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PFRS for SMES - 2010 Illustrative Corporate Consolidated Financial Statements

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Isla Lipana & Co.

Philippine Financial Reporting Standards for Small and Medium-Sized Entities
Illustrative Corporate Consolidated Financial Statements 2010

Preface

The Securities and Exchange Commission (SEC) has adopted the Philippine Financial Reporting Standards for Small and Medium-Sized Entities (PFRS for SMEs), which is based on the International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB). The PFRS for SMEs is effective for certain companies qualified as SMEs for annual periods beginning on or after January 1, 2010, except for the guidance in applying the requirement of Section 23 of PFRS for SMEs (Revenue) in recognizing revenue from agreement for construction of real estate which shall take effect for periods beginning on or after January 1, 2012[1]. Early adoption of PFRS for SMEs for financial statements as of December 31, 2009 is permitted.

For Philippine financial reporting purposes, PFRS for SMEs shall cover corporations that:

(a) Have total assets of between P3 million and P350 million or total liabilities between P3 million and P250 million;

(b) Are not required to file financial statements under Securities Regulation Code (SRC) Rule 68.1 (unlisted and non-public entities);

(c) Are not in the process of filing financial statements for the purpose of issuing any class of instruments in a public market;

(d) Are not holders of secondary licenses issued by a regulatory agency such as banks, investment houses, finance companies, securities broker/dealers, mutual funds and pre-need companies; and

(e) Not public utilities.

[1] Per SEC Notice dated December 11, 2009 with implementation guidance dated February 9, 2010.

For qualified SMEs, full conversion to PFRS for SMEs is mandatory for all financial statements for annual periods beginning on or after January 1, 2010. However, the SEC issued exemptions from the mandatory adoption of the PFRS for SMEs for entities that meet any of the following criteria[2]:

(a) It is a subsidiary of a parent company reporting under the full Philippine Financial Reporting Standards ("full PFRS");

(b) It is a subsidiary of a foreign parent company that will be moving towards International Financial Reporting Standards (IFRS) pursuant to the foreign country's published convergence plan;

(c) It is a subsidiary of a foreign parent company that has been applying the standards for a non-publicly accountable entity for local reporting purposes (PAS 101), and is considering moving to full PFRS instead of the PFRS for SMEs to align its policies with the expected move to full IFRS by its foreign parent company pursuant to its country's published convergence plan;

(d) It has short-term projections that show that it will breach the quantitative thresholds set in the criteria for an SME, and the breach is expected to be significant and continuing due to its long-term effect on the company's asset or liability;

(e) It is part of a group, either as a significant joint venture or an associate, that is reporting under the full PFRS;

(f) It is a branch office of a foreign company reporting under the full IFRS;

(g) It has concrete plans to conduct an initial public offering within the next two years;

(h) It has a subsidiary that is mandated to report under the full PFRS; and

(i) It has been preparing financial statements using full PFRS and has decided to liquidate its assets.

SMEs that will use any of the exemptions above should provide a discussion in its notes to financial statements of the facts supporting its adoption of full PFRS instead of the PFRS for SMEs.

[2] Per SEC Notice dated October 11, 2010

Philippine Financial Reporting Standards for Small and Medium-Sized Entities
Illustrative Corporate Consolidated Financial Statements 2010

Introduction

This publication provides an illustrative set of consolidated financial statements, prepared in PFRS for SMEs, for a fictional fruit grower and fruit juice producer, wholesale and retail group (ACS Corporation).

ACS Corporation is a first-time adopter of the PFRS for SMEs and prepares consolidated financial statements.

This publication is based on the requirements of the PFRS for SMEs issued and adopted by the SEC and Financial Reporting Standards Council (FRSC) effective for the annual periods beginning on or after January 1, 2010.

These illustrative financial statements show how PFRS for SMEs should be applied to a company that has many different types of assets and business arrangements.
Certain items may not apply to some entities. For example, if the reporting entity does not have material operating leases, disclosure of the accounting policy for operating leases does not need to be included.

We have made the following assumptions in preparing these consolidated financial statements:

- The entity does not fulfill the requirements for presenting a combined statement of income and retained earnings. Instead, it presents a consolidated statement of comprehensive income and a consolidated statement of changes in equity. Under Section 3 paragraph 18, if the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, correction of prior-period errors and changes in accounting policy, the entity may present a single statement of income and retained earnings in lieu of the statement of total comprehensive income and statement of changes in equity.

- The entity is a first-time adopter of PFRS for SMEs.

- The entity has complex transactions such as business combinations, discontinued operations, share-based payments, government grants, hedge accounting and biological assets.

- ACS Corporation owns 100% of the voting rights in all of its subsidiaries.

- Certain accounting policy choices have been made in preparing the financial statements – for example, the accounting for investments in associates and joint ventures. Alternative accounting policies permitted by the PFRS for SMEs are disclosed in Appendix I as additional guidance.

Certain types of transactions have been excluded, as they are not relevant to the group's operations. Sample disclosures for some of these items have been included in Appendix II.

The sample disclosures should not be considered the only acceptable form of presentation. The form and content of each reporting entity's financial statements are the responsibility of the entity's management. Alternative presentations to those proposed in this publication may be equally acceptable if they comply with the specific disclosure requirements prescribed in the PFRS for SMEs.

These illustrative financial statements are not a substitute for reading the standard or for professional judgment as to fairness of presentation. They do not cover all possible disclosures that the PFRS for SMEs requires. Further specific information may be required in order to ensure fair presentation under the PFRS for SMEs. In addition, further requirements may apply in order to comply with local laws and/or other regulations.

There are additional statements required to accompany the auditor's report on the financial statements when filed with certain regulatory authorities (such as the SEC). Examples of these are as follows:

- Supplemental written statement indicating that the auditor has examined the financial statements of an entity filing under Rule 68 for non-public and non-secondary licenses (SRC Rule 68 Section 3d); and
- Written statement indicating that partners of the auditing firm are independent from the client (Section 8-A of BIR Revenue Regulations No. V-1).

Compliance of concerned companies with the disclosure requirements of regulatory bodies such as Bureau of Internal Revenue (BIR) or SEC is the responsibility of the client's management. However, auditors should always remind clients to comply with the said disclosure requirements as an additional proof of quality and excellent service to them.

Philippine Financial Reporting Standards for Small and Medium-Sized Entities
Illustrative Corporate Consolidated Financial Statements 2010

Format

The references in the left-hand margin of the financial statements represent the paragraph of the standard in which the disclosure appears – for example, '21 p15' indicates PFRS for SMEs section 21, paragraph 15.The designation 'DV' (disclosure voluntary) indicates that PFRS for SMEs does not require the disclosure.

Additional notes and explanations are shown in footnotes.

Philippine Financial Reporting Standards for Small and Medium-Sized Entities
Illustrative Corporate Consolidated Financial Statements 2010

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SECTION 1 - ILLUSTRATIVE INDEPENDENT AUDITOR'S REPORT & CONSOLIDATED FINANCIAL STATEMENTS

ACS CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009

Independent Auditor's Report[3]

To the Board of Directors and Shareholders of[4]
ACS Corporation
No. 18 DCL Bldg., Dao Street
Makati City[5]

Report on the [Consolidated] financial statements[6]

We have audited the accompanying [consolidated] financial statements of ACS Corporation and its subsidiaries, the ("Group"), which comprise the [consolidated] statements of financial position as at December 31, 2010 and 2009, and the [consolidated] statements of total 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 the fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs), 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[7].

[3] It is **PwC's preference** that reports are titled 'Independent auditor's report'.

[4] Reports should not be addressed solely to the Board of Directors of a company unless the report is intended only for the private use of the company. Report should not be addressed more openly or widely, for example to third parties, as this increases the firm's risk.

[5] For reports submitted to the SEC per SRC Rule: state client's full registered address, or the principal place of business, if different from the registered office.

[6] The subheading "Report on the financial statements" is only required/mandatory if there is additional report on other legal and regulatory requirements included in the audit report.

[7] Updated wordings based from ISA 700 par.. 26.

Auditor's 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[8]. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditor's 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 auditor considers 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.[9]

[8] (PSA 700 par. 44) There are currently no fundamental differences between International Standards and Practice Statements issued by the IAASB and the equivalent pronouncements issued by the Auditing and Assurance Standards Council or AASC and no such differences are expected in the future. For this reason, when the auditor is requested to conduct the audit in accordance with both ISAs and Philippine Standards on Auditing, the wording of the relevant sections of the auditor's report will be as follows:

"Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with both Philippines Standards on Auditing and the International Standards on Auditing. Those standards require………"

[9] Emphasis of mater paragraph is preferably located after the paragraph containing the auditor's opinion but before the section on any other reporting responsibilities. Accordingly, this should be properly titled in the independent auditor's report.

Opinion

In our opinion, the accompanying [consolidated] financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-Sized Entities.

Isla Lipana and Co.

[Partner’s manual signature]
Signing partner’s name[10]
Partner
CPA Cert. No. XXXXX
P.T.R. No. XXXXXXX, issued on XXXXXXX, Makati City
SEC A.N. (individual) as general auditors XXXXX
SEC A.N. (firm) as general auditors 0009-FR-2
TIN XXXXXXX
BIR A.N. XXXXXXXXXX, issued on MM/DD/YYYY; effective until MM/DD/YYYY
BOA/PRC Reg. No. 0142, effective until MM/DD/YYYY

Makati City
Date

[10] For all reports submitted to the SEC and BIR, SRC Rule 68 requires that the certifying partner sign his/her own signature and shall indicate that he/she is signing for the Firm, the name of which is printed in the report. Likewise, the auditor’s report shall be dated, shall state the signing accountant’s License, Tax Identification and PTR numbers, and registration with BoA/PRC. All Assurance Partners shall indicate their respective individual SEC accreditation number, as well as that of the firm, irrespective of whether or not the report relates to the financial statements of public companies to avoid the hassle of identifying which reports are for public companies.

