capital stock to **Php1,500,000,000.00** by an affirmative vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock at a meeting held for that purpose at the Oakwood Premier Hotel, Nostalq 1, 17 ADB Avenue, Ortigas Center, Pasig City on August 1, 2011 and approved by the unanimous vote of the members of the Board of Directors on June 14, 2011.

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IN WITNESS WHEREOF, we have hereunto set our hands this

26 SEP, 2011 at Pasig City, Metro Manila, Philippines.

  
**GEORGE E. SYCIP**  
Chairman  
Independent Director  
TIN 910-761-865

  
**ALVIN Y. DEE**  
Vice-Chairman  
TIN 102-920-664

  
**JONATHAN Y. DEE**  
Director  
President & CEO  
TIN 105-698-807

  
**HEDY S.C. YAP-CHUA**  
Director  
Singaporean Passport  
No. E0021987F

  
**EDGAR B. SOLILAPSI**  
Director  
TIN 118-455-840

Countersigned:

  
**GEORGE E. SYCIP**  
Chairman of Stockholders' Meeting

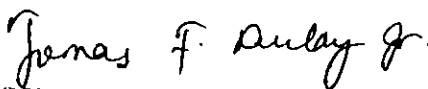
  
**MA. ERLINDA R. CALANG**  
Secretary of Stockholders' Meeting  
TIN 101-840-335

26 SEP, 2011

SUSCRIBED AND SWORN to before me this 26 SEP, 2011 at 4082080123

The affiants exhibiting to me their respective Tax Identification/Passports as indicated above.

Doc. No. 365 ;  
Page No. 73 ;  
Book No. 165 ;  
Series of 2011.

  
**ATTY. TOMAS F. DULAY, JR.**  
NOTARY PUBLIC  
Until December 31, 2012  
Roll No. 16583 / March 13, 1961  
IBP No. 801359 / 01-03-11-Q.C.  
PRR No. 4559221 / 01-03-11-Q.C.  
MCLE EXEMPTED

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**REPUBLIC OF THE PHILIPPINES  
SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills,  
City of Mandaluyong, Metro Manila

**COMPANY REGISTRATION AND MONITORING DEPARTMENT**

**Financial Analysis & Audit Division**

- |                                  |  |
|----------------------------------|--|
| 1. Name of Corporation           | : <b>ALLIANCE SELECT FOODS INTERNATIONAL, INC.</b> |
| 2. Application                   | : Increase in authorized capital stock             |
| 3. Form of Payment               | : Stock Dividend                                   |
| 4. Date of Stockholder's Meeting | : August 1, 2011                                   |
| 5. Capital Structure             | :  |

	<i>Present</i>	<i>Increase</i>	<i>As Increased</i>
Authorized par P1.00	950,000,000	550,000,000	1,500,000,000
Subscribed & Paid	871,257,487	137,500,000	1,008,757,487

6. Verification

a) List of Subscriber/s:

The amount of P137,500,000 stock dividend will be subscribed and fully paid and distributed pro-rata to stockholders of record as of the 15<sup>th</sup> trading day after the Commission's approval thereof.

b) Summary of the audited balance sheet as of December 31, 2010 is presented as follows:

<b>ASSETS</b>	US Dollars	Philippine Peso
<b>Totals Assets</b>	<b>34,946,860</b>	<b>1,533,642,951</b>
<b>LIABILITIES &amp; EQUITY</b>		
Total Liabilities	13,226,023	580,424,018
Share Capital	11,540,140	599,277,059
Share Premium	2,198,790	102,448,952
Retained Earnings	7,987,681	383,216,271
Cumulative transaction adjustments	-	(131,435,812)
Treasury shares	( 5,774)	( 287,537)
Total Equity	21,720,837	953,218,933
<b>Total Liabilities &amp; Equity</b>	<b>34,946,860</b>	<b>1,533,642,951</b>

c) Documents submitted:

- 1) CFD Routing Clearance signed by Justina F. Callangan, Acting Director.
- 2) Secretary's Certificate showing the List of Stockholder's of Record as of August 1, 2011 and treatment of fractional shares.
- 3) Long-form audit report with analysis of retained earnings for the last five (5) years and audited financial statements as of December 31, 2010 (in functional currency – US Dollars) certified by Bonifacio F. Lumacang Jr., SEC accredited CPA with stamped received by BIR & SEC.
- 4) Audited financial statements as of December 31, 2010 (in Phil. Peso) certified by the same, Mr. Lumacang Jr.
- 5) Reconciliation of Retained Earnings available for dividend declaration.

7. Remarks:

Audited financial statements as of December 31, 2010 showed a retained earnings balance of P383,216,271 which is more than sufficient to cover the P137,500,000 stock dividend under consideration.

Reconciliation of retained earnings showed the amount of P382,928,734 available for dividend declaration.

The shares of stocks are registered and are listed at the Philippine Stock Exchange.

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8. Recommending approval:

Based on the foregoing, the aforesaid application for increase in capitalization of subject corporation may be given due course insofar as the subscription and full payment of P137,500,000 by way of stock dividend are concerned.

Submitted by: *Angeli G. Villanueva*  
Securities Financial Specialist III  
11.15.2011

Reviewed & Approved by: *Yolanda L. Tapales*  
Asst. Director-FAAD

(a)

Note:  
w/ Secretary's Cert. dated  
Sept. 26, 2011 attesting  
the 2/3 votes of the outstanding  
Cap. stock for the stock dividend  
or payment for increase in cap. stock.  
*M. Velasquez* *M. Velasquez*

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REPUBLIC OF THE PHILIPPINES  
Department of Finance  
SECURITIES AND EXCHANGE COMMISSION  
Metro Manila

**ROUTING CLEARANCE**

COMPANY NAME:	ALLIANCE SELECT FOODS INTERNATIONAL, INC.
SEC REGISTRATION NO:	CS200319138
PURPOSE:	SEC CLEARANCE CERTIFICATE
DATE RECEIVED:	October 3, 2011
DEPARTMENT:	CORPORATION FINANCE DEPARTMENT
DATE RECEIVED	October 3, 2011
DATE RELEASED:	October, 2011
PROCESSED BY:	MA. THERESA S. POSADAS

**REMARKS:**

Per records of CFD, as of this date, the company has no pending assessment or findings of any violation under the Securities Regulation Code and its Implementing Rules and Regulations.

In view thereof, we interpose no objection to the company's application for increase in capital stock.

  
**JUSTINA F. CALLANGAN**  
Acting Director

# Manabat Delgado Amper & Co.

16534 0008 0013

Manabat Delgado Amper & Co.  
5<sup>th</sup> Floor Salamin Building  
197 Salcedo Street Legaspi Village  
Makati City 1229  
Philippines

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Fax: +63 2 810 5047  
www.deloitte.com/ph

BOA/PRC Reg. No. 0004  
SEC Accreditation No. 0001-FR-2

## INDEPENDENT AUDITORS' REPORT

Securities and Exchange Commission  
EDSA Mandaluyong City

### Report on the Financial Statements

We have audited the accompanying financial statements of Alliance Select Foods International, Inc., (the Company) which comprise the statement of financial position as of December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended based on the Company's functional currency which is the US Dollar.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

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*Opinion*

In our opinion, the financial statements presented in US Dollar functional currency, present fairly, in all material respects, the financial position of Alliance Select Foods International, Inc. as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

*Emphasis of a matter*

The financial statements for which we have issued our unqualified opinion on April 8, 2011 have been presented in its functional currency, which is in the US Dollar. These financial statements have been translated to Philippine Peso for comparative purposes and to comply with the requirements of the Securities and Exchange Commission in relation to the Company's application for the increase in authorized capital stock. These financial statements are not intended to amend any previous filings with or supersede any previously-submitted financial statements to any government or non-government agencies.

Manabat Delgado Amper & Co.

TIN 005299331

BOA Registration No. 0004, valid from January 1, 2010 to December 31, 2012

SEC Accreditation No. 0001-FR-2, issued on January 28, 2010; effective until January 27, 2013

By:



Bonifacio F. Lumacang, Jr.

Partner

CPA License No. 0098090

SEC A.N. 0526-A, issued on May 13, 2010; effective until May 12, 2013

TIN 170035681

BIR A.N. 08-002552-18-2009, issued on April 7, 2009; effective until April 6, 2012

PTR No. 2641942, issued on January 3, 2011, Makati City

Makati City, Philippines

October 25, 2011

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**

(Formerly Alliance Tuna International, Inc.)

**STATEMENT OF FINANCIAL POSITION**

(In United States Dollar and Philippine Peso Presentation Currency)

	December 31, 2010	
	USD	PHP
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 327,525	P 14,373,435
Trade and other receivables - net	8,157,754	358,003,034
Due from related parties	4,024,997	176,636,993
Inventories - net	3,814,026	167,378,531
Prepayments and other current assets	9,442,932	414,403,071
<b>Total Current Assets</b>	<b>25,767,234</b>	<b>1,130,795,064</b>
<b>Non-current Assets</b>		
Investment in an associate - at cost	240,964	10,574,705
Investments in subsidiaries - at cost	5,236,839	229,818,680
Property, plant and equipment - net	1,328,007	58,279,587
Other non-current assets	2,373,816	104,174,915
<b>Total Non-current Assets</b>	<b>9,179,626</b>	<b>402,847,887</b>
	<b>\$34,946,860</b>	<b>P1,533,642,951</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	\$ 1,718,539	P 75,418,084
Loans payable	10,754,848	471,976,504
Income tax payable	683	29,973
<b>Total Current Liabilities</b>	<b>12,474,070</b>	<b>547,424,561</b>
<b>Non-current Liabilities</b>		
Loans payable - net of current portion	31,259	1,371,801
Retirement benefit obligation	233,678	10,254,959
Due to a related party	487,016	21,372,697
<b>Total Non-current Liabilities</b>	<b>751,953</b>	<b>32,999,457</b>
	<b>13,226,023</b>	<b>580,424,018</b>
<b>Equity</b>		
Share capital	11,540,140	599,277,059
Share premium	2,198,790	102,448,952
Retained earnings	7,987,681	383,216,271
Cumulative translation adjustments	-	(131,435,812)
	<b>21,726,611</b>	<b>953,506,470</b>
Treasury shares	(5,774)	(287,537)
	<b>21,720,837</b>	<b>953,218,933</b>
	<b>\$34,946,860</b>	<b>P1,533,642,951</b>



10524 0008 0010

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**

(Formerly Alliance Tuna International, Inc.)

**STATEMENT OF COMPREHENSIVE INCOME**

(In United States Dollar and Philippine Peso Presentation Currency)

For the Year Ended December 31, 2010

	USD	PHP
Revenues	\$38,173,444	P1,721,991,652
Cost of Goods Manufactured and Sold	33,673,895	1,519,018,459
Gross Profit	4,499,549	202,973,193
Other Operating Income	70,955	3,200,757
	4,570,504	206,173,950
Selling and Administrative Expenses	2,195,237	99,026,428
Other Operating Expenses	117,455	5,298,356
	2,312,692	104,324,784
Profit from Operations	2,257,812	101,849,166
Finance Costs	536,346	24,194,394
Profit Before Tax	1,721,466	77,654,772
Income Tax Expense	683	30,810
Profit for the Year	\$ 1,720,783	P 77,623,962
Earnings Per Share		
Basic earnings per share	\$0.003	P0.13

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**  
 (Formerly Alliance Tuna International, Inc.)

**STATEMENTS OF CHANGES IN EQUITY**

(In United States Dollar and Philippine Peso Presentation Currency)

For the Years Ended December 31, 2010

	Share Capital		Share Premium		Retained Earnings		Treasury Shares		Translation Adjustment		Total
	USD	PHP	USD	PHP	USD	PHP	USD	PHP	PHP	USD	
Balance, December 31, 2008	\$11,540,140	P599,277,059	\$2,198,790	P102,448,952	\$4,179,919	P205,843,323	(\$5,774)	(P287,537)	-	\$17,913,075	P907,281,797
Other comprehensive income	-	-	-	-	2,345,409	111,728,776	-	-	-	2,345,409	111,728,776
Profit for the year	-	-	-	-	(258,430)	(11,979,790)	-	-	-	(258,430)	(11,979,790)
Cash dividends	-	-	-	-	-	-	-	-	-	-	-
Cumulative translation adjustment	-	-	-	-	-	-	-	-	(79,908,280)	-	(79,908,280)
Balance, December 31, 2009	11,540,140	599,277,059	2,198,790	102,448,952	6,266,898	305,592,309	(5,774)	(287,537)	(79,908,280)	20,000,054	927,122,503
Other comprehensive income	-	-	-	-	1,720,783	77,623,962	-	-	-	1,720,783	77,623,962
Profit for the year	-	-	-	-	-	-	-	-	-	-	-
Cumulative translation adjustment	-	-	-	-	-	-	-	-	(51,527,532)	-	(51,527,532)
<b>Balance, December 31, 2010</b>	<b>\$11,540,140</b>	<b>P599,277,059</b>	<b>\$2,198,790</b>	<b>P102,448,952</b>	<b>\$7,987,681</b>	<b>P383,216,271</b>	<b>(\$5,774)</b>	<b>(P287,537)</b>	<b>(P131,435,812)</b>	<b>\$21,720,837</b>	<b>P953,218,933</b>

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**

(Formerly Alliance Tuna International, Inc.)

