



2010-05-31

Corporations Canada  
9th floor, Jean Edmonds Towers South  
365 Laurier Avenue West  
Ottawa, Ontario K1A 0C8

Corporations Canada  
9e étage, Tour Jean Edmonds sud  
365, avenue Laurier ouest  
Ottawa (Ontario) K1A 0C8

## Corporation Information Sheet

*Canada Business Corporations Act (CBCA)*

## Fiche de renseignements concernant la société

*Loi canadienne sur les sociétés par actions (LCSA)*

### TGEG Canada Limited

Corporation Number	756348-5	Numéro de société
Corporation Key Required for changes of address or directors online	41014507	Clé de société Requise pour mettre à jour en ligne l'adresse du siège social ou l'information concernant les administrateurs
Anniversary Date Required to file annual return	05-29 (mm-dd/mm-jj)	Date anniversaire Requise pour le dépôt du rapport annuel
Annual Return Filing Period Starting in 2011	05-29 to/au 07-28 (mm-dd/mm-jj)	Période pour déposer le rapport annuel Débutant en 2011

#### Reporting Obligations

A corporation can be dissolved if it defaults in filing a document required by the CBCA. To understand the corporation's reporting obligations, consult **Keeping Your Corporation in Good Standing** (enclosed or available on our website).

#### Obligations de déclaration

Une société peut être dissoute si elle omet de déposer un document requis par la LCSA. Pour connaître les obligations de déclaration de la société veuillez consulter la brochure **Maintenir votre société en conformité**, ci-jointe ou disponible dans notre site Web.

#### Corporate Name

Where a name has been approved, be aware that the corporation assumes full responsibility for any risk of confusion with existing business names and trademarks (including those set out in the NUANS<sup>®</sup> search report). The corporation may be required to change its name in the event that representations are made to Corporations Canada and it is established that confusion is likely to occur. Also note that any name granted is subject to the laws of the jurisdiction where the corporation carries on business. For additional information, consult **Protecting Your Corporate Name** (enclosed or available on our website).

#### Dénomination sociale

En dépit du fait que Corporations Canada ait approuvé la dénomination sociale, il faut savoir que la société assume toute responsabilité de risque de confusion avec toutes dénominations commerciales, marques de commerce existantes (y compris celles qui sont citées dans le rapport de recherche NUANS<sup>MD</sup>). La société devra peut-être changer sa dénomination advenant le cas où des représentations soient faites auprès de Corporations Canada établissant qu'il existe une probabilité de confusion. Il faut aussi noter que toute dénomination octroyée est assujettie aux lois de l'autorité législative où la société mène ses activités. Pour obtenir de l'information supplémentaire, veuillez consulter le document **Protection de la dénomination sociale** ci-joint ou disponible dans notre site Web.



## Certificate of Incorporation

*Canada Business Corporations Act*

## Certificat de constitution

*Loi canadienne sur les sociétés par actions*

TGEG Canada Limited

Corporate name / Dénomination sociale

756348-5

Corporation number / Numéro de société

I HEREBY CERTIFY that the above-named corporation, the articles of incorporation of which are attached, is incorporated under the *Canada Business Corporations Act*.

JE CERTIFIE que la société susmentionnée, dont les statuts constitutifs sont joints, est constituée en vertu de la *Loi canadienne sur les sociétés par actions*.

Aïssa Aomari

Deputy Director / Directeur adjoint

2010-05-29

Date of Incorporation (YYYY-MM-DD)

Date de constitution (AAAA-MM-JJ)



- 1 Corporate name  
Dénomination sociale  
**TGEG Canada Limited**
- 2 The province or territory in Canada where the registered office is situated  
La province ou le territoire au Canada où est situé le siège social  
**ON**
- 3 The classes and any maximum number of shares that the corporation is authorized to issue  
Catégories et le nombre maximal d'actions que la société est autorisée à émettre  
**The corporation is authorized to issue an unlimited number of common shares.**
- 4 Restrictions on share transfers  
Restrictions sur le transfert des actions  
**None**
- 5 Minimum and maximum number of directors  
Nombre minimal et maximal d'administrateurs  
**Min. 1      Max. 10**
- 6 Restrictions on the business the corporation may carry on  
Limites imposées à l'activité commerciale de la société  
**None**
- 7 Other Provisions  
Autres dispositions  
**None**
- 8 **Incorporator's Declaration:** I hereby certify that I am authorized to sign and submit this form.  
**Déclaration des fondateurs :** J'atteste que je suis autorisé à signer et à soumettre le présent formulaire.

Jim Adams

601 Beresford Ave, Toronto ON  
M6S 3C2, Canada

Original signed by / Original signé par  
Jim Adams

\_\_\_\_\_  
Jim Adams

**Note:** Misrepresentation constitutes an offence and, on summary conviction, a person is liable to a fine not exceeding \$5000 or to imprisonment for a term not exceeding six months or both (subsection 250(1) of the CBCA).