ACS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009
(All amounts in thousands Philippine Peso)

		Note[11]	2010	2009
	A S S E T S			
4p5	**Current assets**			
	Cash and cash equivalent	5	2,128	3,407
	Derivatives financial instruments	7	146	120
	Trade and other receivables	8	2,209	1,968
	Inventories	9	2,470	1,818
	Biological assets	10	173	-
	Total current assets		7,126	7,313
4p6	**Non-current assets**			
	Property and equipment	11	15,534	10,023
	Investment property	12	1,182	797
	Intangible assets	13	2,627	2,070
	Biological assets	10	1,742	1,491
	Investment in associates		1,337	1,324
	Intangible assets	26	352	332
	Total non-current assets		22,774	16,037
	Total assets		**29,900**	**23,350**
	LIABILITIES AND EQUITY[12]			
4p4, 4p7	**Current liabilities**			
	Borrowings	14	1,172	1,826
	Trade and other payables	15	1,667	1,248
	Income tax liability		257	277
	Provisions	16	268	301
	Total current liabilities		**3,364**	**3,652**
4p8	**Non-current liabilities**			
	Borrowings	14	11,512	9,635
	Deferred tax liability	26	1,237	905
	Employee benefit obligations	17	464	223
	Provisions	16	146	40
	Total non-current liabilities		**13,359**	**10,803**
	Total liabilities		**16,723**	**14,455**

Table continues on next page.

[11] Indicate only the main note. Reference to other accounts or disclosure should be done within the notes to financial statements.

[12] Major line items of equity (issued capital, reserves and retained earnings) should be presented in the balance sheet.

ACS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009
(All amounts in thousands Philippine Peso)

Statements of financial position (continued)

	Note	2010	2009
Equity attributable to the owners of the Company[13]			
Ordinary shares	18	2,175	2,100
Share premium	18	1,246	1,226
Other reserves	19	1,554	701
Retained earnings		8,202	4,868
Total equity		13,177	8,895
Total liabilities and equity		29,900	23,350

(The notes on pages 10 to 40 are an integral part of these consolidated financial statements.)

[13] Show breakdown of retained earnings into appropriated and unappropriated. Unreasonable accumulation of retained earnings of more than 100% of the paid up capital is considered a violation of Section 43 of the Corporation Code. Justification of the reason for accumulating more than 100% of the retained earnings should be disclosed which may include any or all of the ff: (a) when justified by definite corporate expansion projects or programs approved by the Board of Directors; (b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign from declaring dividends without its consent and such consent has not yet been obtained; (c) when there are special reserves for contingencies. Please note that this is different from the exposure on improper accumulation of retained earnings by which covers certain exemptions of entities. Also, in accordance with SEC Memorandum Circular No. 11, companies which retained earnings exceeded 100% of its paid-up capital should prepare an "ANNEX A" to determine the appropriate amount of retained earnings available for dividend distribution. See Appendix III for sample of Annex A and corresponding audit report.

ACS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME[14]

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(All amounts in thousands Philippine Peso)

5p4, 5p5

		Note	2010	2009
5p2(a),				
5p5(a)	Revenue[15]	20	19,326	10,458
	Other income	21	1,967	1,078
	Changes in inventories of finished goods and work in progress	9	(695)	230
	Raw materials and consumables used		(5,082)	(3,272)
	Gain/(loss) arising from changes in fair value of biological assets	10	(462)	41
	Gain/(loss) from changes in fair value of investment property	12	385	(87)
	Employee salaries and benefits expense	22	(4,008)	(1,549)
	Depreciation and amortization	11,13	(2,103)	(1,185)
	Transportation expense		(958)	(624)
	Advertising costs		(1,095)	(350)
	Research and development		(581)	(195)
20p16(b)	Operating lease expenses		(1,060)	(850)
	Other gains/(losses) – net	23	(10)	7
	Other expenses	24	(178)	(85)
	Operating profits		**5,446**	**3,617**
	Finance income	25	173	161
	Finance costs[16]	25	(834)	(1,205)
5p5(b)	Finance costs – net	25	(661)	(1,044)
	Profit before income tax		**4,785**	**2,573**
5p5(d)	Income tax expense	26	(1,461)	(868)
	Profit for the year from continuing operations		**3,324**	**1,705**
	Discontinued operations:			
5p5(e)	Profit for the year from discontinued operations	27	10	13
5p5(f)	**Profit for the year**		**3,334**	**1,718**
5p5(g)	**Other comprehensive income:**			
5p4(b)	**Gains/(losses) recognized directly in equity**			
	Currency translation differences		794	(16)
	Actuarial loss on employee benefit obligations, net of tax		-	(49)
	Changes in fair value of hedging instruments, net of tax		19	37
	Transfer to foreign exchange gains/(losses)		(29)	-
	Other comprehensive income for the year, net of tax		**784**	**(28)**
5p5(i)	**Total comprehensive income for the year**		**4,118**	**1,690**
5p6	**Profit attributable to:**			
	Owners of the parent		3,334	1,718
	Total comprehensive income attributable to:			
	Owners of the parent		4,118	1,690

(The notes on pages 10 to 40 are an integral part of these consolidated financial statements.)

[14] 5p11 also allows a classification of expenses by function, whichever provides information that is reliable and more relevant.

[15] If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period **errors**, and changes in accounting policy, the entity may present a single **statement of income and retained earnings** in place of the statement of comprehensive income and statement of changes in equity (3p18)

[16] The gross amount of finance cost should be presented on the face of the statement of income.

ACS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(All amounts in thousands Philippine Peso)

	Attributable to equity holders of the Company				
	Share capital (Note 18)	**Share Premium (Note 18)**	**Other Reserves**	**Retained earnings**	**Total equity**
Balance at January 1, 2009	2,100	1,246	636	4,847	8,525
Profit for the year	-	-	-	1,718	1,718
Currency translation differences	-	-	(16)	-	(16)
Actuarial loss on post employment benefit obligation	-	-	(49)	-	(49)
Changes in fair value of hedging instruments, net of tax	-	-	37	-	37
Total comprehensive income for the year			(28)	1,718	1,690
Dividend paid	-	-	-	(1,697)	(1,697)
Employees share option schemes:					
– value of employee services	-	-	93	-	93
– issue of shares	-	-	-	-	284
Balance at December 31, 2009	**2,100**	**1,226**	**701**	**4,868**	**8,895**
Profit for the year	-	-	-	3,334	3,334
Currency translation differences	-	-	794	-	794
Changes in fair value of hedging instruments, net of tax	-	-	19	-	19
Transfer to foreign exchange gains/(losses)	-	-	(29)	-	(29)
Total comprehensive income for the year	-	-	784	3,334	4,118
Employees share option schemes:					
– value of employee services	-	-	69	-	69
– issue of shares	75	25	-	-	95
Balance at December 31, 2010	**2,175**	**1,246**	**1,554**	**8,202**	**13,177**

(The notes on pages 10 to 40 are an integral part of these consolidated financial statements.)

ACS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(All amounts in thousands Philippine Peso)

		Note	2010	2009
7p3	**Cash flows from operating activities**			
7p4	Profit including discontinued operations		3,334	1,718
7p8	Adjustments for non-cash income and expenses:			
	– Taxes	26	1,461	868
	– Depreciation	11	1,777	966
	– Amortization	13	326	219
	– Impairment of trade receivables	8	48	35
	– Reduction in provision for impairment of inventories		(39)	-
	– Changes in provisions	16	73	(49)
	– Fair value (gains)/losses biological assets	10	462	(139)
	– Fair value (gains)/losses investment property	12	(385)	(87)
	– (Profit)/loss on disposal of property and equipment	23	(2)	10
	– Share-based payment and increase in retirement benefit obligations		153	109
	– Fair value (gains)/losses on hedging instruments	23	27	(21)
	– Finance costs – net	25	661	1,044
	– Unrealized foreign exchange losses/(gains) on operating activities		(178)	(153)
	Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
	– Trade and other receivables	8	(289)	(373)
	– Inventories	9	(652)	(451)
	– Trade and other payables	15	(399)	(295)
	Cash generated from operations		**5,369**	**3,401**
	Interest paid	25	(1,087)	(1,328)
	Income tax paid		(774)	(563)
	Net cash from operating activities		**3,508**	**1,510**
7p5	**Cash flows from investing activities**			
	Acquisition of subsidiary, net of cash acquired	30	(1,395)	-
	Purchases of property and equipment	11	(976)	(604)
	Proceeds from sale of property and equipment		689	317
	Purchases of biological assets	10	(616)	(107)
	Purchases of intangible assets	13	(517)	-
	Interest received	25	96	98
	Dividends received		-	-
	Net cash used in investing activities		**(2,719)**	**(296)**

Table continues on next page.

ACS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(All amounts in thousands Philippine Peso)

Consolidated statement of cash flows (continued)

		Note	2010	2009
7p6	**Cash flows from financing activities**			
	Proceeds from issuance of ordinary shares		95	284
	Proceeds from borrowings		2,006	1,207
	Repayments of borrowings		(542)	-
	Dividends paid to company's shareholders		-	(1,697)
	Net cash used in financing activities		**(1,741)**	**(206)**
	Net (decrease)/increase in cash, cash equivalents			
7p20	**and bank overdrafts**		**(952)**	**1,008**
	Cash, cash equivalents at beginning of the year		3,407	2,405
	Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		54	(6)
	Cash, cash equivalents and bank overdrafts at end of the year	5	2,128	3,407

(The notes on pages 10 to 40 are an integral part of these consolidated financial statements.)