**STATEMENT OF CASH FLOWS**

(In United States Dollar and Philippine Peso Presentation Currency)

For the Year Ended December 31, 2010

	USD	PHP
<b>Cash Flows from Operating Activities</b>		
Profit before tax	\$ 1,721,466	P 77,654,772
Adjustments for:		
Depreciation and amortization	288,870	13,030,839
Retirement benefit expense	60,068	2,709,649
Unrealized foreign exchange gain - net	12,057	(13,833,106)
Gain on sale of property, plant and equipment	(2,276)	(205,340)
Cumulative translation adjustment	-	(51,527,532)
Interest income	(5,465)	(246,525)
Finance costs	536,346	24,194,407
Operating cash flows before working capital changes	2,611,066	51,777,164
Decrease (Increase) in:		
Due from related parties	739,556	44,228,626
Trade and other receivables	(3,473,009)	(140,836,995)
Inventories	(293,390)	(4,175,929)
Prepayments and other current assets	(1,333,125)	(38,464,858)
Increase in trade and other payables	396,719	13,913,352
Cash generated used in operating activities	(1,352,183)	(73,558,640)
Contribution to retirement fund	(22,787)	(1,027,915)
Net cash used in operating activities	(1,374,970)	(74,586,555)
<b>Cash Flows from Investing Activities</b>		
Additions to property, plant and equipment	(242,888)	(10,659,140)
Additional investments in subsidiaries	(3,785,761)	(162,552,508)
Collection from related parties	61,352	2,767,570
Additions to other non-current assets	31,220	7,312,934
Interest income received	5,465	246,525
Net cash used in investing activities	(3,930,612)	(162,884,619)
<b>Cash Flows from Financing Activities</b>		
Payment to a related party	(1,296,418)	(61,300,169)
Proceeds from bank loans	37,669,790	1,699,272,926
Payments of loans	(30,467,400)	(1,374,375,274)
Dividends paid	(258,430)	(11,657,700)
Proceeds from sale of property, plant and equipment	2,276	102,670
Finance costs paid	(462,819)	(20,877,626)
Net cash from financing activities	5,186,999	231,164,827
Net Decrease in Cash and Cash Equivalents	(118,583)	(6,306,347)
Cash and Cash Equivalents, Beginning	446,108	20,679,782
Cash and Cash Equivalents, End	\$ 327,525	P 14,373,435

**RETAINED EARNINGS**

An analysis of the Company's retained earnings for five (5) years is as follows:

	USD	PHP
Balance, December 31, 2005	\$1,908,881	P106,062,582
Profit for the year 2006	1,986,311	101,926,159
Stock dividends	(1,936,737)	(101,099,610)
Balance, December 31, 2006	1,958,455	106,889,131
Profit for the year 2007	2,117,469	97,717,806
Stock dividends	(3,000,070)	(136,056,192)
Balance, December 31, 2007	1,075,854	68,550,745
Profit for the year 2008	3,356,351	149,272,368
Cash dividends	(252,286)	(11,979,790)
Balance, December 31, 2008	4,179,919	205,843,323
Profit for the year 2009	2,345,409	111,728,776
Cash dividends	(258,430)	(11,979,790)
Balance, December 31, 2009	6,266,898	305,592,309
Profit for the year 2010	1,720,783	77,623,962
Balance, December 31, 2010	\$7,987,681	P383,216,271

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**  
 Suite 1205, 1206 & 1405 East Tower Philippine Stock Exchange Center, Exchange Road Ortigas Center, Pasig City

Cash Dividends

			<i>(Figures based on functional currency audited financial statements)</i>	
	USD	PHP	USD	PHP
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning</i>			\$6,266,898	P305,592,309
<b>Add: Net income actually earned/realized during the period</b>				
Net income during the period closed to Retained Earnings	1,720,783	77,623,962		
Less: Non-actual/unrealized income net of tax				
Equity in net income of associate/joint venture	-	-		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	-		
Other unrealized gains or adjustments to the retained earnings as a result to certain transactions accounted for under the PFRS	-	-		
Sub-total	-	-		
<b>Net income actually earned during the period</b>			1,720,783	77,623,962
Add(Less):				
Treasury shares	(5,774)	(287,537)		
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</b>			<u>\$7,981,907</u>	<u>P382,928,734</u>

Certified by:

Manabat Delgado Amper & Co.  
 BOA Registration No. 0004, valid from January 1, 2010 to December 31, 2012  
 SEC Accreditation No. 0001-FR-2, issued on January 28, 2010; effective until January 27, 2013  
 TIN 005299331

By:



Bonifacio F. Lumacang, Jr.

Partner

CPA License No. 0098090

SEC A.N. 0526-A, issued on May 13, 2010; effective until May 12, 2013

TIN 170035681

BIR A.N. 08-002552-18-2009, issued on April 7, 2009; effective until April 6, 2012

PTR No. 2641942, issued on January 3, 2011, Makati City

Makati City, Philippines

October 25, 2011

# COVER SHEET

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S.E.C. Registration Number

ALLIANCE SELECT FOODS

INTERNATIONAL, INC.

(Company's Full Name)

SUITE 1205 EAST TOWER PSE

CENTRE, EXCHANGE ROAD

ORTIGAS CENTER, PASIG CITY

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

Grace S. Dogillo

Contact Person

63 (2) 6355241 TO 44

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

LONG FORM

FORM TYPE

0 6

Month

1 5

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

224

Total No. of Stockholders

Domestic

Foreign

To be accomplish by SEC Personnel concerned

File Number

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LCU

Document I.D.

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Cashier

STAMPS

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# Manabat Delgado Amper & Co.

10524 0008 0022

Manabat Delgado Amper & Co.  
5<sup>th</sup> Floor Salamin Building  
197 Salcedo Street Legaspi Village  
Makati City 1229  
Philippines

Tel: +63 2 812 0535  
Fax: +63 2 810 5047  
www.deloitte.com/ph

BOA/PRC Reg. No. 0004  
SEC Accreditation No. 0001-FR-2

Securities and Exchange Commission  
SEC Building, EDSA  
Mandaluyong City

Gentlemen:

In connection with our audit of the statement of financial position of Alliance Select Foods International, Inc. (Formerly Alliance Tuna International, Inc.) as of December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, we wish to state that the Company is listed with the Philippine Stock Exchange.

Manabat Delgado Amper & Co.  
BOA Registration No. 0004, valid from January 1, 2010 to December 31, 2012  
SEC Accreditation No. 0001-FR-2, issued on January 28, 2010; effective until January 27, 2013  
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.  
Partner  
CPA License No. 0098090  
SEC A.N. 0526-A, issued on May 13, 2010; effective until May 12, 2013  
TIN 170035681  
BIR A.N. 08-002552-18-2009, issued on April 7, 2009; effective until April 6, 2012  
PTR No. 2641942, issued on January 3, 2011, Makati City

Makati City, Philippines  
April 8, 2011

# Manabat Delgado Amper & Co.

1652400080023

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SEC Accreditation No. 0001-FR-2

## CERTIFICATION OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders  
ALLIANCE SELECT FOODS INTERNATIONAL, INC.  
(Formerly Alliance Tuna International, Inc.)  
Suite 1205, 1206 & 1405 East Tower  
Philippine Stock Exchange Center, Exchange Road  
Ortigas Center, Pasig City

Pursuant to your request, this certification is being issued to certify that the Company is yet to file with the Securities and Exchange Commission (SEC), the application for increase in share capital.

We have audited the financial statements of Alliance Select Foods International, Inc. as of and for the twelve-month period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

This certification is issued solely in connection with the application for the increase in authorized share capital of Alliance Select Foods International, Inc. with the SEC and should not be used, referred to or distributed for any other purposes.

Manabat Delgado Amper & Co.  
BOA Registration No. 0004, valid from January 1, 2010 to December 31, 2012  
SEC Accreditation No. 0001-FR-2, issued on January 28, 2010; effective until January 27, 2013  
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.

Partner

CPA License No. 0098090

SEC A.N. 0526-A, issued on May 13, 2010; effective until May 12, 2013

TIN 170035681

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PTR No. 2641942, issued on January 3, 2011, Makati City

Makati City, Philippines

April 8, 2011

**Deloitte**

Member of Deloitte Touche Tohmatsu



# Manabat Delgado Amper & Co.

16524.0008.0024

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www.deloitte.com/ph

BOA/PRC Reg. No. 0004  
SEC Accreditation No. 0001-FR-2

Securities and Exchange Commission  
Edsa, Mandaluyong City

Gentlemen:

We consent to the use of our report dated April 8, 2011 on the financial statements of Alliance Select Foods International, Inc. as of December 31, 2010, in connection with the Company's application for increase in share capital.

Thank you.

Very truly yours,

Manabat Delgado Amper & Co.  
BOA Registration No. 0004, valid from January 1, 2010 to December 31, 2012  
SEC Accreditation No. 0001-FR-2, issued on January 28, 2010; effective until January 27, 2013  
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.

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Makati City, Philippines  
April 8, 2011

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www.deloitte.com/ph

BOA/PRC Reg. No. 0004  
SEC Accreditation No. 0001-FR-2

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
ALLIANCE SELECT FOODS INTERNATIONAL, INC.  
(Formerly Alliance Tuna International, Inc.)  
Suite 1205, 1206 & 1405 East Tower  
Philippine Stock Exchange Center, Exchange Road  
Ortigas Center, Pasig City

### Report on the Financial Statements

We have audited the accompanying financial statements of Alliance Select Foods International, Inc., which comprise the statements of financial position as of December 31, 2010, 2009 and 2008, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alliance Select Foods International, Inc. as of December 31, 2010, 2009 and 2008, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

*Other Matters*

We submit the following as part of this report:

- Statements of financial position of December 31, 2010, 2009 and 2008;
- Statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2010, 2009 and 2008; and
- Comments on the statement of financial position and statement of comprehensive income as of and for the year ended December 31, 2010.

The following are supplemental information on the financial statements as of and for the period ended December 31, 2010 and comments on the principal auditing procedures performed on the accounts presented in the statement of financial position and statement of comprehensive income.

10524.0008.0027

**ASSETS**

**CASH AND CASH EQUIVALENTS \$327,525**

Cash on hand and in banks	\$327,525
---------------------------	-----------

Cash on hand represents petty cash. Cash in banks represent current and savings deposits in Philippine Peso and US Dollar currencies in various banks.

We sent confirmation requests to the depository banks. We also obtained bank reconciliation statements, agreed recorded cash balances against bank balances and verified reconciling items against supporting documents and no exceptions were noted. These cash in banks are unrestricted and immediately available for use in the current operations. For those banks with no confirming replies, we have performed alternative procedures by comparing the balances per books to the bank statements. Differences noted were accounted through the review of bank reconciliations and were noted only to be due to exchange rate differences which were deemed immaterial. No further exceptions were noted.

Cash in banks earned average interest of 2% during 2010.

**TRADE AND OTHER RECEIVABLES \$8,157,754**

Trade	\$6,089,746
Other receivables	2,068,008
	<b>\$8,157,754</b>

Aging of trade receivables follows:

Current	\$3,740,035
1 to 30 days past due	2,095,826
31 to 60 days past due	253,885
	<b>\$6,089,746</b>

Trade receivables represent outstanding receivables from foreign customers for the export of canned tuna and sales of fishmeal to local buyers. We sent confirmation requests to selected customers and agreed confirmed balances to the amounts listed in the trade receivables aging reports. For those customers with no confirmation replies received, alternative procedures were performed. Subsequent collections and proof of receivables for the selected customers were conducted and no exceptions were noted. We reviewed the trade receivables aging analysis and ascertained its collectability by comparing the Company's subsequent collections against its outstanding trade receivables as of December 31, 2010. We also reviewed the Company's credit term with an average credit period of 50 days and the provision policy for compliance and adequacy. No exceptions noted.

Other receivables which consist mainly of claims receivable, advances to employees and SSS refund were verified through examination of invoices and other pertinent documents.

Based on the results of the foregoing audit procedures performed, we have ascertained that the outstanding balances are collectible and reasonably stated.

16524.0008.0028

<b>INVENTORIES - net</b>	<b>\$3,814,026</b>
Finished goods - canned tuna	\$1,989,889
Raw materials	1,640,398
Parts and supplies	191,417
	3,821,704
Less: Allowance for inventory obsolescence	7,678
	<b>\$3,814,026</b>

For purposes of determining the propriety of inventory amounts, we reviewed the inventory list and stock valuation report as of December 31, 2010 and tested the summarization and reconciliation of the total to the general ledger. An inventory count was also performed at year-end. We also obtained the reconciliation statements for finished goods, raw materials and other materials and compared balances per books and per physical count as shown in the schedule of inventories. No exceptions noted.

We reviewed the overall controls over inventory and noted no significant weakness. The Company uses weighted average method in costing its inventories. Procedures were performed to validate the quantity and costs of the Company's inventories. Specific identification was performed based on inventory count done to validate the allowance for inventory obsolescence. No exceptions were noted.

<b>PREPAYMENTS AND OTHER CURRENT ASSETS</b>	<b>\$9,442,932</b>
Deposits - fish supplier and others	\$8,723,021
Prepaid insurance	442,494
Prepaid importation	7,652
Other prepayments	269,765
	<b>\$9,442,932</b>

Deposits relate to the Company's exclusive agreements with fish suppliers. As provided for in the agreement, the Company is required to make a 50% advance payment, based on agreed price and quantity per contract with the supplier. This shall be subsequently liquidated against the total cost of fish delivered to the plant.

The advance payment extended to the fish supplier is secured by a chattel mortgage over their vessels.

We obtained schedules and reconciled the balances with the general ledger. Supporting check vouchers, delivery documents and official receipts were also verified to test the validity of the amount recorded. No exceptions were noted.

<b>INVESTMENT IN ASSOCIATE - at cost</b>	<b>\$240,964</b>
Acquisition Cost	\$240,964

This represents 40% investment in FDCP, Inc., a can-making company located in General Santos City and is the Company's major supplier of tin cans. We verified any additional investment in the associate and traced it to the general ledger, no additional movement and no exceptions noted.

<b>INVESTMENTS IN SUBSIDIARIES - at cost</b>	<b>\$5,236,839</b>
PT International Alliance Foods Indonesia (PTIAFI)	\$4,499,000
Prime Foods NZ Ltd. (PFNZ)	604,380
Big Glory Bay Salmon and Seafood Co., Inc. (BGB)	124,846
Alliance MHI Properties, Inc. (AMIHI)	8,613
	<b>\$5,236,839</b>

#### **PTIAFI**

PTIAFI was established under the Indonesian law within the framework of the Foreign Capital Investment Law No. 25 year 2007 based on Notarial Deed No. 101 dated May 21, 2001. The Deed of Establishment was approved by the Minister of Justice of the Republic of Indonesia in his Decision Letter No. AHU-24298.AH.01.01 dated May 28, 2008. The Company's percentage of ownership interest is 89.98% as of December 31, 2010.

PTIAFI is a tuna processing company established in Indonesia in a joint venture with an Indonesian fishing company, PT Wailan Pratama.

PTIAFI is primarily engaged in canned fish processing exclusively for interational market. The plant is located in Jl. Raya Madidir Kelurahan Madidir Unet Ling, II Kecamatan Madidir, Bitung, Indonesia.

#### **PFNZ**

PFNZ is a company domiciled in New Zealand and registered under the Companies Act of 1993 on September 8, 1993. The Ministry of Economic Development assigned company number 625998 to PFNZ as part of its registration process. The Company's percentage of ownership interest is 50% + 1 share as of December 31, 2010.

