ADDITIONAL DISCLOSURES FOR COMPANIES THAT DERIVE INCOME FROM SALE OF AGRICULTURE PRODUCTS[1]

BALANCE SHEETS (Extract)

		Notes	**2006**	2005
PAS 1.51	**CURRENT ASSETS**			
PAS 1.68(g)	Inventories	6	**22,605,865**	26,899,398
PAS 1.51	**NON-CURRENT ASSETS**			
PAS 1.68(a)	Property and equipment	11	**18,698,154**	19,845,632
PAS 41.39	Biological assets	12	**12,569,123**	9,587,456

INCOME STATEMENTS (Extract)

	Notes	**2006**	2005
REVENUES			
Fair value of milk produced		**32,698,123**	28,698,154
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		**8,389,756**	5,389,784

[1] Agriculture activity is defined under PAS 28.5 as the management by an enterprise of the biological transformation of biological assets for sale into agricultural produce or into additional biological assets.

Note – COMPANY INFORMATION

D&M Company is engaged in milk production for supply to various customers. As of December 31, 2006, the Company held 419 cows able to produce milk (mature assets) and 137 heifers that are being raised to produce milk in the future (immature assets). The Company produced 157,584 kg of milk with a fair value less estimated point-of-sale costs of P518,240 (that is determined at the time of milking) in the year ended December 31, 2006.

Notes – ACCOUNTING POLICIES

Livestock and Milk

PAS 1.110 (b-c)

PAS 41.47

Livestock are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and generic merit. Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

Note – BIOLOGICAL ASSETS

	Notes	**2006**	2005
Balance at beginning of the year		**P2,960,000**	P3,457,000
Increases due to purchases		**2,625,000**	1,535,000
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes [2]		**153,000**	144,000
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes[3]		**240,000**	258,000
Decreases due to sales		**(1,318,000)**	(2,434,000)
Balance at end of the year		**P 4,660,000**	P 2,960,000

[2] Separating the increase in fadir value less estimated point-of-sale costs between the portion attributable to physical changes and the portion attributable to price changes is encouraged but not required by PAS 40.

[3] See footnote 2 above.