ACS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS[17]
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2010
(In the notes all amounts are in thousand Philippine Peso unless otherwise stated)

Note 1 - General information

3p24(b) ACS Corporation ('the company') and its wholly-owned subsidiaries (together 'the group') manufacture, distribute and sell a range of beverages through a network of independent retailers and ACS Corporation retail outlets. The group has banana, coconut and mango plantation and sells mainly in countries within the Philippines, Hong Kong and Singapore. During the year, the group acquired control of DEF Inc, a fruit grower and fruit juice producer for the wholesale market operating in Hong Kong. ACS Corporation also sold its assets and liabilities related to the company XYZ Corporation, a fruit retailer in Singapore.

3p24(a) The company is incorporated and domiciled in the Philippines. The address of its registered office is No. 18, DCL Bldg., Dao Street, Makati City.

32p9
9p23 These consolidated financial statements were authorized for issue by the board of directors on March 20, 2011.

Note 2 - Summary of significant accounting policies

This is the first set of financial statements prepared by ACS Corporation in accordance with the 'PFRS for Small and Medium-sized Entities' (PFRS for SMEs) issued by the Financial Reporting Standards Council. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

3p3 The consolidated financial statements of ACS Corporation have been prepared in accordance with the PFRS for SMEs. They have been prepared under the historical cost convention, as modified by the revaluation of investment property, biological assets and derivative financial instruments at fair value.

The preparation of financial statements in conformity with the PFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the
8p6 process of applying the group's accounting policies. Areas involving a higher degree of judgment
8p7 or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in Note 4.

[17] PFRS for SMEs provides that notes shall, as far as practicable, be presented in a systematic manner. Notes are normally presented in the following order: (a) a statement of compliance with PFRSs or other financial reporting framework (b) a summary of significant accounting policies applied (c) supporting information for items presented on the face of the statement of financial position, statement of total comprehensive income, statement of changes in equity and statement of cash flow, in the order in which each statement and each line item is presented; and (d) other disclosures.

In presenting the accounting policies, it is recognized that certain items may not necessarily apply to a particular reporting entity. For example, if the reporting entity does not have material operating leases, it is not necessary to include disclosure of the accounting policy for operating leases. Similarly, if a company does not have derivatives, the risk management policy as they apply to derivatives should not be included. Certain items that do not apply to this entity have not been included in these illustrative financial statements. Additional accounting policies, disclosures, and critical estimates and judgments have been included in Appendices – I & II. The reporting entity should describe each specific accounting policy that is necessary for a proper understanding of the financial statements.

2.2 Consolidation

9p4 *(a) Subsidiaries*[18]
9p5
9p11 Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

19p6
19p11 The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized is recorded as goodwill.

9p15
33p5
9p17 Inter-company transactions, balances and unrealized gains on transactions between ACS Corporation and its subsidiaries, which are related parties, are eliminated in full. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

14p2 *(b) Associates*[19]
14p5 Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. As there are no published price quotations available for the group's associates, the group has elected to account for investments in associates at cost less any accumulated impairment losses.

2.3 Foreign currency translation

30p2 *(a) Functional and presentation currency*
3p23(d)
3p23(e)
30p26 Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Philippine Peso, which is the company's functional and the group's presentation currency.

(b) Transactions and balances
30p7 Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other (losses)/gains – net'.

[18] It is assumed in these consolidated statements that ACS Corporation owns 100% of its subsidiary undertakings. There is therefore no non-controlling interest within its consolidated equity. An example accounting policy for transactions with non-controlling interest under the PFRS for SMEs is included in Appendix II.

[19] There is an accounting policy election when accounting for investments in associates in consolidated financial statements. The fair value model has to be applied for investments in associates for which there is a published price quotation. Alternatively, an entity can apply the cost model or equity method. ACS Corporation applies the cost model. Refer to Appendix I for suggested alternative accounting policy options.

(c) Group companies

30p18
30p19 The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognized in other comprehensive income.

30p23
30p18 Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at each reporting date.

2.4 Cash and cash equivalents

7p2
7p20 Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.5 Derivative financial instruments and hedging activities

11p40
12p8
12p27
12p18 Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value, at each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group uses foreign currency forward exchange contracts to limit its exposure to foreign exchange risk on highly probable forecast foreign currency sales transactions. The group designates these derivatives as hedges – that is, a hedge of foreign exchange risk associated with highly probably forecast sales transactions.

12p16 The group designates and documents, at the inception of a hedging transaction, the hedging relationship so that the risk being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument. Hedge accounting is only applied when the group expects the derivative financial instrument to be highly effective in offsetting the designated hedged foreign currency risk associated with the hedged item.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

12p23 The effective portion of changes in the fair value of derivatives that are designated and qualify as hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within ‘other gains/(losses) – net’.

Amounts recognized in other comprehensive income are reclassified to profit or loss in the periods when the forecast sales take place and are included within ‘other gains/(losses) – net’.

(All amounts in thousands Philippine Peso unless otherwise stated)

12p25 When a foreign currency forward exchange contract expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction ultimately affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognized in other comprehensive income is immediately transferred to profit or loss within 'other gains/(losses) – net'.

2.6 Trade receivables

11p13
11p21 Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

2.7 Inventories

13p4
13p5
27p2 Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises packaging costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in profit or loss.

2.8 Biological assets[20]

34p2
34p4 Biological assets comprise banana, coconut and mango plantations held for use in production. As the fair value of these biological assets can be readily determined without undue cost or effort, the assets are initially recognized and subsequently carried at fair value less costs to sell. Any resultant gain or loss on re-measuring to fair value less costs to sell at each reporting date is recognized in profit or loss.

13p15 At the time of harvesting, the agricultural produce is recognized at fair value less costs to sell and are included in inventory at this amount. They are not subsequently re-measured.

2.9 Property and equipment

17p10(b) Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price and other expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

17p6
17p15 The group adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

17p16
17p31(b) Land is not depreciated. Depreciation on other assets is charged so as to allocate cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

17p31(c)

– Buildings	25-40 years
– Machinery	10-15 years
– Vehicles	3-5 years
– Furniture, fittings and equipment	3-8 years

[20] Only where the fair value of biological assets cannot be readily determined without undue cost or effort, such biological assets are initially recognized at their cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The accounting policy has to be determined according to PFRS for SMEs 34p2 for each class of biological asset. It is assumed in these illustrative financial statements that fair value is determinable for each class. Refer to Appendix I for suggested wording of alternative accounting policy where the cost model is applied.

17p19
17p23 The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

27p5 An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 11).

The carrying amount of an item of property and equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying
DV amount and are recognized within 'other gains/(losses) – net' in the statement of comprehensive income.

2.10 Investment property[21]

16p7 The group owns a freehold office building that is held to earn long-term rental income and for capital appreciation. The property is not occupied by the group. Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognized in profit or loss.

2.11 Intangible assets

19p23 *(a) Goodwill*
27p28

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses. Goodwill amortization is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 10 years. At each reporting date, the group assesses whether there is any indication that goodwill may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
27p25

Goodwill is allocated to cash-generating units (CGUs) (or groups of CGUs) for the purpose of impairment testing. The allocation is made to those CGUs units or groups of CGUs that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.[22]

[21] Where a reliable measure of the fair value of investment property is unavailable without undue cost or effort, investment properties are initially recognized at their cost and subsequently accounted for as property, plant and equipment. They are measured at cost less accumulated depreciation and accumulated impairment losses (16p7).

[22] If the reporting entity cannot allocate goodwill to individual CGUs (or groups of CGUs) that are expected to benefit from the synergies of a business combination, it should test for impairment of goodwill either at the level of the group as a whole, if the group has integrated the acquired business (27p27b), or at the level of the acquired entity in its entirety, if the acquired business has not been integrated (27p27a).

(b) Trademarks, licenses and customer related intangible assets

18p10 Separately acquired trademarks and licenses are shown at historical cost.
18p11 Trademarks, licenses (including software) and customer-related intangible assets acquired in a business
18p18 combination are recognized at fair value at the acquisition date. Trademarks, licenses and customer-
18p19 related intangible assets have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of trademarks, licenses and customer related intangible assets over their estimated useful lives, as follows:

– Trademarks: 10 years
– Customer-related intangible assets: 5 years

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years.

(c) Research and development costs

18p14 All research and development costs are recognized as an expense unless they form part of the cost of another asset that meets the recognition criteria.

2.12 Impairment of non-financial assets other than inventories

27p5 Assets that are subject to depreciation or amortization are assessed at each reporting date to determine
27p7 whether there is any indication that the assets are impaired. Where there is any indication that an asset
27p11 may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been
27p29 allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Borrowings and borrowing costs

11p13 Borrowings are recognized initially at the transaction price (that is, the present value of cash payable to
11p14 the bank, including transaction costs). Borrowings are subsequently stated at amortized cost. Interest
11p40 expense is recognized on the basis of the effective interest method and is included in finance costs.

4p7 Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All borrowing costs are expensed as incurred.

2.14 Trade payables

11p13 Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

2.15 Provisions

21p4
21 p10
Provisions for restructuring costs and legal claims are recognized when: the group has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

21p7 Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

33p2

2.16 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.17 Employee benefit obligations

(a) Pension obligations

28p9
28p10
The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

28p15
28p18
28p17
The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.[23]

28p24(b) Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.[24]

28p25(e) Past-service costs are recognized immediately in profit or loss.

[23] If an entity is not able, due to undue cost or effort, to use the projected unit credit method to measure its obligations and cost under defined benefit plans, 28p1 9 permits the entity to make the following simplifications in measuring its defined benefit obligation with respect to current employees: ignore estimated future salary increases; ignore future service of current employees; and ignore possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits.