PFNZ is primarily engaged in the business of processing, manufacturing and distributing smoked salmon and other seafood products under the Prime Smoke and Studholme brand for distribution in New Zealand and other countries. The plant is located in Hororata RD2 Darfield.

#### **BGB**

BGB was registered with the Philippine SEC on October 29, 2009. BGB was established primarily to engage in the business of manufacturing goods such as salmon and other processed seafoods and was issued registration number CS200916903. Its registered address is Suite 1206 East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City. The Company's percentage of ownership interest is 55.8% as of December 31, 2010.

The construction of the salmon processing plant in General Santos City is still on-going as of December 31, 2010. BGB is on its pre-operating stage.

#### **AMIHI**

AMIHI was registered with the Philippine SEC on June 18, 2010. AMIHI was established primarily to engage in the business as a property holding company and was issued registration number CS201009131. Its registered address is Suite 1205 East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City.

AMIHI is a Special Purpose Entity (SPE) and considered a subsidiary of the Company. The percentage of ownership interest of the Company is 40% as of December 31, 2010.

AMIHI has not started its commercial operations as of December 31, 2010.

We verified the related documents for the investments made such as cash payments, contracts or agreements and reconcile the details (including terms of agreement) with the recorded balances per books.

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Based on the results of the foregoing audit procedures performed, we ascertain that the investment balances are properly valued.

Management believes that there is no indication of impairment on its investments in subsidiaries.

**RELATED PARTY TRANSACTIONS - net** **\$3,537,981**

Balances with related parties are as follows:

<b>Due from Related Parties</b>	
AMIHI	\$2,117,348
BGB	804,037
PTIAFI	672,425
PFNZ	247,112
FDCP Inc.	155,239
First Dominion Prime Holdings, Inc. (FDPHI)	16,096
Alliance Pilipinas Holdings, Inc.	12,740
	<b>\$4,024,997</b>
<b>Due to a Related Party</b>	
Maranaw Canning Corporation (MCC)	<b>\$ 487,016</b>

The Company and the affiliates above are considered to be related parties since these companies have the same stockholders and owners.

The Company expects to collect or settle due from/to related parties within one (1) year.

**Significant Contract Agreements**

- a. The Company extended cash advances to AMIHI which the latter used as a down payment to purchase the General Santos plant from MCC amounting to \$2,117,348.
- b. The advances extended to BGB were used for its pre-operating expenses and to finance the construction of the processing plant amounting to \$804,037 as of December 31, 2010.  
The Company executed a guarantee agreement in favor of Land Bank of the Philippines as part of the security for the credit facilities obtained by BGB.
- c. The Company extended a non-interest bearing advances to its subsidiary PTIAFI to finance the renovation of the plant, acquisition of machinery and equipment and for its initial working capital.  
Further, the Company issued a corporate guarantee and a subordination agreement with Rabo Bank Jakarta for the working capital facility granted to PTIAFI.
- d. The Company extended advances to PFNZ for its working capital requirements of \$247,327 in 2010.
- e. The Company, in the ordinary course of business, purchased tin cans used as raw materials from FDCP Inc., at arm's length basis, amounting to \$4,417,140 in 2010.
- f. On October 18, 2004, the Company entered into a Memorandum of Agreement with FDPHI to purchase the debt of FDPHI from certain creditors with miniscule amounts at net present value of \$17,491. In return, the Company would receive a total of \$26,324 from FDPHI over a period of 10 years, and in addition to this, a corresponding number of the Company shares which would have accrued to the creditors were likewise issued to the Company as treasury shares. The corresponding 287,537 ordinary shares were issued on November 8, 2006. These are part of the shares declared by the SEC as exempted from registration under Sec. 10.2 of the SRC on September 21, 2006.

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- g. From 2004 up to the present, the Company has obtained advances from MCC with an annual interest rate of 10% on the first P50 million and 8% on the excess.

Finance costs related to advances from related parties amounted to \$158,347 in 2010.

- h. The Company entered into a contract with MCC for the operating lease of the latter's land, plant, machinery and equipment in Barrio Tumbler, General Santos City (Gensan Plant) at a monthly rental of \$21,443. The lease term started from March 1, 2004 and expired on December 23, 2010. Upon expiration of the lease contract between the Company and MCC, the latter leased the plant for one-month or until January 23, 2011 to AMIHI which in turn sub-leased the Gensan plant to the Company. AMIHI is the subsidiary of the Company that would buy the Gensan plant from MCC. The lease contract between MCC and AMIHI was extended to a much longer term effective January 24, 2011 to December 23, 2013 thus, enabling AMIHI to sublease the plant to the Company for the same period. As of December 31, 2010 the Company has an outstanding lease deposit with MCC amounting to \$2,316,549. The deposit is included in other non-current assets in the statements of financial position.

The Company also leases from MCC an office condominium unit where its head office is located for a period of two (2) years, renewable by mutual agreement of both parties. The lease is classified as operating lease with a monthly rental of \$3,262 in 2010.

We sent confirmation requests to affiliated companies and agreed confirmed balances to the amounts recorded in the books. We verified intercompany transactions to the supporting documents such as contract/agreement and invoices for validity and existence. No exceptions were noted.

**PROPERTY, PLANT AND EQUIPMENT - net \$1,328,007**

	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture and Fixtures	Total
<b>Cost</b>						
January 1, 2010	\$559,277	\$1,248,061	\$419,139	\$147,211	\$10,427	\$2,384,115
Additions	28,476	125,980	72,028	16,335	69	242,888
Transfers	(59,114)	(12,595)	-	-	-	(71,709)
Disposals	-	-	(40,326)	-	-	(40,326)
<b>December 31, 2010</b>	<b>528,639</b>	<b>1,361,446</b>	<b>450,841</b>	<b>163,546</b>	<b>10,496</b>	<b>2,514,968</b>
<b>Accumulated Depreciation and Amortization</b>						
January 1, 2010	330,494	256,739	257,444	97,787	6,310	948,774
Provisions	76,915	88,131	101,860	20,321	1,643	288,870
Transfer	-	(10,357)	-	-	-	(10,357)
Disposals	-	-	(40,326)	-	-	(40,326)
<b>December 31, 2010</b>	<b>407,409</b>	<b>334,513</b>	<b>318,978</b>	<b>118,108</b>	<b>7,953</b>	<b>1,186,961</b>
<b>Carrying Amount</b>						
<b>December 31, 2010</b>	<b>\$121,230</b>	<b>\$1,026,933</b>	<b>\$131,863</b>	<b>\$ 45,438</b>	<b>\$ 2,543</b>	<b>\$1,328,007</b>

We obtained the Company's lapsing schedules for property, plant and equipment and agreed detailed amounts with the recorded balances of cost and accumulated depreciation accounts and no discrepancies were noted.



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On a test basis, from the lapsing schedule provided to us, we selected assets from the beginning cost column and current period purchases of the schedules and physically inspected the assets in order to determine if the assets still exist and are in use by the Company. We traced the recorded costs of the selected assets to supporting documents (e.g. vendor invoices for purchases in the current period, capital expenditure approvals, our prior year working papers for assets purchased in prior years) and determined that current period additions were properly approved and did not include amounts which are expenses in nature. Furthermore, on a test basis, we examined disposals during the period for appropriate authorization, recomputed the related gain or loss and ascertained accuracy in the recording of these transactions and noted no exceptions therein.

We performed analytical procedures to determine the reasonableness of recorded depreciation and found it to be reasonably computed. Generally, depreciation is computed on the straight line method based on the estimated useful life of the asset.

We reviewed the management's assessment of the carrying amounts of the property, plant and equipment to determine whether there is any indication that those assets have suffered impairment. No exceptions were noted.

<b>OTHER NON-CURRENT ASSETS</b>	<b>\$2,373,816</b>
<hr/>	
Lease deposit	\$2,316,549
Input value added tax (VAT)	45,493
Deferred cost	11,774
	<hr/>
	\$2,373,816

The lease deposit pertains to the amount paid to Maranaw Canning Corporation (MCC) for the rental of the plant facility. We examined lease agreement and found the amount to be in accordance with the terms of the said contract. We validated the amount of deposit through examination of supporting documents such as official receipt and no exceptions were noted. The remaining balance is composed of input taxes which arise from the purchase of goods and services. We agreed the amount against the summary of input taxes prepared by the client to the VAT returns. Deferred cost was validated by examining supporting documents such as invoices, no exceptions were noted.

## LIABILITIES

<b>TRADE AND OTHER PAYABLES</b>	<b>\$1,718,539</b>
<hr/>	
Accounts payable - trade	\$1,041,153
Accrued expenses	646,090
Others	31,296
	<hr/>
	\$1,718,539

Trade payables are obligations which arose from the purchase of fish from various suppliers and cans from FDCP, Inc. We reviewed the aging schedule and noted that there were no long outstanding payables. Confirmation letters were also sent to selected suppliers. Based on the confirmation replies, there were no discrepancies identified. Alternative procedures were also performed for those accounts without reply, such as tests of subsequent payments and examinations of supplier's invoices were performed to ensure existence of the liability. We also performed cut-off procedures to satisfy ourselves as to the completeness of liabilities. No exceptions were noted.

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Details of accrued expenses are as follows:

Management fees	\$241,519
Interest	73,527
Due to government agencies	56,086
Salaries and wages	44,907
Freight	37,064
Rent	15,798
Other short-term employee benefits	12,253
Professional fees	16,131
Others	148,805
	<b>\$646,090</b>

We tested reasonableness of the accrued expense balances by determining its nature and basis of accrual. For all accrued expenses that are based on accounting estimates, we performed reasonableness testing by performing independent recomputation based on the reliable data and compared the expectation to the balance per books. No exceptions were noted. On the other hand, for some accruals which were based on supporting evidence, we examined the documents and no exceptions were noted.

We performed search for unrecorded liabilities on a test basis by examining payments made by the Company in 2011 for expenses incurred in 2010 in order to determine if these are expenses not accrued in 2010. These payments were then compared to the amounts accrued. No unrecorded liabilities as of December 31, 2010 were noted based on the procedures performed.

Based on the above procedures, we have satisfied ourselves as to the propriety and fair presentation of the account balances.

**LOANS PAYABLE**

**\$10,786,107**

10,784,848  
31,259

*Bank loans*

The Company availed of bank facilities in the form of export packing credit, export bills purchase against letters of credit/documents against payment sight and open account to finance its working capital requirements at an interest rate of 4% to 7% per annum. The Company also has an outstanding clean short-term loan with an investment bank.

*Mortgage loans*

These represent loans availed by the Company from certain local banks to finance the acquisition of the Company's transportation equipment. Interest rate is 10.65% per annum, payable on a monthly basis and maturing in July 2013.

Proceeds received from bank and mortgage loans in 2010 amounted to \$37,669,790. Payments of bank and mortgage loans in 2010 amounted to \$30,467,400. Finance costs arising from the above loans amounted to \$377,999 in 2010.

The unsecured outstanding bank and mortgage loans as of December 31, 2010 amounted to \$10,786,107 of which \$10,754,848 is considered as current and \$31,259 as non-current.

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<b>RETIREMENT BENEFIT OBLIGATION</b>	<b>\$233,678</b>
Present value of defined benefit obligations	\$292,358
Unrecognized actuarial gains or losses	(48,438)
Unamortized portion of the transitional liability	(8,650)
Translation adjustments	(1,592)
<b>Liability recognized in the balance sheet</b>	<b>\$233,678</b>

The Company has an unfunded, non-contributory retirement benefit plan covering qualified employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out on June 3, 2010 by an independent actuary.

Based on Management estimates, actuarial assumptions made on June 3, 2010 did not change significantly over the year.

The present values of the defined benefit obligations, the related current service cost and past service cost were measured using the projected unit credit method. We obtained the valuation report from the Company and reviewed accuracy of the balances recorded in the Company's trial balance.

We tested the reasonableness of the assumptions used in the actuarial valuation by comparing it to the market and validating the information submitted by the Company to the actuary. No exceptions noted. To address conflict of interest and objectivity of the actuary from the Company, we obtained independence declaration from the actuary. Also, we gathered information and checked relative experience of the actuary through research to validate competency of the actuary. Adjustments were proposed to achieve fair presentation of the account balance.

**EQUITY**

<b>SHARE CAPITAL</b>	<b>\$11,540,140</b>
<b>SHARE PREMIUM</b>	<b>2,198,790</b>
<b>TREASURY SHARES</b>	<b>(5,774)</b>

The Company's share capital is 950,000,000 common shares with a par value of P1 each. Movement of the Company's share capital is as follows:

	Shares	Amount
Issued and fully paid		
Balance, beginning	599,277,059	\$11,540,140
Treasury shares	(287,537)	(5,774)
<b>Balance, December 31, 2010</b>	<b>598,989,522</b>	<b>\$11,534,366</b>

The Company has one class of ordinary shares which carry no right to fixed income.

There was no movement in the share capital of the Company for the 2010 reporting period.

We sent confirmation request to the Company's corporate secretary to validate the ownership of the shares and no exception was noted.

**RETAINED EARNINGS****\$7,987,681**

An analysis of the Company's retained earnings for the past five (5) years is as follows:

Balance, December 31, 2005	\$1,908,881
Profit for the year 2006	1,986,311
Stock dividends	(1,936,737)
Balance, December 31, 2006	1,958,455
Profit for the year 2007	2,117,469
Stock dividends	(3,000,070)
Balance, December 31, 2007	1,075,854
Profit for the year 2008	3,356,351
Cash dividends	(252,286)
Balance, December 31, 2008	4,179,919
Profit for the year 2009	2,345,409
Cash dividends	(258,430)
Balance, December 31, 2009	6,266,898
Profit for the year 2010	1,720,783
Balance, December 31, 2010	\$7,987,681

The Company was registered with the Philippine Securities and Exchange Commission on September 1, 2003.

On December 4, 2009, the Company declared cash dividends of Php0.02 per share with a value of \$258,430 out of the unrestricted retained earnings. The cash dividends were paid on February 3, 2010.

On December 3, 2008, the Company declared cash dividends of Php0.02 per share with a value of \$252,286 out of the unrestricted retained earnings. The cash dividends were paid on February 2, 2009.

On June 26, 2007, the Company declared 12% stock dividends corresponding to 64,177,449 shares with a value of \$3,000,070 to all stockholders of record as of November 20, 2007. The shares of stock were issued and listed with the PSE on December 17, 2007.

On December 14, 2005, the Company declared 49.8% stock dividends corresponding to 101,099,610 shares with a value of \$1,936,737 to all stockholders of record as of December 31, 2005. The shares of stocks were issued on July 26, 2006.