[24] 28p24 allows entities an accounting policy choice in relation to the recognition of actuarial gains and losses as follows: a) recognize all actuarial gains and losses in profit or loss; or b) recognize all actuarial gains and losses in other comprehensive income.

28p13 For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognized as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognized as an asset.

(b) Share-based compensation

26p1(a)
26p6
26p7
26p8
26p11

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the parent entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognized as an expense over the vesting period. The estimated fair value of the option granted is calculated using a binomial option pricing model. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.18 Share capital

Ordinary shares are classified as equity.

22p8 Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2.19 Revenue recognition

23p3 Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the group's activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognizes revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the group's activities, as described below.

(a) Sales of goods – wholesale

The group manufactures and sells a range of beverage products in the wholesale market. Sales of goods are recognized when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of goods – retail

23p11 The group operates a chain of retail outlets for selling fruits, juices and copra products. Sales of goods are recognized when a group entity sells a product to the customer as control passes to the customer on the day the transaction takes place. Retail sales are usually in cash or by credit card.

(c) Interest income

23p29(a) Interest income is recognized using the effective interest method.

(d) Rental income

20p25 Rental income from investment property that is leased to a third party under an operating lease is recognized in the profit or loss on a straight-line basis over the lease term and is included in 'other income'.

(e) Dividend income

23p29(c)
14p6 Dividend income from associates is recognized when the group's right to receive payment has been established and is shown as 'other income'.

2.20 Current and deferred income tax

29p7 The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

29p6 The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

29p15
29p16
29p18 Deferred income tax is recognized on temporary differences (other than temporary differences associated with unremitted earnings from foreign subsidiaries and associates to the extent that the investment is essentially permanent in duration, or temporary differences associated with the initial recognition of goodwill) arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

29p21
29p22 The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

2.21 Government grants

24p4 Grants from the government are recognized at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions. Grants received where the group has yet to comply with all attached conditions are recognized as a liability (and included in deferred income within trade and other payables) and released to income when all attached conditions have been complied with. Government grants received are included in 'other income' in profit or loss.

2.22 Leases

20p4
20p15 Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

20p9 The group leases certain items of property and equipment. Leases of property and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the statement of financial position. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

The group leases out (as an operating lease) an office building that it owns. The asset is included in the statement of financial position as an investment property. Rental income is recognized in accordance with the rental income accounting policy in Note 2.18.

2.23 Dividend distribution

22p17 Dividend distribution to the company's shareholders is recognized as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

2.24 Events after the reporting date

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

Note 3 - Transition to the PFRS for SMEs

3.1 Basis of transition to the PFRS for SMEs

3.1.1 Application of the PFRS for SMEs

The group's financial statements for the year ended December 31, 2010 are its first annual financial statements prepared under accounting policies that comply with the PFRS for SMEs. ACS Corporation's transition date is January 1, 2009. The group prepared its opening PFRS for SMEs statement of financial position at that date.

In preparing these consolidated financial statements in accordance with the PFRS for SMEs, the group has applied all the mandatory exceptions and certain of the optional exemptions from full retrospective application of the PFRS for SMEs.

35p10 *3.1.2 Exemptions from full retrospective application*

ACS Corporation has elected to apply the following optional exemptions from full retrospective application:

(a) Business combinations
ACS Corporation has applied the business combinations exemption in the PFRS for SMEs. It has not restated business combinations that took place prior to the 1 January 2009 transition date. The carrying value of goodwill at the date of transition to the PFRS for SMEs is the deemed cost of goodwill under the PFRS for SMEs at that date.

(b) Share-based payment transactions
The group has elected to apply the share-based payment exemption. It has not applied the provisions of Section 26 of the PFRS for SMEs to equity instruments that were granted before January 1, 2009.

(All amounts in thousands Philippine Peso unless otherwise stated)

(c) Cumulative translation differences

ACS Corporation has elected to set the previously accumulated cumulative translation differences for all foreign operations to zero at January 1, 2009.

3.2 Reconciliation

The following reconciliations show the effect on the group's equity of the transition from the group's previous GAAP to the PFRS for SMEs at January 1, 2009 and December 31, 2009, and the group's profit for the year ended December 31, 2009.

35p13(b)

	December 31, 2009	January 1, 2009
Total equity under previous GAAP[25]	9,525	8,108
Capitalization of costs directly attributable to site preparation	78	56
Write-off of deferred charges that do not meet the PFRS for SMEs definition of an intangible asset	(668)	(264)
Restatement of provision for post-employment benefits on a projected unit credit method basis	(57)	(27)
Fair value adjustment to biological assets	473	432
Fair value adjustment to investment property	340	215
Restatement of investments in associates to cost	(1,874)	(562)
Deferred tax adjustments	1,078	567
Total equity under PFRS for SME	**8,895**	**8,525**

35p13(c)

	2009
Results for the year under previous GAAP	**2,765**
Capitalization of costs directly attributable to site preparation	22
Write-off of deferred charges that do not meet the PFRS for SME definition of an intangible asset	(404)
Adjustment in respect of defined benefit pension schemes	(30)
Fair value adjustment to biological assets	41
Fair value adjustment to investment property	125
Restatement of investments in associates to cost	(1,312)
Deferred tax adjustments	511
Result for the year under PFRS for SMEs	**1,718**

[25] Indicate previous framework used (e.g. Full PFRS, Local GAAP or PAS 101, other acceptable framework used

3.3 Explanation of transition to the PFRS for SMEs

(a) Capitalization of costs attributable to site preparation

The costs incurred in relation to the preparation of plantations were expensed under previous GAAP. Such costs qualify to be recognized as part of the cost of property and equipment under the PFRS for SMEs.

(b) Write-off of deferred charges that do not meet capitalization criteria

Costs in relation to deferred charges do not meet the definition of intangible assets under the PFRS for SMEs and have been included in retained earnings at the group's date of transition.

(c) Restatement of provision for post-employment benefits

Under previous GAAP, the group's defined benefit pension scheme liabilities were not calculated on the basis of the projected unit credit method, as they excluded the impact of future salary increases.

(d) Fair value adjustment of biological assets

Under previous GAAP, biological assets were stated at cost less accumulated depreciation. This adjustment reflects the measurement of the group's biological assets to fair value.

(e) Fair value adjustment to investment property

Under previous GAAP, investment properties were stated at cost less accumulated depreciation. This adjustment reflects the uplift of the group's investment properties to fair value.

(f) Investment in associates accounted for at cost

Under previous GAAP, the group accounted for its investment in associates using the equity method of accounting. On adoption of the PFRS for SMEs, the group has elected to account for its investments in associates at cost.

(g) Deferred tax adjustments

This adjustment reflects the deferred tax impact of the other adjustments recognized on transition. The adjustment also reflects the impact of recognizing deferred tax on the basis of temporary differences between the carrying amounts of assets and liabilities and their tax bases, compared to deferred tax calculated on the difference between items included in the income for accounting purposes and items included in the tax return.

3.4 Statement of cash flows

A number of changes have been made to the presentation of the group's consolidated statement of cash flows.

Note 4 - Information about key sources of estimation uncertainty and judgments

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future.

4.1 Key sources of estimation uncertainty

8p6
8p7
The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

34p7(b) *(a) Fair value of biological assets*

The fair value of the group's biological assets represent the present values of estimated net cash flows relating to the biological assets owned by the entity, determined by application of assumptions made by independent valuation experts to cash flow models. The external valuers make use of the measurements of plants to confirm model assumptions and growth trends. Cash flows are gross of income tax and are expressed in real terms.

The significant assumptions made in determining the fair value of the group's biological assets are listed below.

- Banana, coconut and mango products are valued based on expected volumes of fruits and copra products that could be obtained from existing plantation, given current management strategies, and legislative and other externally imposed restrictions.
- The limit of the cash flow analysis is the expected rotation period for the banana, coconut and mango plantations. This ranges from 15 years to 50 years.
- The ongoing costs of maintaining the banana, coconut and mango plantations are deducted in determining the net cash flows. Harvest costs are also included.
- Costs, prices, growth yields, waste and recovery rates are based on actual and expected rates.
- The valuations assume that all biological assets will be appropriately managed in the future to best industry practices.
- Pre-tax discount rates of 10-14% per annum are applied to the estimated cash flows. The discount rates take into account the risk associated with future cash flows associated with each project and are based on cost of capital calculations, with reference to industry standards. The discount rates in respect of each group are as follows:
    - Banana: 10%
    - Mango: 13.5%
    - Coconut: 12-14%
- Continued water availability for projects exposed to high risk water catchments.
- A stable market environment throughout the life of each project.
- A continued high level of management commitment to investment in biological assets.
- The productive life of the asset.
- The period over which the asset will mature.
- The expected future sales price. Expected future sales prices for all biological assets are based on average current prices increased for inflation.

34p5, 13p15 *(b) Fair value of agricultural produce at the point of harvest*

At the time of harvesting, the group picked fruits are recognized at fair value less costs to sell. The fair value less estimated costs to sell of agricultural produce at the point of harvest is determined by reference to market prices for grapes and picked fruit in the local area at the time of harvest, less estimated costs to sell (determined based on estimated future cash flows).

- The fair value less estimated costs to sell is determined on a pre-tax basis. Significant assumptions are made in determining the fair value of agricultural produce, as follows:
- There is an active market for picked fruits in the local area and these prices are readily available.
- The expected future costs to sell, such as labor, packaging and processing costs. Expected future costs are based on average current prices increased for inflation.
- An allowance is made for produce lost in the production process – this is based on historical data about loss rates.
- In the case of juice products, the period between harvest and sale is insignificant.
- In the case of copra products, the period over which the coconut will mature.
- In the case of fruit products, a pre-tax discount rate of 12% per annum has been applied to the estimated cash flows of costs to sell.