We examined the minutes of meetings of the board of directors to verify the declaration of dividends and checked the cash bank balances to verify cash disbursements for the cash dividends.

**OPERATIONS****Overall Results**

The Company experienced a drop in revenue from \$44,212,082 in 2009 to \$38,173,444 in 2010 due to lower sales volume as a result of delays in the delivery of Fish. The tight supply of tuna was caused by a natural phenomenon known as the "El Niño" or the warming of the ocean's surface, an event which occurs every four (4) to five (5) years. The warming of the ocean's surface causes tuna to migrate to cooler and deeper waters making it more difficult to catch. The 4th quarter saw the waning of El Niño and the improvement of fish supply. Management expects the supply of fish to stabilize in the aftermath of El Niño.

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**REVENUES**

Sales of canned goods	<b>\$35,331,519</b>
Sales of fishmeal	<b>2,841,925</b>
	<b>\$38,173,444</b>

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales of goods are recognized when there is a transfer of risks and rewards of ownership, which coincides with the transfer of the legal title or the passing of possession to the buyer.

We reviewed the sales during the period for overall reasonableness and examined supporting invoices and delivery receipts and sales terms to determine that sales are recorded in the proper time periods. We noted no exceptions.

**COST OF GOODS MANUFACTURED AND SOLD** **\$33,673,895**

Materials used	\$25,597,365
Direct labor	2,710,046
Manufacturing overhead	
Fuel	1,118,223
Fishmeal	1,088,815
Warehousing	445,266
Freight and handling	308,729
Indirect labor	281,676
Rental	259,568
Light and water	193,136
Laboratory	180,582
Repairs and maintenance	176,567
Depreciation and amortization	168,446
Outside services	129,285
Consumables	96,535
Security fees	89,992
Representation and entertainment	56,376
Travel and communication	32,459
Amortization	25,627
Professional fees	6,622
Others	431,055
Total manufacturing costs	33,396,370
Finished goods, beginning	2,267,414
Total cost of goods manufactured	35,663,784
Finished goods, ending	(1,989,889)
Cost of goods manufactured and sold	<b>\$33,673,895</b>

Others include insurance, cooperative labor services, office supplies, taxes and licenses and corporate social responsibility expenses.

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<b>OTHER OPERATING INCOME</b>	<b>\$70,955</b>
Foreign exchange gain	63,214
Interest income	5,465
Gain on sale of fixed assets	2,276
	<b>\$70,955</b>

Foreign exchange gain pertains to realized and unrealized gain on transactions and balances denominated in currencies other than US Dollars. We performed re-computation of the gain and noted no material exceptions.

<b>SELLING AND ADMINISTRATIVE EXPENSES</b>	<b>\$2,195,237</b>
Salaries, wages and other benefits	\$ 721,516
Management fees	241,519
Rental	122,740
Depreciation and amortization	120,424
Transportation and travel	102,373
Representation and entertainment	94,896
Utilities and communication	76,331
Business development	61,739
Retirement benefit	60,068
Outside services	50,568
Freight and handling	30,564
Materials and supplies	29,066
Fringe benefit tax	25,638
Fuel and oil	21,315
Membership dues	18,065
Repairs and maintenance	15,169
Other personnel expenses	12,572
Taxes and licenses	10,459
Insurance	8,754
Condominium dues	8,423
Others	363,038
	<b>\$2,195,237</b>

We evaluated the reasonableness of reported cost and expenses by developing independent expectations of the balances based on our understanding of the nature and trend of each item. Furthermore, we ascertained the validity of these disbursements through examination of available supplier's invoices, payment documents and inquiry on the underlying nature of the transaction. We verified these transactions to be appropriately recorded in the books and noted no exceptions.

Gain on sale of fixed assets resulted from the disposal of a vehicle. We examined related documents and verified disposal. We noted no exceptions.

Interest income is composed of interest earned from savings bank deposit and short term money market placements having an interest ranging from 2% to 2.5% in 2010. We agreed interest rates against confirmation advice from the bank and noted no exceptions.

<b>OTHER OPERATING EXPENSES</b>	<b>\$ 117,455</b>
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Bank charges include service charges, processing fees and other similar charges by the banks. We verified book balance to bank statements, official receipts and other supporting documents. Noted no exceptions.

**GENERAL**

We reviewed significant contracts, agreements and minutes of the Board of Directors' and Shareholders' meetings to obtain necessary supporting information on the transactions as reflected in the accounts for the year ended December 31, 2010.

We sent a confirmation request to the Company's legal counsel. We also reviewed with management the possible existence of material contingencies and commitments that would require disclosure. Based on the procedures performed, no contingency, commitment or material event existed after the balance sheet date that would have an adverse effect on the Company's financial statements as of December 31, 2010.

A subsequent events review questionnaire was sent to the Company. The Company identified subsequent events that occurred after the balance sheet date but before the date when the financial statements were authorized for issue. Based on the responses, there were no subsequent events that provide additional information about the Company's financial position that should be reflected in the financial statements. Furthermore, there were no other material events that need to be adjusted or disclosed in the notes to the financial statements.

Manabat Delgado Amper & Co.

BOA Registration No. 0004, valid from January 1, 2010 to December 31, 2012

SEC Accreditation No. 0001-FR-2, issued on January 28, 2010; effective until January 27, 2013

TIN 00529331

By:



Bonifacio F. Lumacang, Jr.

Partner

CPA License No. 0098090

SEC A.N. 0526-A, issued on May 13, 2010; effective until May 12, 2013

TIN 170035681

BIR A.N. 08-002552-18-2009, issued on April 7, 2009; effective until April 6, 2012

PTR No. 2641942, issued on January 3, 2011, Makati City

Makati City, Philippines

April 8, 2011

# Manabat Delgado Amper & Co.

Manabat Delgado Amper & Co.  
5<sup>th</sup> Floor Salamin Building  
197 Salcedo Street Legaspi Village  
Makati City 1229  
Philippines

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Fax: +63 2 810 5047  
www.deloitte.com/ph

BOA/PRC Reg. No. 0004  
SEC Accreditation No. 0001-FR-2

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
ALLIANCE SELECT FOODS INTERNATIONAL, INC.  
(Formerly Alliance Tuna International, Inc.)  
Suite 1205, 1206 & 1405 East Tower  
Philippine Stock Exchange Center, Exchange Road  
Ortigas Center, Pasig City

### Report on the Financial Statements

We have audited the accompanying financial statements of Alliance Select Foods International, Inc., which comprise the statements of financial position as of December 31, 2010, 2009 and 2008, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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



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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alliance Select Foods International, Inc. as of December 31, 2010, 2009 and 2008, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue. Furthermore, the supplementary information on the attached schedule showing the reconciliation of the retained earnings available for dividend declaration as of December 31, 2010, along with the other supplementary information required by the Securities and Exchange Commission shown in schedules A, B, C, D, E, F, G, H and I are presented for purposes of additional analysis. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Manabat Delgado Amper & Co.  
TIN 005299331

BOA Registration No. 0004, valid from January 1, 2010 to December 31, 2012

SEC Accreditation No. 0001-FR-2, issued on January 28, 2010; effective until January, 27. 2013

By:



Bonifacio F. Lumacang, Jr.

Partner

CPA License No. 0098090

SEC A.N. 0526-A, issued on May 13, 2010; effective until May 12, 2013

TIN 170035681

BIR A.N. 08-002552-18-2009, issued on April 7, 2009; effective until April 6, 2012

PTR No. 2641942, issued on January 3, 2011, Makati City

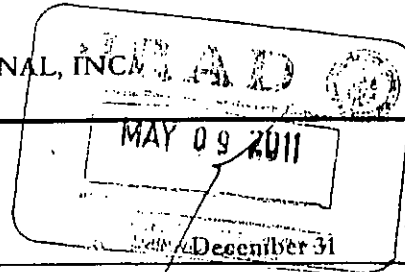
Makati City, Philippines  
April 8, 2011



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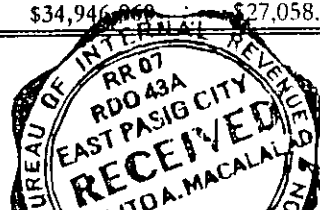
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**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**  
 (Formerly Alliance Tuna International, Inc.)  
**STATEMENTS OF FINANCIAL POSITION**  
 (In US Dollars)



	Notes	2010	2009	2008
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	8	\$ 327,525	\$ 446,108	\$ 581,193
Trade and other receivables - net	9	8,157,754	4,684,745	5,611,194
Due from related parties	18	4,024,997	4,764,553	2,368,101
Inventories - net	10	3,814,026	3,520,636	11,524,162
Prepayments and other current assets	11	9,442,932	8,109,807	1,123,840
<b>Total Current Assets</b>		<b>25,767,234</b>	<b>21,525,849</b>	<b>21,208,490</b>
<b>Non-current Assets</b>				
Investment in an associate - at cost	13	240,964	240,964	240,964
Investments in subsidiaries - at cost	12	5,236,839	1,451,078	499,000
Property, plant and equipment - net	14	1,328,007	1,435,341	1,502,511
Other non-current assets	15	2,373,816	2,405,036	2,488,714
<b>Total Non-current Assets</b>		<b>9,179,626</b>	<b>5,532,419</b>	<b>4,731,189</b>
		<b>\$34,946,860</b>	<b>\$27,058,268</b>	<b>\$25,939,679</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Trade and other payables	16	\$ 1,718,539	\$ 1,506,723	\$ 2,556,314
Loans payable	17	10,754,848	3,580,049	3,613,470
Income tax payable	31	683	-	-
<b>Total Current Liabilities</b>		<b>12,474,070</b>	<b>5,086,772</b>	<b>6,169,784</b>
<b>Non-current Liabilities</b>				
Loans payable - net of current portion	17	31,259	3,668	5,681
Retirement benefit obligation	19	233,678	184,340	134,964
Due to a related party	18	487,016	1,783,434	1,716,175
<b>Total Non-current Liabilities</b>		<b>751,953</b>	<b>1,971,442</b>	<b>1,856,820</b>
		<b>13,226,023</b>	<b>7,058,214</b>	<b>8,026,604</b>
<b>Equity</b>				
Share capital	20	11,540,140	11,540,140	11,540,140
Share premium		2,198,790	2,198,790	2,198,790
Retained earnings		7,987,681	6,266,898	4,179,919
		<b>21,726,611</b>	<b>20,005,828</b>	<b>17,918,849</b>
Treasury shares	20	(5,774)	(5,774)	(5,774)
		<b>21,720,837</b>	<b>20,000,054</b>	<b>17,913,075</b>
		<b>\$34,946,860</b>	<b>\$27,058,268</b>	<b>\$25,939,679</b>

See Notes to Financial Statements.



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**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**

(Formerly Alliance Tuna International, Inc.)

**STATEMENTS OF COMPREHENSIVE INCOME**

(In US Dollars)

		For the Years Ended December 31		
	Notes	2010	2009	2008
Revenues	22	\$38,173,444	\$44,212,082	\$51,637,102
Cost of Goods Manufactured and Sold	23	33,673,895	39,409,647	45,627,969
Gross Profit		4,499,549	4,802,435	6,009,133
Other Operating Income	25	70,955	367,549	89,394
		4,570,504	5,169,984	6,098,527
Selling and Administrative Expenses	24	2,195,237	2,247,752	2,312,227
Other Operating Expenses	26	117,455	209,253	157,958
		2,312,692	2,457,005	2,470,185
Profit from Operations		2,257,812	2,712,979	3,628,342
Finance Costs	28	536,346	367,570	271,991
Profit Before Tax		1,721,466	2,345,409	3,356,351
Income Tax Expense	31	683	-	-
<b>Profit for the Year</b>		<b>\$ 1,720,783</b>	<b>\$ 2,345,409</b>	<b>\$ 3,356,351</b>
<b>Earnings Per Share</b>				
Basic earnings per share	29	\$0.003	\$0.004	\$0.006

See Notes to Financial Statements.



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**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**

(Formerly Alliance Tuna International, Inc.)

**STATEMENTS OF CHANGES IN EQUITY**

(In US Dollars)

For the Years Ended December 31

	Notes	Share Capital	Share Premium	Retained Earnings	Treasury Shares	Total
Balance, January 1, 2008	20	\$11,540,140	\$2,198,790	\$1,075,854	(\$5,774)	\$14,809,010
Profit for the year		-	-	3,356,351	-	3,356,351
Cash dividends	21	-	-	(252,286)	-	(252,286)
Balance, December 31, 2008	20	11,540,140	2,198,790	4,179,919	(5,774)	17,913,075
Profit for the year		-	-	2,345,409	-	2,345,409
Cash dividends	21	-	-	(258,430)	-	(258,430)
Balance, December 31, 2009	20	11,540,140	2,198,790	6,266,898	(5,774)	20,000,054
Profit for the year		-	-	1,720,783	-	1,720,783
<b>Balance, December 31, 2010</b>		<b>\$11,540,140</b>	<b>\$2,198,790</b>	<b>\$7,987,681</b>	<b>(\$5,774)</b>	<b>\$21,720,837</b>

*See Notes to Financial Statements.*

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**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**

(Formerly Alliance Tuna International, Inc.)

**STATEMENTS OF CASH FLOWS**

(In US Dollars)

		For the Years Ended December 31		
	Notes	2010	2009	2008
<b>Cash Flows from Operating Activities</b>				
Profit before tax		\$ 1,721,466	\$ 2,345,409	\$ 3,356,351
Adjustments for:				
Depreciation and amortization	14	288,870	261,845	252,509
Retirement benefit expense	19	60,068	44,849	37,569
Unrealized foreign exchange loss (gain) - net		12,057	4,527	(17,045)
Loss (gain) on sale of property, plant and equipment	25	(2,276)	-	5,193
Interest income	25	(5,465)	(6,181)	(11,151)
Finance costs	28	536,346	367,570	271,991
Operating cash flows before working capital changes		2,611,066	3,018,019	3,895,417
Decrease (Increase) in:				
Due from related parties		739,556	(2,396,452)	(2,112,227)
Trade and other receivables		(3,473,009)	926,449	(150,221)
Inventories		(293,390)	8,003,526	(8,250,445)
Prepayments and other current assets		(1,333,125)	(6,985,967)	3,642,519
Increase (Decrease) in trade and other payables		396,719	(1,055,735)	1,280,632
Cash generated from (used in) operating activities		(1,352,183)	1,509,840	(1,694,325)
Contribution to retirement fund	19	(22,787)	-	-
Net cash from (used in) operating activities		(1,374,970)	1,509,840	(1,694,325)
<b>Cash Flows from Investing Activities</b>				
Additions to property, plant and equipment	14	(242,888)	(194,675)	(164,892)
Additional investments in subsidiaries	12	(3,785,761)	(895,078)	(499,000)
Collection from related parties		61,352	-	32,440
Additions to other non-current assets		31,220	26,678	26,248
Interest income received	25	5,465	6,181	11,151
Net cash used in investing activities		(3,930,612)	(1,056,894)	(594,053)
<b>Cash Flows from Financing Activities</b>				
Advances (payment) from a related party		(1,296,418)	67,259	1,258,916
Proceeds from bank loans	17	37,669,790	32,330,008	34,058,109
Payments of loans	17	(30,467,400)	(32,365,442)	(32,343,428)
Dividends paid	21	(258,430)	(252,286)	-
Proceeds from sale of property, plant and equipment		2,276	-	95
Finance costs paid	28	(462,819)	(367,570)	(262,567)
Net cash from (used in) financing activities		5,186,999	(588,031)	2,711,125
Net Increase (Decrease) in Cash and Cash Equivalents		(118,583)	(135,085)	422,747
Cash and Cash Equivalents, Beginning		446,108	581,193	158,446
Cash and Cash Equivalents, End		\$ 327,525	\$ 446,108	\$ 581,193

See Notes to Financial Statements.

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**

(Formerly Alliance Tuna International, Inc)

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**NOTES TO FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 and 2008**

(In US Dollars)

**1. CORPORATE INFORMATION**

Alliance Select Foods International, Inc. (the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on September 1, 2003, primarily to engage in the business of manufacturing and exporting canned tuna and other processed seafoods. The Company is a public corporation under Section 17.2 of the Securities Regulation Code (SRC) and its shares were listed in the Philippine Stock Exchange (PSE) on November 8, 2006.

On July 1, 2010, the Board of Directors resolved to change the corporate name from Alliance Tuna International, Inc. to Alliance Select Foods International, Inc. The change in corporate name was approved by the SEC on July 22, 2010.

The Company was registered with the Board of Investments (BOI) on August 24, 2004 under the Omnibus Investments Code of 1987, otherwise known as Executive Order No. 226, on a non-pioneer status as new export producer of canned tuna and its by-product, fishmeal. As a registered entity, the Company is entitled to certain incentives such as income tax holiday for four (4) years from the date of registration and subject for approval of extension by the BOI, tax credit on raw materials and supplies used for export products, and additional deduction for labor expense, subject to certain requirements under the terms of its BOI registration.

The Company's office is located at Suite 1205, 1206 & 1405 East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City. Its plant facilities are located in Barrio Tumbler, General Santos City.

**2. FINANCIAL REPORTING FRAMEWORK**

**Statement of Compliance**

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the Financial Reporting Standard Council (FRSC) and adopted by the SEC.

**Basis of Preparation and Presentation**

The financial statements have been prepared on the historical cost basis, except for certain financial instruments carried at amortized cost.

These financial statements are presented in US Dollar, the currency of the primary economic environment in which the Company operates.

These are the Company's separate financial statements. Separate financial statements are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity in which the investments are accounted for on the basis of direct equity interest rather than on the basis of the reported results and net assets of the investees.

### 3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

#### Adoption of New and Revised Accounting Standards Effective in 2010

The "Improvements to PFRSs 2009" that have been published by the International Accounting Standards Board (IASB) and issued by the FRSC in the Philippines were adopted by the Company effective January 1, 2010.

"Improvements to PFRSs 2009," is a collection of amendments to twelve PFRS, issued by the FRSC which comprise the latest set of annual improvements. The FRSC uses the annual improvements project to make necessary, but non-urgent, amendments to PFRS that will not be included as part of another major project. The 2009 amendments reflect issues that were included in exposure drafts of (a) proposed amendments to PFRS in October 2007; (b) proposed amendments to PFRS in August 2008; and (c) January 2009.

The adopted amendments arising from the improvements in 2009 affect the following PFRS:

*PAS 1, "Presentation of Financial Statements,"* "Current/non-current classification of convertible instruments," clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

*PAS 7, "Statement of Cash Flows,"* "Classification of expenditures on unrecognized assets," requires that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities.

*PAS 17, "Leases,"* "Classification of leases of land and Buildings," deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of PAS 17.

*PAS 18, "Revenue,"* "Determining whether an entity is acting as a principal or as an agent," additional guidance added to the appendix to PAS 18 regarding the determination as to whether an entity is acting as a principal or an agent.

*PAS 36, "Impairment of Assets,"* "Unit of accounting for goodwill impairment test," clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of PFRS 8, "*Operating Segments*" (i.e. before the aggregation of segments with similar economic characteristics permitted by PFRS 8.12).

*PAS 27 (Revised 2008), "Consolidated and Separate Financial Statements,"* deals with changes in ownership interests in subsidiaries that do not result in a change in control. The absence of specific requirements in PFRS, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognized in profit or loss. Under PAS 27 (Revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, PAS 27 (Revised 2008) requires that "the group" derecognize all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in a former subsidiary is recognized at its fair value at the date control is lost, with the gain or loss arising recognized in profit or loss.

The adoption of these improvements did not result in any adjustment or additional disclosure in the Company's financial statements.

**New Accounting Standards Effective Subsequent to the Accounting Period Ended December 31, 2010**

The Company will adopt the following PFRS:

- a. Amendment to PAS 32 - Financial Instruments Presentation
- b. IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments
- c. PAS 24 (Revised 2009) - Related Party Disclosures
- d. Amendments to IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- e. Improvements to PFRSs 2010

Amendment to PAS 32, "Financial Instruments Presentation," states that for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

IFRIC 19, "Extinguishing financial liabilities with equity instruments," clarifies the requirements of PFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

The IASB has revised PAS 24, "Related Party Disclosures," in response to concerns that the previous disclosure requirements and the definition of a 'related party' were too complex and difficult to apply in practice, especially in environments where government controls is pervasive. The revised standard addresses these concerns by providing a partial exemption for government-related entities and providing a revised definition of a related party. The IASB has simplified the definition and removed inconsistencies.

The Amendments to IFRIC 14, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction," correct an unintended consequence of IFRIC 14. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments should be applied retrospectively to the earliest comparative period presented.

The following summarizes the amendments and transitional provisions of the Improvements to PFRSs 2010. Unless otherwise noted, the proposed effective date for the amendments is for annual periods beginning on or after January 1, 2011. Earlier application is permitted in all cases.

*PFRS 7, "Financial Instruments: Disclosures"*

"Clarifications of disclosures" emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

Amendments to quantitative and credit risk disclosures are as follows:

- a. Clarify that only financial asset whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.



- b. Requires for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
- c. Remove disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
- d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
- e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

*PAS 1, "Presentation of Financial Statements,"* clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

*PAS 27, "Consolidated and Separate Financial Statements,"* clarifies that the amendments made to PAS 21, "The Effect of Changes in Foreign Rates," PAS 28, "Investments in Associates," and PAS 31, "Interest in Joint Ventures" as a result of PAS 27 (2008) should be applied prospectively.

*PAS 34, "Interim Financial Reporting"*

Significant events and transactions provide guidance to illustrate how to apply disclosure principles in PAS 34 and add disclosure requirements around:

- The circumstances likely to affect fair values of financial instruments and their classification;
- Transfers of financial instruments between different levels of the fair value hierarchy;
- Changes in classification of financial assets; and
- Changes in contingent liabilities and assets.

*IFRIC 13, "Customer Loyalty Programmes"*

Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account

Management has yet to determine the effect of the adoption of these standards on the Company's financial statements.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### Financial Assets

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets except for investments classified at fair value through profit or loss.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. The difference between the carrying amount of the financial asset derecognized and the consideration received or receivable is recognized in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables, when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

**Impairment of Financial Assets**

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

*Objective evidence of impairment*

For all financial assets carried at amortized cost, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

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#### *Financial assets carried at amortized cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition. The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss with the exception of trade receivables, wherein the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, these are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distributing the goods.

When the net realizable value of the inventories is lower than the cost, the Company provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the profit or loss.

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

#### **Prepayments**

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

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

#### **Investment in Subsidiaries**

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by the Company. The Company has control over an entity if it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investment in subsidiaries in the Companies separate financial statements is carried at cost less impairment in value of individual investments.

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### **Investments in Associates**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investment in an associate in the Company's separate financial statements is carried in the statements of financial position at cost less any impairment in the value of individual investments.

The Company's accounting policy for impairment of financial assets are applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Company's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

### **Special Purpose Entity**

The Company has established one special purpose entity (SPE) for investment purposes. The Company has direct shareholdings in this entity. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Company and the SPE's risks and rewards, the Company concludes that it controls the SPE. SPE controlled by the Company was established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Company receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

### **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost. At the end of each reporting period, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation and amortization. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

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

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Machinery and equipment	15 years
Office furniture, fixtures and equipment	5 years
Plant furniture, fixtures and equipment	5 years
Transportation equipment	5 years

Leasehold improvements are amortized over the improvements' useful life of seven (7) years or when shorter, the term of the relevant lease.

Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **Impairment of Tangible Assets**

At the end of each reporting period, the Company assesses whether there is any indication that any of its tangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **Financial Liabilities and Equity Instruments**

#### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

#### *Financial liabilities*

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities, except for debt instruments classified at fair value through profit or loss.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or designated upon initial recognition.

Since the Company does not have financial liabilities classified at fair value through profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, cancelled or has expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The costs of acquiring Company's own shares are shown as a deduction from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### **Employee Benefits**

#### *Short-term benefits*

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

#### *Post-employment benefits*

The Company has a non-contributory retirement plan. The post-employment expense is determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the expected average remaining working lives of the covered employees. Cumulative actuarial gains and losses in excess of the 10% of present value of the defined benefit obligation were amortized over the expected average remaining working lifetime of the employees and recognized as part of retirement expense.

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and unrecognized actuarial gain or losses.

### **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business.

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

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

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

### **Expense Recognition**

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

Expenses in the statements of comprehensive income are presented using the function of expense method. Cost of goods manufactured and sold are expenses incurred that are associated with the goods sold and includes components of cost of goods manufactured and sold. Operating expenses are costs attributable to selling and administrative activities of the Company.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

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

### **Foreign Currency Transactions**

Transactions in currencies other than US Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the end of each reporting period. Gains and losses arising on retranslation are included in profit or loss.

### **Borrowing Costs**

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

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

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

### **Related Parties**

Related parties are parties that control or have significant influence over the reporting entity (including parent entities, owners and their families, major investors, and key management personnel) and parties that are controlled or significantly influenced by the reporting entity (including subsidiaries, joint ventures, associates, and post employment benefit plans).

### **Taxation**

Income tax expense represents the sum of the current tax expense and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's registered product is granted an income tax holiday (ITH) from August 24, 2004 to August 23, 2011. After the ITH, current tax payable is calculated using 30% tax rate under normal taxation, or 2% of defined gross income under minimum corporate income tax (MCIT), whichever is higher.

### **Earnings per Share**

The Company computes its basic earnings per share by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares issued and outstanding during the period.

### **Events after the Reporting Period**

The Company identifies events after the end of the reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.



5. **CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**Critical Judgments in Applying Accounting Policies**

Critical judgment, apart from those involving estimations, that Management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements pertains to functional currency.

*Segment reporting*

The Company's revenue is classified into sales of canned goods and sales of fishmeal. Although the revenue can be identified separately, the Company uses the same assets and resources for its sales of canned goods and sales of fishmeal activities. Since the segregation and/or identification/allocation of those resources for each activity are impracticable, Management believes that the Company is exempted from segment reporting.

*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 US Dollar. The US Dollar is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the Company in determining the costs and selling price of its inventories.

**Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Estimating useful lives of assets*

The useful lives of the Company's property, plant and equipment are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's property, plant and equipment. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease non-current assets.

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As of December 31, 2010, 2009 and 2008, the carrying amounts of the Company's property, plant and equipment amounted to \$1,328,007, \$1,435,341 and \$1,502,511, respectively. Total accumulated depreciation as of December 31, 2010, 2009 and 2008 amounted to \$1,186,961, \$948,774 and \$686,929, respectively, as disclosed in Note 14.

*Asset impairment*

The Company performs an impairment review when certain impairment indicators are present.

Determining the fair value of property, plant and equipment and investments in associates and subsidiaries, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and investments are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

As of December 31, 2010, 2009 and 2008, Management believes that the recoverable amounts of the Company's property, plant and equipment and investments in associates and subsidiaries exceed their carrying amounts. Consequently, no impairment loss was recognized in those years.

*Estimating allowances for doubtful accounts*

The Company estimates the allowance for doubtful accounts related to its trade and other receivables based on assessment of specific accounts when the Company has information that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors. The Company uses judgment to record specific reserves against amounts due from customers to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As of December 31, 2010 and 2009, Management believes that the collectability of their receivables and due from related parties is certain. Consequently, no provision for doubtful accounts was recognized in both years.

As of December 31, 2008, allowance for doubtful accounts amounted to \$17,055.

Net trade and other receivables as of December 31, 2010, 2009 and 2008 amounted to \$8,157,754, \$4,684,745 and \$5,611,194, respectively, as disclosed in Note 9. Due from related parties as of December 31, 2010, 2009 and 2008 amounted to \$4,024,997, \$4,764,553, and \$2,368,101, respectively, as disclosed in Note 18.

*Estimating net realizable value of inventories*

The net realizable value of inventories represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Company determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Company records provision for excess of cost over net realizable value of inventories. While the Company believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

Total inventories recognized in the Company's statements of financial position amounted to \$3,814,026, \$3,520,636 and \$11,524,162 which are net of the related allowance for write-down amounting to \$7,678 as of December 31, 2010, 2009 and 2008, respectively, as disclosed in Note 10.

*Post-employment and other employee benefits*

The determination of the retirement obligation cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

Based on Management estimates, actuarial assumptions made on June 10, 2010 did not change significantly over the year.

Retirement expense amounted to \$60,068, \$44,849 and \$37,569 for 2010, 2009 and 2008, respectively, as disclosed in Note 19 and accrued retirement obligation recognized amounted to \$233,678, \$184,340 and \$134,964 as of December 31, 2010, 2009 and 2008, respectively.