(c) Fair value of investment property

16p10 The fair value of investment property is derived from the current market prices of comparable real estate. The fair value is based on a valuation made by independent appraisers who hold a recognized and relevant valuation license (from the Philippine valuers organization) and have recent experience in valuing office buildings in the same location as the group's investment property.

(d) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(e) Fair value of share options issued to directors and employees

The group uses a binomial model to determine the fair value of share options granted to directors and key employees. Use of such a model involves a number of assumptions including the following:

Market price of the company's ordinary share, which is also the exercise price of the option.
Volatility of the company's share price.
Discount rate.
Expected life of the options.
Dividend yield.

As the group's shares are not traded in an active market, the market price and volatility of the group's ordinary shares are based on the directors' best estimates of these parameters, taking into account all relevant information that is available to them, including the volatility of the share price of comparable listed companies. The discount rate is based on the risk-free rate of government bonds with a three-year term in the Philippines. The expected life of the option is based on historical experience of exercises by option holders. The dividend yield is based on historical experience of dividends paid over a term equal to the expected option life.

(f)Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 17.

8p64.2 **Judgments in applying the entity's accounting policies**

Contingent liability

19p12
19p14
19p20

In respect of the acquisition of DEF Inc during the year, the group is obligated to pay an additional consideration of 5% of profit after tax if DEF Inc achieves sales in excess of P20,000 for 2011. The maximum amount payable is P1,000. At the date of acquisition and at year-end, it was not considered probable that this amount would be paid. It has therefore not been included in the consideration for the business combination, but the obligation has been disclosed as a contingent liability. The judgment about the expectation of paying this amount is based on sales of DEF Inc in the last five years and sales growth in those years.

Note 5 - Cash and cash equivalents

The account at December 31 consists of:

	2010	2009
Cash on hand	10	10
Cash in bank	1,170	2,207
Cash equivalents	1,288	1,200
Total	**2,128**	**3,407**

7p18 **Non-cash transactions**

The principal non-cash transaction is the grant of share options to directors and selected employees (Note 18).

Note 6 - Financial instruments

The account at December 31, 2010 consists of:

Financial assets

11p41	Financial assets measured at amortized cost less impairment	4,337
11p41(b)	Hedging derivatives measured at fair value	146
11p41(a)		**4,483**

Financial liabilities

11p41(e)	Financial liabilities measured at amortized cost	**14,351**

Note 7 - Derivative financial instruments

Assets:

	2010	**2009**
Foreign currency forward exchange contracts – hedging derivatives	146	120
Total	**146**	**120**

Foreign currency forward exchange contracts

DV The notional principal amounts of the outstanding foreign currency forward exchange contracts at 31 December 31, 2010 were P9,237 (2009: P8,969).

12p29(a) The hedged highly probable forecast sales transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in equity (note 19) on forward foreign exchange contracts as of December 31, 2010 will be recognized in profit or loss in the period or periods during which the hedged forecast sales take place.

11p43 The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The group has used discounted cash flow analysis to fair value such derivative financial instruments. The main assumptions used in the calculation of the fair value are discount rate of 4% and the year-end Euro/Philippine peso six-month forward foreign exchange rate of 0.97.

Note 8 - Trade and other receivables

The account at December 31 consists of:

4p11(b)

	2010	2009
Trade receivables – net	1,621	1,327
Prepayments	130	115
Receivables from related parties (note 31)	5	5
Loans to related parties (note 31)	49	20
Accrued income	404	501
Total	**2,209**	**1,968**

11p48 The group recognized an impairment loss of C48 (2009: C35) against trade receivables due to default by customers.

Note 9 - Inventories

The account at December 31 consists of:

4p11(c)
13p22(b)

	2010	2009
Raw materials	762	761
Work in progress	181	180
Finished goods	1,527	877
Total	**2,470**	**1,818**

13p22(c) The cost of inventories recognized as expense amounted to P6,025 (2009: P2,946).

13p22(d) The group recognized an impairment loss in the line item 'changes in inventories of finished goods and work in progress' of P21 (2009: P17) in relation to inventories.

27p32 The group reversed P60 of a previous inventory write-down in July 2010. This reversal is included in the line item 'changes in inventories of finished goods and work in progress'. The group has sold all the goods that were written down to an independent retailer in Singapore at original cost.

Note 10 - Biological assets

The account at December 31, 2010 consists of:

34p7(c)

	Note		
Fair value at January 1, 2010			**1,491**
Gain or (loss) from changes in fair value less costs to sell			(462)
Increases due to purchases			616
Decreases from harvest			(383)
Acquisition through business combination	30		507
Exchange differences, net			132
Other changes			14
Fair value at December 31, 2010			**1,915**
Current		**173**	**-**
Non-current		**1,742**	**1,491**

34p7(a) The fair value of biological assets comprise of the following elements.

	2010	2009
Grape vines and grapes on the vine	924	772
Fruit trees and unharvested fruit	991	719
Total	**1,915**	**1,491**

DV *(a) Nature of group's activities involving fruit trees*

At December 31, 2010, the coconut plantation comprises approximately 88 hectares (2009: 53 hectares) of that are more than 25 years old.

DV *b) Nature of group's activities involving fruit trees*

At December 31, 2010, fruit trees comprise approximately 74 hectares (2009: 67 hectares) that are 30 years old.

Note 11 – Property and equipment

The account at December 31, 2010 consists of:

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Total
Cost				
At January 1, 2010	4,022	6,813	2,003	12,838
Exchange differences	271	118	305	694
Additions	713	43	220	976
Disposals	(400)	(1,639)	(608)	(2,647)
Acquisitions through business combinations (note 30)	4,907	551	1,320	6,778
At December 31, 2010	**9,513**	**5,886**	**3,240**	**18,639**
Accumulated depreciation and impairment				
At January 1, 2010	(120)	(1,910)	(785)	(2,815)
Exchange differences	(142)	(60)	(271)	(473)
Annual depreciation	(356)	(477)	(944)	(1,777)
Accumulated depreciation of assets disposed of	200	1,213	547	1,960
At December 31, 2010	**(418)**	**(1,234)**	**(1,453)**	**(3,105)**
Carrying amount				
At January 1, 2010	**3,902**	**4,903**	**1,218**	**10,023**
At December 31, 2010	**9,095**	**4,652**	**1,787**	**15,534**

17p32(a) Bank borrowings are secured on land and buildings for the value of P3,768 (2009: P5,131) (Note 14).

20p13(c) The group leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between three and 15 years. After the expiration of this term ownership of the assets transfers to the group.

Vehicles and machinery includes the following amounts where the group is a lessee under a finance lease:

		2010
20p13(a)	**Net carrying amount**	**2,318**

Note 12 - Investment property

The account at December 31, 2010 consists of:

	Opening carrying amount	797
16p10(e)	Net gain from fair value adjustment	385
	Closing carrying amount	**1,182**

6p10(b) The investment properties are valued annually on December 31 at fair value, determined by an independent, professionally qualified valuer.

Note 13 - Intangible assets

The account at December 31, 2010 consists of:

18p27
19p26

	Goodwill	Trademarks and licenses	Customer related intangibles	Total
Cost				
January 1, 2010	2,000	871	140	3,011
Exchange differences	49	–	–	49
Additions	–	517	–	517
Acquisitions through business combinations	89	100	171	360
At December 31, 2010	**2,138**	**1,488**	**311**	**3,937**
Accumulated amortization and impairment				
January 1, 2010	(800)	(71)	(70)	(941)
Exchange differences	(43)	–	–	(43)
Annual amortization	(200)	(94)	(32)	(326)
At December 31, 2010	**(1,043)**	**(165)**	**(102)**	**(1,310)**
Carrying amount At January 1, 2010	**1,200**	**800**	**70**	**2,070**
At December 31, 2010	**1,095**	**1,323**	**209**	**2,627**

Note 14 - Borrowings

The account at December 31 consists of:

4p7

	2010	2009
Non-current		
Bank borrowings	10,831	8,834
Finance lease liabilities	681	801
	11,512	**9,635**
Current		
Bank borrowings	953	1,567
Finance lease liabilities	219	259
	1,172	**1,826**
Total borrowings	**12,684**	**11,461**

(a) Bank borrowings

11p42 Bank borrowings mature until 2014 and bear average fixed-rate coupons of 7.5% annually (2009: 7.4% annually). The group makes quarterly repayments on the bank borrowings. The group is subject to externally imposed restrictions and must seek approval from the principal lending bank for any capital transactions that the group wishes to enter into that are in excess of P12,000.

17p32(a) Total borrowings include secured liabilities of P3,768 (2009: P5,131). Bank borrowings are secured by the land and buildings of the group (Note 11).

The facilities expiring within one year are annual facilities subject to review at various dates during 2011. The other facilities have been arranged to help finance the proposed expansion of the group's activities in southern Asia.

(c) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Gross finance lease liabilities - minimum lease payments

		2010
20p13	Gross finance lease liabilities – minimum lease payments	
	No later than 1 year	275
	Later than 1 year and no later than 5 years	629
	Later than 5 years	206
		1,110
DV	Future finance charges on finance leases	(210)

Note 15 - Trade and other payables

The account at December 31 consists of:

		Note	**2010**	**2009**
4p11(d)	Trade payables		1,098	950
	Amounts due to related parties	31	220	120
	Social security and other taxes		201	96
	Deferred income – government grants		50	42
	Accrued expenses		98	40
			1,667	**1,248**

24p4
24p6
At December 31, 2010, the group deferred the income (totaling P50) related to a government grant, as it had not completed the required feasibility studies and tests on its new harvesting machine by year-end. The group completed this work after the year-end and recognized the amount of P50 as income in February 2011.