**6. FINANCIAL RISK MANAGEMENT**

*Financial risk management objectives and policies*

The Company's activities expose it to a variety of financial risks: market risk (which includes foreign exchange risk and fair value interest rate risk and price risk), credit risk, liquidity risk and interest rate risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

The Company seeks to mitigate its transactional currency exposures by maintaining its costs at consistent levels, regardless of any upward or downward movements in the foreign currency exchange rates.

*Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

*Foreign exchange risk*

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in Philippine Peso. Foreign exchange risk arises from future commercial transactions when recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company seeks to mitigate its transactional currency exposures by maintaining its costs at consistent level, regardless of any upward or downward movements in the foreign currency exchange rates.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	2010	2009	2008
Cash and cash equivalents	\$ 228,944	\$ 166,813	\$ 169,520
Trade and other receivables - net	369,848	362,259	568,204
Due from related parties	3,570,350	4,277,793	2,234,674
Trade and other payables	(1,228,188)	(950,295)	(1,697,519)
Current portion of loans payable	(2,159,514)	(27,820)	(7,601)
Loans payable - net of current portion	(31,359)	(3,668)	(5,681)
	<b>\$ 750,081</b>	<b>\$3,825,082</b>	<b>\$1,261,597</b>

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

	Effect on Net Profit		
	2010	2009	2008
Cash and cash equivalents	(\$ 22,894)	(\$ 16,681)	(\$ 16,952)
Trade and other receivables - net	(36,985)	(36,226)	(56,820)
Due from related parties	(357,035)	(427,779)	(223,467)
Trade and other payables	122,819	95,030	169,752
Current portion of loans payable	215,951	2,782	760
Loans payable - long-term	3,136	367	568
	<b>\$ 75,008</b>	<b>\$382,507</b>	<b>(\$126,159)</b>

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*Interest rate risk*

The primary source of the Company's interest rate risk relates to debt instruments and due to a related party. The interest rates on these liabilities are disclosed in Note 17.

The balances are short-term and long-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the net profit of the Company.

Bank and mortgage loans amounting to \$10,786,107, \$3,583,717 and \$3,619,151 as of December 31, 2010, 2009 and 2008, respectively, were arranged at interest rates from ranging from 4% to 7% for bank loans and 10.65% per annum for mortgage loans and exposes the Company to fair value interest rate risk.

An estimate of 50 basis points increase or decrease is used in reporting interest rate changes and represents Management's assessment of the reasonably possible change in interest rates.

The effect of a 50 basis points change in interest rate on net profit for the years ended December 31, 2010, 2009 and 2008 is an increase or decrease of \$35,924, \$18,007 and \$13,809, respectively. This is mainly attributable to the Company's exposure to interest rates on its borrowings.

*Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk is primarily attributable to trade and other receivables and due from related parties.

The Company has adopted a policy of extending sufficient credit terms to customers such as, letter of credits and documents against payment as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade. The Company uses publicly available financial information and its own trading records to rate its major customers.

The amounts presented in the statements of financial position are net of allowances for doubtful receivables, estimated by Management based on prior experience and their assessment of the current economic environment as disclosed in Note 9.

The carrying amounts of financial assets recorded in the financial statements, represent the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2010	2009	2008
Cash and cash equivalents	\$ 308,212	\$ 438,123	\$ 563,746
Trade and other receivables	8,157,754	4,684,745	5,611,194
Due from related parties	4,024,997	4,764,553	2,368,101
	<b>\$12,490,963</b>	<b>\$9,887,421</b>	<b>\$8,543,041</b>

The following table details the credit quality of the Company's neither past due nor impaired financial assets:

	Neither Past Due nor Impaired		
	High Grade	Satisfactory Grade	Total
<b>2010</b>			
Cash and cash equivalents	\$ 308,212	\$ -	\$ 308,212
Trade and other receivables	3,803,431	2,004,612	5,808,043
Due from related parties	26,839	3,998,158	4,024,997
	<b>\$4,138,482</b>	<b>\$6,002,770</b>	<b>\$10,141,252</b>
<b>2009</b>			
Cash and cash equivalents	\$ 438,123	\$ -	\$ 438,123
Trade and other receivables	3,615,034	-	3,615,034
Due from related parties	4,764,553	-	4,764,553
	<b>\$8,817,710</b>	<b>\$ -</b>	<b>\$8,817,710</b>
<b>2008</b>			
Cash and cash equivalents	\$ 563,746	\$ -	\$ 563,746
Trade and other receivables	3,508,319	-	3,508,319
Due from related parties	2,368,101	-	2,368,101
	<b>\$6,440,166</b>	<b>\$ -</b>	<b>\$6,440,166</b>

The Company uses internal ratings to determine the credit quality of its financial assets. These have been mapped to the summary rating below:

*High Grade* – applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Company has excellent repayment experience.

*Satisfactory Grade* – applies to financial assets that are performing as expected, including loans and advances to small and medium sized entities and recently established businesses.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves in cash in bank, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Within One Year	More Than One Year	Total
<b>2010</b>			
Trade and other payables	\$ 1,662,453	\$ -	\$ 1,662,453
Loans payable	10,754,848	31,259	10,786,107
Due to a related party	487,016	-	487,016
	<b>\$12,904,317</b>	<b>\$31,259</b>	<b>\$12,935,576</b>
<b>2009</b>			
Trade and other payables	\$1,477,306	\$ -	\$ 1,477,306
Loans payable	3,580,049	3,668	3,583,717
Due to a related party	1,785,434	-	1,783,434
	<b>\$6,842,789</b>	<b>\$3,668</b>	<b>\$6,844,457</b>
<b>2008</b>			
Trade and other payables	\$2,509,507	\$ -	\$2,509,507
Loans payable	3,613,470	5,681	3,619,151
Due to a related party	1,716,175	-	1,716,175
	<b>\$7,839,152</b>	<b>\$5,681</b>	<b>\$7,844,833</b>

**7. CAPITAL RISK MANAGEMENT**

The Company's objectives when managing capital are to:

- a. continue as a going concern;
- b. have enough funds for future expansion;
- c. finance the increase in sales; and
- d. provide adequate returns to the shareholders.

The Company's overall strategy remains unchanged from 2009.

The Company's capital structure relies more on equity than debt. The debt component of the capital structure is primarily short-term to finance the Company's working capital needs. Two local banks have extended to the Company revolving credit line facilities in the form of export packing credit; export bills purchase line and LC/TR line. The Company likewise was granted with a clean short-term revolving credit facility by an investment bank.

The debt to equity ratio of the Company at each reporting period is way above the acceptable range as follows:

	2010	2009	2008
Debt	\$11,273,123	\$ 5,367,151	\$ 5,335,326
Less: Cash and cash equivalents	327,525	446,108	581,193
Net debt	10,945,598	4,921,043	4,754,133
Equity	21,720,837	20,000,054	17,913,075
Debt to equity ratio	0.50:1	0.25:1	0.27:1

2010  
 2009  
 2008

Debt is composed of loans payable and due to a related party as discussed in Notes 17 and 18, respectively, while equity includes share capital and reserves of the Company.

Management believes that the above ratios are within the acceptable range.

The Company is not subject to externally imposed capital requirements.

**8. CASH AND CASH EQUIVALENTS**

	2010	2009	2008
Cash on hand and in banks	\$327,525	\$266,892	\$397,427
Cash equivalents	-	179,216	183,766
	<b>\$327,525</b>	<b>\$446,108</b>	<b>\$581,193</b>

Cash in banks earned an average interest of 2% during 2010, 2009 and 2008. Cash in banks are unrestricted and immediately available for use in the current operations of the Company.

Cash equivalents represent money market placements, with annual interest of 1.45% and 2% in 2009 and 2008, respectively.

Interest income earned on cash and cash equivalents amounted to \$5,465, \$6,181 and \$11,151 in 2010, 2009 and 2008, respectively, as disclosed in Note 25.

**9. TRADE AND OTHER RECEIVABLES - net**

	2010	2009	2008
Trade	\$6,089,746	\$4,359,924	\$5,274,344
Others	2,068,008	324,821	353,905
	<b>8,157,754</b>	<b>4,684,745</b>	<b>5,628,249</b>
Less: Allowance for doubtful accounts	-	-	17,055
	<b>\$8,157,754</b>	<b>\$4,684,745</b>	<b>\$5,611,194</b>

Others include claims receivable, advances to employees and SSS refund.

The average credit period taken on sales of goods is 50 days. No interest is charged on the receivables even if they exceed credit terms.

Included in the Company's trade and other receivables are debtor's accounts which are past due with a carrying amount of \$2,349,711, \$1,069,711 and \$2,102,875 as of December 31, 2010, 2009 and 2008, respectively, for which the Company has not provided an allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Aging of accounts that are past due but not impaired:

	2010	2009	2008
1 to 30 days past due	\$2,095,826	\$1,011,639	\$1,996,168
31 to 60 days past due	253,885	58,072	106,707
	<b>\$2,349,711</b>	<b>\$1,069,711</b>	<b>\$2,102,875</b>



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Movement in the allowance for doubtful accounts:

	2010	2009	2008
Balance, January 1	\$ -	\$17,055	\$17,055
Amounts written off as uncollectible	-	(17,055)	-
Balance, December 31	\$ -	\$ -	\$17,055

10. INVENTORIES - net

	Note	2010	2009	2008
Finished goods - canned tuna	23	\$1,989,889	\$2,267,414	\$ 8,477,100
Finished goods in transit - canned tuna		-	-	59,673
Raw materials		1,640,398	1,103,325	2,851,982
Parts and supplies		191,417	157,575	143,085
		3,821,704	3,528,314	11,531,840
Less: Allowance for inventory obsolescence		7,678	7,678	7,678
		\$3,814,026	\$3,520,636	\$11,524,162

The inventories recognized as expense in 2010, 2009 and 2008 amounted to \$33,673,895, \$39,409,647 and \$45,627,969, respectively, as disclosed in Note 23.

The carrying amounts of inventories recognized at fair value less cost to sell amounted to \$1,632,720, \$1,095,647 and \$2,844,304 as of December 31, 2010, 2009 and 2008, respectively.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

	2010	2009	2008
Deposits - fish supplier and others	\$8,723,021	\$7,993,681	\$ 987,730
Prepaid insurance	442,494	7,049	11,421
Prepaid importation	7,652	63,312	88,082
Others	269,765	45,765	36,607
	\$9,442,932	\$8,109,807	\$1,123,840

Deposits relate to the Company's exclusive agreement with a fish supplier. As provided in the agreement, the Company is required to make a 50% advance payment based on agreed price and quantity, upon closing of the contract with the supplier. This shall be subsequently liquidated against the total cost of fish delivered to the plant.

The advance payment extended to the fish supplier is secured by a chattel mortgage over their vessels.

12. INVESTMENTS IN SUBSIDIARIES - at cost

The details of the Company's investments in subsidiaries are as follows:

	2010	2009	2008
PT International Alliance Foods Indonesia (PTLAFI)	\$4,499,000	\$ 825,600	\$499,000
Prime Foods NZ Ltd. (PFNZ)	604,380	604,380	-
Big Glory Bay Salmon and Seafood Co., Inc. (BGB)	124,846	21,098	-
Alliance MHI Properties, Inc. (AMIHI)	8,613	-	-
	\$5,236,839	\$1,451,078	\$499,000

## PTIAFI

PTIAFI was established under the Indonesian law within the framework of the Foreign Capital Investment Law No. 25 year 2007 based on Notarial Deed No. 101 dated May 21, 2001. The Deed of Establishment was approved by the Minister of Justice of the Republic of Indonesia in his Decision Letter No. AHU-24298.AH.01.01 dated May 28, 2008. The Company's percentage of ownership interest is 89.98%, 79.9% and 99.8% for 2010, 2009 and 2008, respectively.

PTIAFI is a tuna processing company put up in Indonesia in joint venture with an Indonesian fishing company, PT Wailan Pratama.

PTIAFI is primarily engaged in canned fish processing industry exclusively for interational market. The plant is located in Jl. Raya Madidir Kelurahan Madidir Unet Ling. II Kecamatan Madidir, Bitung, Indonesia.

On May 26, 2010 the Board of Directors authorized the Company to increase its equity investment in PTIAFI from \$825,600 to \$4,499,000 by converting its outstanding cash advances in the amount of \$3,673,400 into equity and applying the same as payment for the additional 3,673,400 shares at a par value of \$1.00. The percentage ownership thus increased from 79.92% to 89.98%. The Company's partner in the subsidiary, PT Wailan Pratama, will also convert part of its advances and increase its shareholdings from 206,400 shares to 500,001 shares with a par value of \$1.00.

The significant information on the financial statements of PTIAFI are as follows:

	2010	2009	2008
Total assets	\$8,150,038	\$5,640,618	\$2,721,730
Total liabilities	3,269,672	4,866,631	2,249,333
Net assets	\$4,880,366	\$ 773,987	\$ 472,397
Revenues	\$6,371,203	\$2,629,476	\$27,603
Cost and expenses	6,231,824	2,860,886	-
Profit (Loss) for the year	\$ 139,379	(\$ 231,410)	\$ 27,603

## PFNZ

PFNZ is a company domiciled in New Zealand and registered under the Companies Act of 1993 on September 8, 1993. The Ministry of Economic Development assigned company number 625998 to PFNZ as part of its registration process. The Company's percentage of ownership interest is 50% + 1 share for 2010 and 2009.

PFNZ is primarily engaged in the business of processing, manufacturing and distributing smoked salmon and other seafood under the Prime Smoke and Studholme brand for distribution in New Zealand and other countries. The plant is located in Hororata RD2 Darfield.

The significant information on the financial statements of PFNZ are as follows:

	2010	2009
Total assets	\$3,078,909	\$2,660,643
Total liabilities	2,100,202	1,429,143
Net assets	\$ 978,707	\$1,231,500
Revenues	\$4,061,105	\$4,178,454
Cost and expenses	4,320,039	4,268,629
Loss for the year	(\$ 258,934)	(\$ 90,175)

## BGB

BGB was registered with the Philippine SEC on October 29, 2009. BGB was established primarily to engage in the business of manufacturing goods such as salmon and other processed seafoods and was issued registration number CS200916903. Its registered address is Suite 1206 East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City. The Company's percentage of ownership interest is 55.8% and 99.9% for 2010 and 2009, respectively.

The construction of the salmon processing plant in General Santos City is still on-going as of December 31, 2010. BGB is on its pre-operating stage.