Note 16 - Provisions

The account at December 31, 2010 consists of:

4p11(e), 21p14(a)		**Environmental restoration**	**Restructuring**	**Legal claims**	**Profit sharing and bonuses**	**Total**
	At January 1, 2010	84	-	96	161	341
	Charged/(credited) to profit or or loss:					
	Additions during the year	132	199	242	96	669
	Amount charged against provision during the year	(28)	(89)	(306)	(160)	(583)
	Unused amounts reversed	(2)	-	(2)	(1)	(5)
	Exchange differences	(1)	-	(7)	-	(8)
	At December 31, 2010	**185**	**110**	**23**	**96**	**414**

Non-current provisions consist of environmental restoration (P146); the remainder relates to current provisions.

21 p1 4(b), 21 p14(c) *(a) Environmental restoration*

Legislation has been implemented that prohibits using certain pesticides and requires cleaning of the soil if certain pesticides have been used in the past. A provision is recognized for the present value of costs to be incurred for the cleaning of some plantation. It is expected that P39 will be used during 2011.

(b) Restructuring

The group has recognized a restructuring provision resulting from its decision to downsize its manufacturing operations in Singapore. This provision represents the estimated cost of the employee termination benefits (P80) and an onerous lease provision. It is estimated that the termination benefits will all be paid in the year ended December 31, 2011 and that the onerous lease provision will be settled in the years ended December 31, 2011 and 2012.

(c) Legal claims

The legal claims provision recognizes claims against ACS Corporation arising from prosecution in relation to legislative and contractual breaches. The liability at period- end was assessed by management by reviewing individual claims and discussing the group's position with their legal advisers. The liability is inherently uncertain due to the existence or amount of individual claims being in dispute. The group anticipates that the liability will be settled or released over the next five years.

(d) Profit-sharing and bonuses

The provision for profit-sharing and bonuses is payable within three months of finalization of the audited financial statements.

Note 17 - Employee benefit obligations

The account at December 31 consists of:

		2010	2009
4p11(e)	**Statement of financial position obligation for:**		
	Pension benefits	464	223
	Statement of comprehensive income (Note 22) for:		
	Pension benefits		
28p41(g)	Pension benefits	90	60

Pension benefits

28p41(a, d) The group operates defined benefit pension plans based on employee pensionable remuneration and length of service. The majority of plans are externally funded. Plan assets are held in trust, as is the nature of the relationship between the group and the trustees and their composition.

The most recent comprehensive actuarial valuation coincided with the year-end reporting date.

DV The amounts recognized in the statement of financial position are determined as follows:

	2010	**2009**
Present value of defined benefit obligation	716	394
Fair value of plan assets	(252)	(171)
Liability in the statement of financial position	**464**	**223**

28p41(e) The movement in the defined benefit obligation over the year is as follows:

	Notes	**2010**
At January 1		394
Benefits paid		(37)
Current service cost	22	90
Acquired in a business combination	30	157
Other changes		112
At December 31		**716**

28p41(f) The movement in the fair value of plan assets of the year is as follows:

	2010
At January 1	171
Contributions	96
Benefits paid	(37)
Other changes	22
At December 31	**252**

28p41(k) The principal actuarial assumptions used were as follows:

		2010	**2009**
	Discount rate	6.0%	5.5%
	Expected rate of salary increases	5.0%	4.5%
DV	Inflation rate	3.6%	3.3%
DV	Future pension increases	3.6%	3.1%

28p41(k) Assumptions regarding future mortality experience are set based on actuarial advice in accordance with 1994 Group Annuity Mortality Table.

Assumed life expectancy for pensioners at normal retirement age:

	2010	**2009**
Retiring at the statement of financial position date:		
– Male	22	22
– Female	25	25
Retiring 20 years after the reporting date:		
– Male	24	24
– Female	27	27

28p41(h) Plan assets are comprised as follows:

	2010	2009
Equity instruments	49%	40%
Debt instruments	23%	18%
Property	16%	30%
Other	13%	12%
	100%	**100%**

28p41(i) Pension plan assets do not include any financial instruments issued by the company or any buildings occupied by the group.

28p41(j) The actual return on plan assets was P19.

Note 18 - Share capital and premium

The details of the account for the years ended December 31, 2010 are as follows:

4p11 (f)

	Number of shares issued and fully paid (thousands)	Ordinary shares	Share premium	Total
At January 1, 2010	2,100	2,100	1,226	3,326
Employee share option scheme:				
Proceeds from shares issued	75	75	20	95
At December 31, 2010	**2,175**	**2,175**	**1,246**	**3,421**

4p12 The total authorized number of ordinary shares is 5 million shares (2009: 5 million shares) with a par value of P1 per share (2009: P1 per share). All issued shares are fully paid and have equal rights to vote at general meetings and receive dividends.

(a) Share options

Share options are granted to directors and to selected employees. The exercise price of the granted options is equal to the estimated market price of the shares on the date of the grant. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years from the grant date, subject to the group achieving its target growth in operating profit over the three-year period of inflation plus 4%; the options have a contractual option term of five years. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

26p18

	2010 Average exercise process in P per share	Options (thousands)
At January 1, 2010	1.73	4,744
Granted	2.95	964
Forfeited	-	-
Exercised	1.28	(750)
Expired	2.30	(125)
At December 31, 2010	**2.03**	**4,833**
Exercisable at December 31, 2010	**-**	**400**

26p19 The weighted average fair value of options granted during the period determined using the binomial valuation model was P0.86 per option (2009: P0.66). The binomial model was used due to its suitability to valuing
26p23 share options of unlisted entities. The significant inputs into the model were estimated as:

– Weighted average share price of P3.47 (2009: P2.80) at the grant date.
– Exercise price equal to the estimated weighted average share price.
– Volatility of 30% (2009: 27%).
– Dividend yield of 4.3% (2009: 3.5%).
– An expected option life of three years.
– An annual risk-free interest rate of 5% (2009: 4%).

The volatility has been determined based on the observed volatility of a group of five comparable listed entities for which share price information is publicly available, based on statistical analysis of daily share prices of these entities over the last three years. See Notes 19 and 22 for the total expense recognized in the statement of total comprehensive income for share options granted to directors and employees.

<u>Note 19 - Other reserves</u>

The details of the account for the years ended December 31, 2010 are as follows:

		Hedging reserve	Share-based payment reserve	Foreign currency translation reserve	Total
4p11(f), 4p12(b)	**At January 1, 2010**	267	450	(16)	701
12p29(c)	Hedging derivatives:				
	– Changes in fair value of hedging derivatives during the year	27	–	–	27
12p29(d)	– Tax on fair value changes during the year	(8)	–	–	(8)
	– Transfer to foreign exchange gains/(losses)	(29)	–	–	(29)
	– Currency translation differences	–	–	794	794
	Employee share option schemes:				
	– Value of employee services	–	69	69	–
	At December 31, 2010	**257**	**519**	**778**	**1,554**

4p12(b) *(a) Hedging reserve*

The hedging reserve reflects the effective portion of changes in the fair value of foreign currency forward exchange contracts that qualify as hedging derivatives.

(b) Share-based payment reserve

This reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the group and recognized in accordance with the accounting policy for share-based payments.

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy on foreign currency translation.

Note 20 - Revenue

The details of the account for the years ended December 31 are as follows:

		2010	2009
23p30(b)	Sales of goods	18,997	10,171
	Rendering of services	329	287
	Total	**19,326**	**10,458**

Note 21 - Other income

The details of the account for the years ended December 31 are as follows:

		2010	2009
23p28	Dividend received from an associate	110	88
24p6	Government grant received	80	38
23p30(b)	Rental income	1,777	952
	Others	329	287
	Total	**1,967**	**1,078**

Note 22 - Employee salaries and benefits expense

The details of the account for the years ended December 31 are as follows:

		Notes	2010	2009
	Wages and salaries, including restructuring costs P80 (2009: nil)		2,836	1,004
	Social security costs		937	380
26p23	Share options granted to directors and selected employees	19	69	82
28p41	Pension costs:			
28p40	– Defined contribution plans		76	23
	– Defined benefit plans	17	90	60
	Total		**4,008**	**1,549**
DV	**Number of employees**		270	105

Note 23 - Other gains/(losses) – net

The details of the account for the years ended December 31 are as follows:

		2010	2009
	Foreign currency forward exchange contracts:		
12p29(d)	– Net foreign exchange gains/(losses)[26]	(29)	20
	Profit on disposal of PPE	2	10
30p25	Foreign exchange gains and losses (other than financing)	15	(24)
	Hedging ineffectiveness	2	1
	Total	**(10)**	**7**

Note 24 - Other expenses

The detail of the account for the years ended December 31 is as follows:

		2010	2009
11p48(c)	Impairment of trade receivables	(48)	(35)

[26] This line item represents the amount that was reclassified from other comprehensive income to profit or loss for the period (recycling).

Note 25 - Finance income and costs

11p48 The details of the account for the years ended December 31 are as follows:

	2010	2009
Finance costs:		
Interest expense on financial liabilities measured at amortized costs	(1,087)	(1,328)
Net foreign exchange gains on financing activities	255	128
Other finance costs	(2)	(5)
	(834)	**(1,205)**
Finance income:		
Finance income:		
Interest income on financial assets measured at amortized cost	96	98
Other finance income	77	63
	173	**161**
Net finance costs	**(661)**	**(1,044)**

Note 26 - Income tax

The details of the account for the years ended December 31 are as follows:

29p31

	2010	2009
Current tax:		
– Current tax on profits for the year	1,408	604
– Adjustments in respect of prior years	15	-
Total current tax	**1,423**	**604**
Deferred tax:		
Origination and reversal of temporary differences	30	252
Change in valuation allowance	8	12
Total deferred tax	**38**	**264**
Income tax expense	**1,461**	**868**

DV The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities. This is mainly due to the utilization of previously unrecognized tax losses P483 (2009: P427) and expenses not deductible for tax purposes P207 (2009: P184).

29p32(a) The income tax charged/(credited) to other comprehensive income during the year is as follows:

	2010	2009
Current tax	–	–
Deferred tax	8	(5)
Total	**8**	**(5)**

29p32(e) Tax losses amounting to P74 (2009: P87) and P251 (2009: P427) expire in 2015 and 2018 respectively.

	Retirement benefit obligation	Provisions	Impairment losses	Tax losses	Total	
Deferred tax assets at January 1, 2010	64	82	33	165	344	344
Valuation allowance	–	–	–	(12)	(12)	(12)
Deferred tax asset recognized at January 1, 2010	**64**	**82**	**33**	**153**	**332**	**332**
(Charged)/credited to profit or loss	–	54	4	(92)	(34)	(34)
(Charged)/credited directly to other comprehensive income	(1)	–	–	–	(1)	(1)
Acquisition of subsidiary (Note 30)	25	–	–	–	25	25
Change in valuation allowance	–	–	–	(8)	(8)	(8)
Exchange differences	–	12	(9)	35	38	38
At December 31, 2010	**88**	**148**	**28**	**108**	**372**	**372**
Valuation allowance	–	–	–	**(20)**	**(20)**	**(20)**
Deferred tax asset recognized at December 31, 2010	**88**	**148**	**28**	**88**	**352**	**352**

29p32(d)

	Accelerated tax declaration	Fair value gains	Other	Total
Deferred tax asset recognized at January 1, 2010	**(809)**	**(81)**	**(15)**	**(905)**
(Charged)/credited to profit or loss	(43)	–	(130)	(173)
(Charged)/credited directly to other comprehensive income	(55)	(23)	–	(78)
Acquisition of subsidiary (Note 30)	–	(112)	(28)	(140)
Exchange differences	57	1	1	59
At December 31, 2010	**(850)**	**(215)**	**(172)**	**(1,237)**

Note 27 - Discontinued operations[27]

DV The group, based on a strategic assessment of the operating environment during the year, disposed the assets and liabilities relating to 'XYZ Ltd', a fruit retailer in Singapore. An analysis of the result of discontinued operations included in these financial statements is provided below:

	2010	2009
Revenue	48	72
Expenses	(35)	(55)
Profit before tax of discontinued operations	13	17
Tax	3	4
Profit after tax of discontinued operations	**10**	**13**
Profit for the year from discontinued operations	**10**	**13**

Note 28 - Contingencies

(a) Contingent liabilities

21p12
21p15 The group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for as part of provisions (Note 16).

19p12
19p20(b) In respect of the acquisition of DEF Inc on June 30, 2010 (Note 30), additional consideration of 5% of the profit after tax may be payable in cash if the acquired operations achieve sales in excess of P20,000 for 2011, up to a maximum undiscounted amount of P1,000. At the date of acquisition, it was not considered probable that these monies would be payable. They were therefore not included as consideration for the business combination. There is no change in this assessment at the year end.

(b) Contingent assets

21 p13
21p16 The group entered into an 'earn-out' agreement in connection with the disposal on July 1, 2008 of XYZ Ltd. Additional cash consideration will be payable to the group if the future performance of XYZ Ltd reaches a certain level. No gain has been recognized in the financial statements, as the amount of the earn-out is dependent on the aggregate result of XYZ Ltd for the 42-month period ending June 30, 2011.

Note 29 - Commitments

17p32 *(a) Capital commitments*

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

		2010	2009
17p32(b)	Property and equipment	360	367
16p10(d)	Investment property – contractual obligations for future repairs and maintenance	46	47
	Total	**406**	**414**

[27] Discontinued operation is defined as a component of an entity that has been disposed of (or is part of a plan to dispose of), and represents a separate major line of business or geographical area of operations.

20p16 *(b) Operating lease commitments – group company as lessee*

The group leases various retail outlets, offices and warehouses under non- cancellable operating lease agreements. The lease terms are between five and 10 years. The majority of lease agreements are renewable at the end of the lease period at market rate. The group also leases various plant and machinery under cancellable operating lease agreements. The group is required to give six-months notice for the termination of these agreements. The future minimum lease payments under non-cancellable operating leases are as follows:

	2010
No later than 1 year	1,166
Later than 1 year and no later than 5 years	4,565
Later than 5 years	1,571
Total	**7,302**

20p30 *(c) Operating lease commitments – group company as lessee*

The group leases out an office building under a long-term lease of 15 years. The lease is subject to rent reviews after 5 and 10 years. There are no renewal or purchase options in the lease.

	2010
No later than 1 year	1,869
Later than 1 year and no later than 5 years	7,784
Later than 5 years	2,906
Total	**12,559**

Note 30 - Business combinations

19p25(a)
19p25(b)
19p25(c)
19p25(d)

On June 30, 2010, ACS Corporation acquired 100% of the ordinary share capital of DEF Inc, a fruit grower and fruit juice producer for the wholesale market operating in southern Asian countries. The cost of the combination is made up as follows:

	2010
Purchase consideration:	
– Cash paid	1,405
– Direct costs relating to the acquisition	20
Total purchase consideration	**1,425**

19p25(e) The fair value of DEF Inc's the assets and liabilities as of June 30, 2010 arising from the acquisition are as follows:

	Notes	Fair value
Cash and cash equivalents		30
Trade and other receivables		–
Inventories		–
Investment in associates		39
Biological assets	10	507
Property and equipment	11	6,778
Intangibles assets other than goodwill	13	171
Licenses (included in intangibles)	13	100
Borrowings		(4,146)
Trade and other payables		(1,846)
Deferred tax liabilities	26	(140)
Employee benefit obligations:		
– Pensions		(157)
Fair value of net assets		1,336
Goodwill	13	89
Total purchase consideration		1,425
Purchase consideration settled in cash		1,425
Cash and cash equivalents in subsidiary acquired		(30)
Cash outflow on acquisition		**1,395**

DV There were no acquisitions in the year ended December 31, 2009.

Note 31 - Related-party transactions

The group is controlled by Mr. De Guzman (who is also the Managing Director). Mr. De Guzman owns 90% of the company's shares. The remaining 10% of the shares are held by the remaining directors and certain key employees.

33p9(a) The following transactions were carried out with related parties:

(a) Sales of goods

	2010	2009
Sale of goods		
– Associates	**112**	**29**

Goods are sold based on the price lists in force and terms that would be available to third parties.[28]

(b) Purchases of goods and services

	2010	2009
Purchases of goods:		
– Associates	305	306
Purchases of services:		
– An entity controlled by key management personnel	38	34
Total	**343**	**340**

[28] Management may not state that related-party transactions were made on terms equivalents to those that prevail in arm's length transactions unless such terms can be substantiated (33p13).

Goods and services are bought from associates and an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel is a consultancy firm belonging to Mr. Cabanela, a non-executive director of the company.

33p7 *(c) Key management compensation*

Key management includes the Board of Directors (executive and non-executive), all members of Group Management and the Company Secretary. The compensation paid or payable to key management for employee services during the year is P410 (2009 - P210):

33p9(b) *(d) Year-end balances arising from sales of goods and purchases of goods/services*

	Notes	2010	2009
Receivables from related parties:	8		
Associates	15	5	5
Payables to related parties:			
Associates		190	101
Entity controlled by key management personnel		30	19
Total		**220**	**120**

33p9(b)
33p9(c) The receivables from related parties are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties (2009: nil).

The payables to related parties are due two months after the date of purchase. The payables bear no interest.

33p9(b) *(e) Loans to related parties*

Loans to key management of the company (and their families):

	2010	2009
At January 1	20	17
Loans advanced during year	34	6
Loan repayments received	(5)	(3)
Interest charged	3	2
Interest received	(3)	(2)
At December 31	**49**	**20**

33p9(c) No provision has been required in 2010 and 2009 for the loans made to key management personnel and associates.

Note 32 - Events after the end of the reporting date

Equity transactions

32p10
32p11(f) On February 1, 2011, 1,200 share options were granted to directors and selected employees with an exercise price of P2.65 per share and a vesting period of two years (share price: P2.37) (expiry date: January 31, 2014).

Appendix I

Alternative policies and disclosures for areas relevant to ACS Corporation

(All amounts in Philippine Peso thousands unless otherwise stated)

16p2
Glossary

Investment property – carried at cost

Investment property is defined as property (land or a building, or part of a building, or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Note X– Accounting policies

(a) *Basis of preparation – extract*

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets and derivative financial instruments, which are carried at fair value.

16p7
17p31

(b) *Investment property*

The group owns a freehold office building that is held to earn long-term rental income and for capital appreciation. The property is not occupied by the group.

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses, as the fair value of the building cannot be reliably determined without undue cost or effort due to a lack of reliable evidence about comparable market transactions. Cost represents the historical cost of acquisition.

Depreciation of the group's investment property is calculated using the straight-line method to allocate the cost less its residual value over its estimated useful life of 40 years.

The residual value, useful life and depreciation method of the group's investment property is reviewed, and adjusted prospectively if appropriate, if there is an indication of a change since the last reporting date.

(c) *Rental income*

Rental income from investment property is recognized in profit or loss on a straight- line basis over the lease term.

Consolidated statement of financial position (extract)

	2010	2009
Assets		
Non-current assets		
Property and equipment	15,534	10,023
Investment property	630	600

(All amounts in Philippine Peso thousands unless otherwise stated)

Note X – Investment property

17p31

	2010
Cost	
At January 1	750
Additions/(Disposals)	-
At December 31	(750
Accumulated depreciation and impairment	
At January 1	(120)
Annual depreciation	(30)
At December 31	(150)
Carrying amount	
At January 1, 2010	**630**
At December 31, 2010	**600**

Note X – Capital commitments

Capital expenditure contracted for at the reporting date but not recognized in the financial statements is as follows:

		2010	2009
17p32(b)	Property and equipment	360	367
16p(d)	Investment property	70	50
	Total	**430**	**417**

(All amounts in Philippine Peso thousands unless otherwise stated)

Biological assets - cost model

Glossary Biological assets are living animals or plants.