The significant information on the financial statements of BGB are as follows:

	2010	2009
Total assets	\$1,320,629	\$93,266
Total liabilities	1,097,222	72,316
Net assets	\$ 223,407	\$20,950
Revenues	\$ 6,969	\$ 38
Cost and expenses	11,630	643
Loss for the year	(\$ 4,661)	(\$ 605)

## AMIHI

AMIHI was registered with the Philippine SEC on June 18, 2010. AMIHI was established primarily to engage in the business as a property holding company and was issued registration number CS201009131. Its registered address is Suite 1205 East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City.

AMIHI is a Special Purpose Entity (SPE) and considered a subsidiary of the Company. The percentage of ownership interest of the Company is 40% for 2010.

AMIHI has not started its commercial operations as of December 31, 2010.

Management believes that there is no indication of impairment on its investments in subsidiaries.

### 13. INVESTMENT IN AN ASSOCIATE - at cost

Summarized financial information of the associate follows:

	2010	2009	2008
Total assets	\$2,439,746	\$2,614,212	\$2,818,156
Total liabilities	2,482,534	2,818,156	2,828,980
Net assets	(\$ 42,788)	(\$ 203,944)	(\$ 10,824)
Revenues	\$4,488,332	\$4,472,316	\$5,825,947
Cost and expenses	4,424,358	4,570,573	5,728,047
Profit (Loss) for the year	\$ 63,974	(\$ 98,257)	\$ 97,900

Investment in an associate pertains to the Company's 40% ownership interest in FDCP Inc. as of December 31, 2010 and 2009.

FDCP Inc. is engaged in the manufacturing and wholesale of tin cans.

Management believes that there is no indication of impairment on its investment in an associate.

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14. PROPERTY, PLANT AND EQUIPMENT - net

	Notes	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture and Fixtures	Total
<b>Cost</b>							
Balance, January 1, 2008		\$510,755	\$1,118,887	\$338,142	\$107,651	\$7,972	\$2,083,407
Additions		17,025	84,750	35,569	25,794	1,754	164,892
Trade-in		-	-	83,437	-	-	83,437
Disposals		-	-	(102,815)	(209)	-	(103,024)
Transfer		-	(39,272)	-	-	-	(39,272)
Balance, December 31, 2008		527,780	1,164,365	354,333	133,236	9,726	2,189,440
Additions		31,497	83,696	64,806	13,975	701	194,675
Balance, December 31, 2009		559,277	1,248,061	419,139	147,211	10,427	2,384,115
Additions		28,476	125,980	72,028	16,335	69	242,888
Transfer		(59,114)	(12,595)	-	-	-	(71,709)
Disposals		-	-	(40,326)	-	-	(40,326)
Balance, December 31, 2010		528,639	1,361,446	450,841	163,546	10,496	2,514,968
<b>Accumulated Depreciation and Amortization</b>							
Balance, January 1, 2008		171,701	108,657	127,573	50,286	2,574	460,791
Provision	23, 24	79,178	76,066	71,283	24,165	1,817	252,509
Disposals		-	-	(19,378)	(161)	-	(19,539)
Transfer		-	(6,832)	-	-	-	(6,832)
Balance, December 31, 2008		250,879	177,891	179,478	74,290	4,391	686,929
Provision	23, 24	79,615	78,848	77,966	23,497	1,919	261,845
Balance, December 31, 2009		330,494	256,739	257,444	97,787	6,310	948,774
Provision	23, 24	76,915	88,131	101,860	20,321	1,643	288,870
Transfer		-	(10,357)	-	-	-	(10,357)
Disposals		-	-	(40,326)	-	-	(40,326)
Balance, December 31, 2010		407,409	334,513	318,978	118,108	7,953	1,186,961
<b>Carrying Amounts</b>							
December 31, 2010		\$121,230	\$1,026,933	\$131,863	\$45,438	\$2,543	\$1,328,007
Carrying Amounts							
December 31, 2009		\$228,783	\$ 991,322	\$161,695	\$49,424	\$4,117	\$1,435,341
Carrying Amounts							
December 31, 2008		\$276,901	\$ 986,474	\$174,855	\$58,946	\$5,335	\$1,502,511

Gains (loss) on disposals of property, plant and equipment are disclosed in Notes 25 and 26.

Transportation equipment under mortgage as discussed in Note 17 amounted to \$91,827, \$56,582 and \$14,567 in 2010, 2009 and 2008, respectively.

Management believes that there is no indication of impairment on its property, plant and equipment.

15. OTHER NON-CURRENT ASSETS

	Note	2010	2009	2008
Deposit - lease	18	\$2,316,549	\$2,356,140	\$2,356,140
Input value-added tax (VAT)		45,493	45,700	53,535
Deferred cost		11,774	3,196	22,039
Deposit		-	-	57,000
		<b>\$2,373,816</b>	<b>\$2,405,036</b>	<b>\$2,488,714</b>

Deferred cost represents unused supplies such as plastic trays and cartons to be used within four (4) to six (6) months from the time of purchase.

2010-2008

16. **TRADE AND OTHER PAYABLES**

	Note	2010	2009	2008
Trade		\$1,041,153	\$ 492,075	\$1,636,127
Accrued expenses		646,090	566,351	626,180
Cash dividends	21	-	258,430	252,286
Customer's deposit		31,296	189,867	41,721
		<b>\$1,718,539</b>	<b>\$1,506,723</b>	<b>\$2,556,314</b>

The average credit period on purchases of certain goods from suppliers is 30 days. No interest is charged on the payables even if they exceed credit terms.

Details of accrued expenses are as follows:

	Note	2010	2009	2008
Management fees	24	\$241,519	\$269,935	\$167,356
Interest		73,527	-	12,550
Due to government agencies		56,086	29,417	46,807
Salaries and wages		44,907	71,199	66,731
Freight		37,064	36,658	36,889
Rent		15,798	-	-
Other short-term employee benefits		12,253	53,113	90,532
Professional fees		16,131	15,756	18,899
Others		148,805	90,273	186,416
		<b>\$646,090</b>	<b>\$566,351</b>	<b>\$626,180</b>

Other accruals consist of accrual of utilities, security services and plant rental.

17. **LOANS PAYABLE**

*Bank loans*

The Company availed of bank facilities in the form of export packing credit, export bills purchase against letters of credit/documents against payment sight and open account to finance its working capital requirements at an interest rate of 4% to 7% per annum. The Company also has an outstanding clean short-term loan with an investment bank. Proceeds received from bank loans in 2010, 2009 and 2008 amounted to \$37,669,790, \$32,330,008 and \$34,058,109, respectively. Payments of bank loans in 2010, 2009 and 2008 amounted to \$39,406, \$32,363,429 and \$32,335,827, respectively.

*Mortgage loans*

These represent loans availed by the Company from certain local banks to finance the acquisition of the Company's transportation equipment as disclosed in Note 14. Interest rate is 10.65% per annum, payable on a monthly basis and maturing in July 2013.

Payments of mortgage loan in 2010, 2009 and 2008 amounted to \$30,427,994, \$2,013, \$7,601, respectively.

Finance costs arising from the above loans amounted to \$377,999 in 2010, \$217,463 in 2009, and \$154,936 in 2008, as disclosed in Note 28.

The unsecured outstanding bank and mortgage loans as of December 31, 2010, 2009, and 2008 amounted to \$10,786,107, \$3,583,717, and \$3,619,151, respectively.

## 18. RELATED PARTY TRANSACTIONS

Arm's length transactions between the Company and its related parties are disclosed in this note.

	Relationship	2010	2009	2008
<b>Due from Related Parties</b>				
AMIHI	Subsidiary	\$2,117,348	\$ -	\$ -
BGB	Subsidiary	804,037	72,278	-
PT IAFI	Subsidiary	672,425	4,277,793	2,234,674
PFNZ	Subsidiary	247,112	163,310	-
FDCP Inc.	Associate	155,239	225,268	115,569
First Dominion Prime Holdings, Inc. (FDPHI)	Affiliate	16,096	19,234	17,858
Alliance Pilipinas Holdings, Inc.	Affiliate	12,740	6,670	-
		<b>\$4,024,997</b>	<b>\$4,764,553</b>	<b>\$2,368,101</b>
<b>Due to a Related Party</b>				
Maranaw Canning Corporation (MCC)	Affiliate	\$ 487,016	\$1,783,434	\$1,716,175

The Company and the affiliates above are considered to be related parties since those companies have the same stockholders and owners.

The Company expects to collect or settle due from/to related parties within one (1) year.

### Significant Contract Agreements

- The Company extended cash advances to AMIHI which the latter used as a down payment to purchase the Gensan plant from MCC amounting to \$2,117,348.
- The advances extended to BGB were used for its pre-operating expenses and to finance the construction of the processing plant amounting to \$804,037 and \$72,278 in 2010 and 2009, respectively.

The Company executed a guarantee agreement in favor of Land Bank of the Philippines as part of the security for the credit facilities obtained by its subsidiary BGB.

- The Company extended a non-interest bearing advances to its subsidiary PTIAFI to finance the renovation of the plant, acquisition of machinery and equipment and for its initial working capital.

Further, the Company issued a corporate guarantee and a subordination agreement with Rabo Bank Jakarta for the working capital facility granted to its subsidiary PTIAFI.

- The Company likewise extended advances to PFNZ for its working capital requirements in the amounts of \$247,327 and \$163,310 in 2010 and 2009, respectively.
- The Company, in the ordinary course of business, purchased tin cans used as raw materials from FDCP Inc., at arm's length basis, amounting to \$4,417,140 in 2010, \$4,391,152 in 2009 and \$5,721,504 in 2008.
- On October 18, 2004, the Company entered into a Memorandum of Agreement with FDPHI to purchase the debt of FDPHI from certain creditors with miniscule amounts at net present value of \$17,491. In return, the Company will receive a total of \$26,324 from FDPHI over a period of 10 years, and in addition to this, a corresponding number of the Company shares which would have accrued to the creditors were likewise issued to the Company. The corresponding 287,537 ordinary shares were issued on November 8, 2006 as treasury shares. These are part of the shares declared by the SEC as exempted from registration under Sec. 10.2 of the SRC on September 21, 2006.
- From 2004 up to present, the Company has obtained advances from MCC with an annual interest rate of 10% on the first P50 million and 8% on the excess.

Finance costs related to advances from related parties amounted to \$158,347 in 2010, \$150,107 in 2009, and \$117,055 in 2008 as disclosed in Note 28.

- h. The Company entered into a contract with MCC for the operating lease of the latter's land, plant, machinery and equipment in Barrio Tambler, General Santos City (Gensan Plant) at a monthly rental of \$21,443, \$20,306 and \$21,750 in 2010, 2009 and 2008, respectively. The lease term started from March 1, 2004 and expired on December 23, 2010. Upon expiration of the lease contract between the Company and MCC, the latter leased the plant for one-month or until January 23, 2011 to AMIHI which in turn sub-leased the Gensan plant to the Company. AMIHI is the subsidiary of the Company that would buy the Gensan plant from MCC. The lease contract between MCC and AMIHI was extended to a much longer term effective January 24, 2011 to December 23, 2013 thus, enabling AMIHI to sublease the plant to the Company for the same period. As of December 31, 2010, 2009 and 2008, the Company has an outstanding lease deposit with MCC amounted to \$2,316,549, \$2,356,140 and \$2,356,140, respectively. The deposit is included in other non-current assets in the statements of financial position as disclosed in Note 15.

The Company also leases from MCC an office condominium unit where its head office is located for a period of two (2) years, renewable by mutual agreement of both parties. The lease is classified as operating lease with a monthly rental of \$3,262, \$3,089 and \$3,309 in 2010, 2009 and 2008, respectively.

Total rental expense recognized in profit or loss during 2010, 2009 and 2008 amounted to \$296,460, \$280,740, and \$300,708, respectively.

The total future minimum lease payments arising from the above lease agreements for each of the following periods follow:

	2010	2009	2008
Not later than one year	\$ 710,949	\$240,619	\$300,708
Later than one year but not later than five years	1,406,099	-	240,619
	<b>\$2,117,048</b>	<b>\$240,619</b>	<b>\$541,327</b>

#### Remuneration of Key Management Personnel

The remuneration of the key management personnel of the Company is set out below in aggregate as specified in PAS 24.

	Notes	2010	2009	2008
Short-term employee benefits	23, 24, 27	\$533,467	\$479,533	\$504,987
Post-employee benefits	19, 24, 27	32,227	37,828	23,378
		<b>\$565,694</b>	<b>\$517,361</b>	<b>\$528,365</b>

#### 19. RETIREMENT BENEFIT EXPENSE

The Company accrues retirement benefit expense for its qualified employees based on the minimum retirement benefit provided under Republic Act No. 7641 equivalent to one-half month salary per year of service, a fraction of at least six (6) months being considered as one whole year. One-half month salary is defined as 15 days plus 1/12 of the 13<sup>th</sup> month pay and the cash equivalent of not more than five (5) days of service incentive leaves. The benefit shall be payable to employees who retire from service who are at least 60 years old and with at least five (5) years of continuous service.

The Company has executed a Trust Agreement with Land Bank of the Philippines dated January 13, 2011, establishing the Company's Retirement Plan.

Total retirement expense recognized as part of selling and administrative expenses amounted to \$60,068, \$44,849 and \$37,569 in 2010, 2009 and 2008, respectively, as disclosed in Notes 24 and 27.

2010 2009 2008 2007

The initial actuarial valuations of the defined benefit obligation were carried out on June 3, 2010 by an independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on Management estimates, actuarial assumptions made on June 3, 2010 does not change significantly over the year.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at		
	2010	2009	2008
Discount rate	8.00%	8.00%	8.50%
Expected rate of salary increases	5.00%	5.00%	5.00%

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	Note	2010	2009	2008
Current service cost		\$38,424	\$32,980	\$29,579
Interest cost		19,152	11,869	7,990
Actuarial loss recognized		1,531	-	-
Amortization of past service cost		961	-	-
	24	\$60,068	\$44,849	\$37,569

The amounts included in the statements of financial position arising from the Company's obligations in respect of its retirement benefit obligation are as follows:

	2010	2009	2008
Present value of defined benefit obligation	\$292,358	\$232,966	\$144,322
Unrecognized actuarial gains or losses	(48,438)	(37,990)	(9,991)
Translation adjustments	(1,592)	(10,636)	633
Unamortized portion of the transitional liability	(8,650)	-	-
	\$233,678	\$184,340	\$134,964

Movements in the present value of defined benefit obligations in the current period are as follows:

	2010	2009	2008
Balance, January 1	\$232,966	\$144,322	\$114,440
Current service cost	38,424	32,980	29,579
Interest cost	19,152	11,869	7,990
Past service cost - non-vested benefits	9,611	-	-
Actuarial loss	-	37,990	9,991
Benefits paid	(22,787)	-	-
Exchange difference	14,992	5,805	(17,678)
Balance, December 31	\$292,358	\$232,966	\$144,322



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The history of experience adjustment is as follows:

	2010	2009	2008
Present value of defined benefit obligation	\$292,358	\$232,966	\$144,322
Experience adjustment on plan liabilities	(48,438)	(32,967)	(24,153)

**20. SHARE CAPITAL**

	Shares	2010	Shares	2009	Shares	2008
Authorized:						
Ordinary shares of						
P1 par value each	950,000,000	P950,000,000	950,000,000	P950,000,000	950,000,000	P950,000,000
Outstanding shares:						
Issued and fully paid	599,277,059	\$11,540,140	599,277,059	\$11,540,140	599,277,059	\$11,540,140
Treasury shares	(287,537)	(5,774)	(287,537)	(5,774)	(287,537)	(5,774)
	598,989,522	\$11,534,366	598,989,522	\$11,534,366	598,989,522	\$11,534,366

The Company has one class of ordinary shares which carry no right to fixed income.

There was no movement in the share capital of the Company for the 2010, 2009 and 2008 reporting periods.

**21. DIVIDENDS DECLARED**

On December 4, 2009, the Company declared cash dividends of Php.02 per share with a value of \$258,430 out of the unrestricted retained earnings. The cash dividends were paid on February 3, 2010.

On December 3, 2008, the Company declared cash dividends of Php.02 per share with a value of \$252,286 out of the unrestricted retained earnings. The cash dividends were paid on February 2, 2009.

**22. REVENUES**

An analysis of the Company's revenues is as follows:

	2010	2009	2008
Sales of canned goods	\$35,331,519	\$41,844,762	\$48,745,209
Sales of fishmeal	2,841,925	2,367,320	2,891,893
	\$38,173,444	\$44,212,082	\$51,637,102

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23. COST OF GOODS MANUFACTURED AND SOLD

	Notes	2010	2009	2008
Materials used		\$25,597,365	\$25,576,473	\$42,487,550
Direct labor	27	2,710,046	2,699,617	3,105,297
Manufacturing overhead				
Fuel		1,118,223	850,532	1,337,790
Fishmeal		1,088,815	966,042	1,417,526
Warehousing		445,266	507,234	547,682
Freight and handling		308,729	393,665	365,409
Indirect labor	27	281,676	317,593	347,698
Rental	18	259,568	229,826	250,151
Light and water		193,136	176,089	200,215
Laboratory		180,582	145,631	167,361
Repairs and maintenance		176,567	235,616	175,948
Depreciation and amortization	14	168,446	161,591	160,981
Outside services		129,285	114,189	84,734
Consumables		96,535	108,543	123,513
Security fees		89,992	88,423	87,764
Representation and entertainment		56,376	58,468	77,390
Travel and communication		32,459	32,462	40,939
Amortization		25,627	177,577	195,384
Professional fees		6,622	6,476	5,386
Others	30	431,055	294,241	254,868
Total manufacturing costs		33,396,370	33,140,288	51,433,586
Finished goods, beginning	10	2,267,414	8,536,773	2,731,156
Total cost of goods manufactured		35,663,784	41,677,061	54,164,742
Finished goods, ending	10	(1,989,889)	(2,267,414)	(8,536,773)
Cost of goods manufactured and sold		\$ 33,673,895	\$39,409,647	\$45,627,969

Others include insurance, cooperative labor services, office supplies, taxes and licenses and corporate social responsibility expenses.

24. SELLING AND ADMINISTRATIVE EXPENSES

	Notes	2010	2009	2008
Salaries, wages and other benefits	18, 27	\$ 721,516	\$ 642,792	\$ 670,784
Management fees	16	241,519	269,935	370,786
Rental	18	122,740	112,648	119,616
Depreciation and amortization	14	120,424	100,254	91,528
Transportation and travel		102,373	210,022	136,589
Representation and entertainment		94,896	174,036	202,678
Utilities and communication		76,331	77,891	84,815
Business development		61,739	121,676	74,955
Retirement benefit	19, 27	60,068	44,849	37,569
Outside services		50,568	93,162	80,928
Freight and handling		30,564	26,611	35,139
Materials and supplies		29,066	27,472	21,810
Fringe benefit tax		25,638	27,416	26,579
Fuel and oil		21,315	19,468	22,042
Membership dues		18,065	13,213	11,844
Repairs and maintenance		15,169	16,887	13,909
Other personnel expenses		12,572	8,956	14,832
Taxes and licenses		10,459	22,584	9,429
Insurance		8,754	9,333	10,243
Condominium dues		8,423	7,809	7,059
Others	30	363,038	220,738	269,093
		<b>\$2,195,237</b>	<b>\$2,247,752</b>	<b>\$2,312,227</b>

Management fees represent the amounts due to Bhumipat Dhnavarapitak and MCC which are equivalent to P5 million or 10% of the Company's annual earnings before interest, taxes, depreciation and amortization, whichever is higher.

Others include buyer's claims, documentary stamps, advertising, and documentation expenses.

25. OTHER OPERATING INCOME

An analysis of the Company's other operating income is as follows:

	Notes	2010	2009	2008
Foreign exchange gain		\$63,214	\$361,368	\$78,243
Interest income	8	5,465	6,181	11,151
Gain on sale of property, plant and equipment	14	2,276	-	-
		<b>\$70,955</b>	<b>\$367,549</b>	<b>\$89,394</b>

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26. **OTHER OPERATING EXPENSES**

	Note	2010	2009	2008
Bank charges		\$117,455	\$209,253	\$152,765
Loss on sale of property, plant and equipment	14	-	-	5,193
		<b>\$117,455</b>	<b>\$209,253</b>	<b>\$157,958</b>

27. **EMPLOYEE BENEFITS**

Aggregate employee benefits expense consists of:

	Notes	2010	2009	2008
Short-term employee benefits	18, 23, 24	\$3,713,238	\$3,660,002	\$4,123,779
Post-employee benefits	18, 19, 24	60,068	44,849	37,569
		<b>\$3,773,306</b>	<b>\$3,704,851</b>	<b>\$4,161,348</b>

28. **FINANCE COSTS**

The composition of finance costs follows:

	Notes	2010	2009	2008
Interest on advances from an affiliate	18	\$158,347	\$150,107	\$117,055
Interest on export packing credit and bills purchase	17	374,549	216,290	152,832
Interest on mortgage loan	17	3,450	1,173	2,104
		<b>\$536,346</b>	<b>\$367,570</b>	<b>\$271,991</b>

29. **EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on the following data:

	2010	2009	2008
Profit for the year	\$ 1,720,783	\$ 2,345,409	\$ 3,356,351
Weighted average number of ordinary shares Outstanding	598,989,522	598,989,522	598,989,522
<b>Earnings per Share</b>	<b>\$ 0.003</b>	<b>\$ 0.004</b>	<b>\$ 0.006</b>

As of December 31, 2010, 2009 and 2008, the Company has no dilutive potential shares, hence, the basic earnings per share is equal to the diluted earnings per share.

30. **EXTENSION OF INCOME TAX HOLIDAY (ITH)**

On September 12, 2008, the BOI approved the application of the Company for an extension of its ITH incentive. The extension is for the period August 24, 2008 to 2010 using the net foreign exchange earnings and indigenous raw materials criterion pursuant to Article 39(a)(1)(ii) and (iii) of Executive Order 226.

On September 28, 2008, the BOI approved another year of extension of its ITH incentive. The extension is for the period August 24, 2010 to 2011 using the capital equipment to labor ratio criterion pursuant to Article 39(a)(1)(i) of Executive Order 226.

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For the year 2008, the Company organized a feeding program in line with the Government's Poverty Reduction Program and Project and National Anti-Poverty Commission's "Kalahi" core strategy on improved access to human development services.

The Company continued to be of service to the deprived provincial communities through its feeding program and participation in tuna donation programs spearheaded by various partner organizations. In 2009, a public school located in Barangay Tambler, General Santos City was adopted as the recipient of this successful program. The Company also participated in various canned tuna donation programs throughout the year which were channeled through various charitable organizations which benefited the victims of typhoon.

Calendar year 2010 marks the third year of the Company's feeding program. A 161 elementary and 60 high school undernourished students benefited in the program. At the end of the school year, almost 90% of the children attained their normal body weights, thus, contributing a positive effect in their school performance and total well-being. The Company's consistency of organizing yearly feeding programs gained remarkable recognitions, encouraging public and private organizations to do the same and to be of assistance to our fellow Filipinos.

Total expenses related to the corporate social responsibility amounted to \$7,414 in 2010, \$17,384 in 2009 and \$5,734 in 2008 which is included as part of other manufacturing overhead as disclosed in Note 23.

**31. INCOME TAXES**

Income tax expense during the year consists of current tax amounting \$683.

A numerical reconciliation between tax expense and the product of accounting profit multiplied by 30% in 2010, 2009 and 2008 follows:

	2010	2009	2008
Accounting profit	\$ 1,721,466	\$ 2,345,409	\$ 3,356,351
Tax expense at 30%	\$ 516,440	\$ 703,623	\$ 1,174,723
Tax effect of expenses that are non-deductible:			
Expenses exempt from tax	10,956,880	12,670,266	16,929,551
Tax effect of income that is subject to lower rate:			
Income exempt from taxation	(11,472,637)	(13,373,889)	(18,104,274)
	\$ 683	\$ -	\$ -

**32. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair values of the Company's financial assets and liabilities are shown below:

	2010		2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>						
Cash and cash equivalents	\$ 327,525	\$ 327,525	\$ 446,108	\$ 446,108	\$ 581,193	\$ 380,271
Trade and other receivables	8,157,754	8,157,754	4,684,745	4,684,745	5,611,194	5,611,194
Due from related parties	4,024,997	4,024,997	4,764,553	4,764,553	2,368,101	2,368,101
	<b>\$12,510,276</b>	<b>\$12,510,276</b>	<b>\$9,895,406</b>	<b>\$9,895,406</b>	<b>\$8,560,488</b>	<b>\$8,359,566</b>
<b>Financial Liabilities</b>						
Trade and other payables	\$ 1,662,453	\$ 1,662,453	\$1,477,306	\$1,477,306	\$2,509,507	\$2,509,507
Loans payable	10,786,107	10,786,107	3,583,717	3,583,717	3,619,151	3,619,151
Due to a related party	487,016	487,016	1,783,434	1,783,434	1,716,175	1,716,175
	<b>\$12,935,576</b>	<b>\$12,935,576</b>	<b>\$6,844,457</b>	<b>\$6,844,457</b>	<b>\$7,844,833</b>	<b>\$7,844,833</b>

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Due to the short-term maturities of cash and cash equivalents, trade and other receivables, due from related parties, trade and other payables, their carrying amounts approximate their fair values

The fair values of loans payable and due to a related party are determined based on the discounted cash flow analysis using interest rates for similar types of instruments.

**33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NO. 15-2010**

The BIR issued Revenue Regulations (RR) No. 15-2010 dated November 25, 2010, Amending Certain Provisions of RR No. 21-2002, as Amended, Implementing Section 6 (H) of the Tax Code of 1997, Authorizing the Commissioner of Internal Revenue to Prescribe Additional Procedural and/or Documentary Requirements in Connection with the Preparation and Submission of Financial Statements Accompanying the Tax Returns. RR 15-2010 is effective on December 28, 2010.

The following information on taxes, duties and license fees paid or accrued during the taxable year is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

*Output VAT*

Details of the Company's output VAT declared are as follows:

	Vatable	Zero-rated	VAT-exempt
<b>2010</b>			
Revenue	\$73,709	\$35,331,519	\$2,841,924
Output VAT rate	12%	0%	-
	<b>\$ 8,845</b>	<b>\$ -</b>	<b>\$ -</b>

The Company's export sales of canned tuna are VAT Zero-rated under Sec.4.106-5 of Rev. Reg. No. 14-2005 while Sales of fishmeal which is a by-product are VAT-exempt pursuant to Sec.4.109-1 (b) of Rev. Reg. No. 14-2005.

*Input VAT*

Details of the Company's input VAT claimed are as follows:

	2010
Balance, January 1	\$45,698
Add: Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	3,181
Services lodged under cost of goods sold	2,934
Services lodged under other accounts	3,241
Total available input VAT	55,054
Less: Claims for:	
Output tax	8,866
Other adjustments	695
	9,561
<b>Balance, December 31</b>	<b>\$45,493</b>

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*Taxes on importation of goods*

Total landed cost of imports in 2010 and 2009 amounted to P234,566,815 and P118,800,061, respectively. The Company has an existing License to Operate a Customs Bonded Warehouse located at Bo. Tumbler, General Santos City, pursuant to the provisions of Sections 2011-2001 of the Tariff and Custom Code of the Philippines, as amended, and implemented by CAO 2-91 and CMO 39-91. As an Operator of CBMW No. 57, the Company is exempted from payment of custom duties and tariff fees in importations of goods.

*Documentary stamp tax*

Details of the Company's documentary stamp tax paid or accrued are as follows:

	2010
Loan agreements, instruments and papers	\$ 6,002
Debt instruments	80,391
	<b>\$86,393</b>

*Other taxes and licenses*

Details of the Company's other taxes and licenses and permit fees paid or accrued are as follows:

	2010
<b>Charged to Cost of Sales</b>	
Real property tax	\$ 55,520
Permit fees	48,539
Others	5,172
	<b>109,231</b>
<b>Charged to Operating Expenses</b>	
Community Tax Certificate	233
Permit fees	916
Others	9,310
	<b>10,459</b>
	<b>\$119,690</b>

*Withholding taxes*

Details of the Company's withholding taxes paid or accrued during the year are as follows:

	2010
Withholding tax on compensation and benefits	\$165,593
Expanded withholding taxes	290,061
Final withholding taxes	27,890
	<b>\$483,544</b>

Final withholding taxes arise from payment of cash dividends and interest on FCDU loans.

*Deficiency tax assessments and tax cases*

BIR assessed the Company for tax deficiency on expanded withholding taxes for the year 2008. This was paid on October 10, 2010.

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34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company were approved and authorized for issuance by the Board of Directors on April 8, 2011.

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