Note X – Accounting policies

(a) Basis of preparation – extract

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and derivative financial instruments, which are carried at fair value.

(b) Biological assets

Biological assets comprise banana, mango and coconut plantation. Biological assets are carried at cost less accumulated depreciation and any accumulated impairment losses, as the fair value of these biological assets cannot be reliably determined without undue cost or effort due to the inexistence of an active market, the lack of reliable evidence about comparable market transactions and the Corporation availability of historical data about the yields of the group's banana, mango and coconut plantation. Cost represents the historic cost of acquisition.

Depreciation of biological assets is calculated using the straight-line method to allocate the cost less its residual value over its estimated useful life of:

- Banana: 10-20 years
- Coconut: 20-30 years
- Mango: 20-30 years

The residual values, useful lives and depreciation method of the group's biological assets are reviewed, and adjusted if appropriate, if there is an indication of a change since the last reporting date.

	2010	**2009**
Assets		
Non-current assets		
Property and equipment	15,534	10,023
Biological assets	1,635	1,167

Note X – Biological assets

	2010
Cost	1,250
Accumulated depreciation and impairment	(83)
Net carrying amount - January 1, 2010	1,167
Depreciation of the year	(39)
Additions	629
Cost - December 31, 2010	1,757
Accumulated depreciation and impairment	(122)
Net carrying amount - December 31, 2010	**1,635**

Investments in associates

14p8 ACS Corporation accounts for its investments in associates using the cost model.
Entities can alternatively elect to account for their investments in associates using either (a) the equity method, or (b) fair value model.

Illustrative accounting policies for these two options are included below.

(a) *Equity method*

Note X – Accounting policies

Associates

14p8 Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The group's share of results of associates is included based on the equity method of accounting. Under the equity method of accounting, the group's proportionate share of the post-acquisition profits and losses of associates is recognized in profit or loss, and its proportionate share of post-acquisition movements in reserves is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) *Fair value model*

Note X – Accounting policies

Associates

14p9, 10 Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for at fair value. The gain or loss on re-measurement to fair value at each reporting date is included in profit or loss within 'other gains/(losses) – net'. Where the associate is listed and its price is quoted in an active market, its fair value is based on the year-end bid price. For investments in unlisted associates, the fair value is determined using various valuation techniques, namely discounted cash flow analysis. The group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date.

Appendix II

Alternative policies and disclosures for areas not relevant to ACS Corporation

(All amounts in Philippine Peso thousands unless otherwise stated)

Construction contracts

Glossary A construction contract is defined by the PFRS for SMEs as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Note X – Accounting policies

Construction contracts

23p17 Contract revenue and contract costs are recognized as revenue and expenses respectively by reference to the stage of completion of contract activity at the reporting date where the outcome of the contract can be reliably determined. Reliable estimation of the outcome requires reliable estimates of the stage of completion, future costs and collectability of billings.

23p21
23p31(c) The group uses the 'percentage of completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred until the reporting date in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. Costs that relate to future activity on the transaction or contract are presented as inventories, pre-payments or other assets, depending on their nature and if it is probable that the costs will be recovered.

23p25 When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. The group recognizes contracts costs as an expense as incurred.

DV Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

DV The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

Consolidated statement of financial position (extracts)

	2010	**2009**
Current assets		
Trade and other receivables	2,330	2,059
Inventories	2,488	1,847
Current liabilities		
Trade and other payables	1,767	1,374

Consolidated statement of comprehensive income (extracts)

		2010	**2009**
23p31(a)	Contract revenue	5,812	3,921

(All amounts in Philippine Peso thousands unless otherwise stated)

Note X – Trade and other receivables (extracts)

		Note	2010	2009
	Trade receivables - net		1,621	1,327
23p32	*Amounts due from customers for contract work*		*98*	*78*
	Retentions		*23*	*13*
	Prepayments		130	115
	Receivables from related parties	31	5	5
	Loans to related parties	31	49	20
	Accrued income		404	501
	Total		**2,330**	**2,059**

Note X – Trade and other payables (extracts)

		Note	2010	2009
	Trade payables		1,098	950
23p32(b)	Amounts due to related parties	31	220	120
	Amounts due to customers for contract work		*86*	*90*
	Advances received for contract work		*14*	*36*
	Social security and other taxes		201	96
	Deferred income – government grants		50	42
	Accrued expenses		98	40
	Total		**1,767**	**1,374**

Note X – Inventories (extract)

	2010	2009
Raw materials	762	761
Work in progress (not related to construction contracts)	181	180
Finished goods	1,527	877
Costs capitalized in relation to construction contracts	*18*	*29*
Total	**2,488**	**1,847**

Joint ventures

Glossary A joint venture is defined in the PFRS for SMEs as 'a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures can take the form of jointly controlled operations, jointly controlled assets or jointly controlled entities'.

An entity preparing financial statements in accordance with the PFRS for SMEs has three accounting policy choices in relation to accounting for jointly controlled entities:

(a) Cost model
(b) Equity method
(c) Fair value model

Illustrative accounting policies for the three accounting policy options have been set out below.

(a) Cost model

Joint ventures

Glossary 15p10-12 Investments in joint ventures are accounted for at cost less any accumulated impairment losses. Dividend income from joint ventures is recognized when the group's right to receive payment has been established and is shown as 'other income'.

(b) Equity method

15p13 The group's share of results of joint ventures is included based on the equity method of accounting. Under this method, the group's proportionate share of the post-acquisition profits and losses of joint ventures is recognized in profit or loss. Its proportionate share of post-acquisition movements in reserves is recognized in 'other comprehensive income'. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Fair value model

15p14-15 Investments in joint ventures are accounted for at fair value. The gain or loss on re-measurement to fair value at each reporting date is included in profit or loss within 'other gains/(losses) – net'. Where the joint venture is listed and its price is quoted in an active market, its fair value is based on the year-end bid price. For investments in unlisted joint ventures, the fair value is determined using various valuation techniques, namely a discounted cash flow analysis. The group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date.

Non-controlling interest

(a) Consolidation – extract

22p19 The group applies a policy of treating transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity and attributed to equity holders of the parent. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Impairment

<u>Note X – Impairment</u>

27p32 During the year, ACS Corporation recognized an impairment loss of C49 (2009: nil) in relation to its goodwill. The impairment arose due to the loss of a significant customer in the group's wholesale division. This resulted in revised cash flow forecasts for the purposes of the group's impairment testing. To date, the lost business has not been replaced. Extract from information about key sources of estimation uncertainty and judgments.

Impairment

The group performed an impairment test following the loss of a significant customer in its wholesale division. An impairment loss is recognized where the carrying value of the group exceeds its estimated recoverable amount. The group determines recoverable amount on the basis of value-in-use calculations, employing a discounted cash flow calculation. Such calculations incorporate significant assumptions and areas of estimation uncertainty, such as discount rate, estimated revenue and margin, and working capital investment. The cash flows used by management are based on management-approved budgets and forecasts. Management based its assumptions on historical experience, with regard to externally published industry trend information, where available

Appendix III

Annex A Reporting in Accordance with SEC Memorandum No. 11 Series of 2008

To the Board of Directors and Shareholders of
ACS Corporation
No. 18 DCL Bldg., Dao Street
Makati City

We have audited the financial statements of **ACS Corporation** (the "Company") as of and for the year ended December 31, 2010, on which we have rendered the attached report dated **DATE OF AUDIT OPINION**. The information shown in Annex A, *Reconciliation of Retained Earnings for Dividend Declaration*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the computation and information on Annex A are in accordance with SEC Memorandum Circular No. 11 Series of 2008.

Isla Lipana and Co.

[Partner's manual signature]
Signing partner's name
Partner
CPA Cert. No. XXXXX
P.T.R. No. XXXXXXX, issued on XXXXXXX, Makati City
SEC A.N. (individual) as general auditors XXXXX
SEC A.N. (firm) as general auditors 0009-FR-2
TIN XXXXXXX
BIR A.N. XXXXXXXXXX, issued on MM/DD/YYYY; effective until MM/DD/YYYY
BOA/PRC Reg. No. 0142, effective until MM/DD/YYYY

Makati City
Date

ANNEX "A"

ACS Corporation
(All amounts in thousands Philippine Peso)

Unappropriated Retained Earnings beginning			**xxx**
Add:	**Net income actually earned/realized during the period**	xxx	
Less:	Non-actual/unrealized income net of tax		
	Equity in net income of associate/joint venture	xxx	
	Unrealized foreign exchange gain – net (except those attributable to cash and cash equivalents)	xxx	
	Unrealized actuarial gain	xxx	
	Fair value adjustment	xxx	
	Fair value adjustment of Investment property resulting to gain	xxx	
	Adjustment due to deviation from PFRS/GAAP - gain	xxx	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted under the PFRS	xxx	
Subtotal		xxx	
Add:	Non-actual losses		
	Depreciation on revaluation increment (after tax)	xxx	
	Adjustment due to deviation from PFRS/GAAP - loss	xxx	
	Loss on fair value adjustment of investment property (after tax)	xxx	
Subtotal		xxx	
Net income actually earned during the period			**xxx**
Add(Less):			
	Dividend declarations during the period	(xxx)	
	Appropriated Retained Earnings during the period	(xxx)	
	Reversals of appropriations	xxx	
	Effects of prior period adjustments	xxx	
	Treasury shares	(xxx)	xxx
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND			**xxx**