**Nota :** Faire une fausse déclaration constitue une infraction et son auteur, sur déclaration de culpabilité par procédure sommaire, est passible d'une amende maximale de 5 000 \$ ou d'un emprisonnement maximal de six mois, ou de ces deux peines (paragraphe 250(1) de la LCSA).



**Initial Registered Office Address and First Board of Directors**

**Siège social initial et premier conseil d'administration**

*Canada Business Corporations Act (CBCA) (s. 19 and 106)*

*Loi canadienne sur les sociétés par actions (LCSA) (art. 19 et 106)*

1 Corporate name / Dénomination sociale  
**TGEG Canada Limited**

2 Address of registered office / Adresse du siège social  
**2 Temperance St  
 Suite 210B  
 Toronto ON M5H 1Y5**

3 Additional address / Autre adresse

4 Members of the board of directors / Membres du conseil d'administration		Resident Canadian / Résident Canadien
Lorraine Hoyle	2-2216 UPPER MIDDLE RD, Burlington ON L7P 2Z9, Canada	Yes / Oui
Che M Carson	Unit 5 - Arcade 1 - Philexcel Bus. Park, Clark Freeport Zone, Pampanga 2009, Philippines	No / Non
Ronald Flynn	Unit 1F-7 Philexcel Bus. Center 6 Philexcel Bus. Park M. Roxas Hwy, Clark Freeport Zone, Philippines	No / Non

5 Declaration: I certify that I have relevant knowledge and that I am authorized to sign this form.  
 Déclaration : J'atteste que je possède une connaissance suffisante et que je suis autorisé(e) à signer le présent formulaire.

Original signed by / Original signé par  
**Jim Adams**

**Jim Adams**  
**416-769-3185**

**Note:** Misrepresentation constitutes an offence and, on summary conviction, a person is liable to a fine not exceeding \$5000 or to imprisonment for a term not exceeding six months or both (subsection 250(1) of the CBCA).

**Nota :** Faire une fausse déclaration constitue une infraction et son auteur, sur déclaration de culpabilité par procédure sommaire, est passible d'une amende maximale de 5 000 \$ ou d'un emprisonnement maximal de six mois, ou de ces deux peines (paragraphe 250(1) de la LCSA).

Request number : **CKFABGFFAA18531**  
 Submission : **2010-06-01 06:59:47**  
 Last updated : **2010-06-02 11:00:12**  
 Request status : **COMPLETED**  
 Item ID : **AA1**  
 Item status : **COMPLETED**

## EQUITY

Issuer legal name (English): **TGEG CANADA LIMITED**  
 Issuer legal name (French):  
 Issue description:   
 See Help for issue description abbreviations  
 Instrument type: \*   
 Corporate action: \*  Old name(s):   
 Expiry date (yyyy-mm-dd):  -  -  Month (mm) and day (dd) are optional.  
 Restriction: \*  Other:   
 Anticipated issue/Closing date (yyyy-mm-dd):

### Required documentation

File type:   
 File name:

Attach PDF files only.

#	Document type	File name
1	FINAL PROSPECTUS	TGEG Canada Offering Memorandum.pdf
2	ARTICLES OF AMENDMENT	tGEG Canada Incorporation papers.pdf
3	OTHER	tgegandsbonsolidatedfs.pdf

### Request summary

ISIN: \*   
 CUSIP: \*   
 Issue/Closing date (yyyy-mm-dd): \*   
 Document: [Display the report](#)

### Comments

Date/Time	Added by	Comment type	Comments
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## Certificate of Compliance

*Canada Business Corporations Act*  
s. 263.1

## Certificat de conformité

*Loi canadienne sur les sociétés par actions*  
art. 263.1

TGEG Canada Limited

Corporate name / Dénomination sociale

756348-5

Corporation number / Numéro de société

I HEREBY CERTIFY that the corporation  
named above:

- exists under the *Canada Business Corporations Act*;
- has filed the required annual returns; and
- has paid all prescribed fees required.

JE CERTIFIE, par la présente, que la société ci-  
dessus mentionnée :

- existe en vertu de la *Loi canadienne sur les sociétés par actions*;
- a déposé les rapports annuels exigés; et
- a acquitté les droits prescrits.

Aïssa Aomari

Deputy Director / Directeur adjoint

2010-12-21

Issuance date (YYYY-MM-DD)  
Date d'émission (AAAA-MM-JJ)

SEC Number \_\_\_\_\_  
File Number \_\_\_\_\_

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**TRUE GREEN ENERGY GROUP CORPORATION  
AND SPECTRUM BLUE STEEL CORPORATION**  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
-----

(Group's Full Name)

**Unit 5, 7 & 8 Business Arcade 1, Philexcel Business Park,  
M. Roxas Highway, Clark Freeport Zone  
Philippines**

-----  
(Group's Address)

(045) 499-1307

-----  
(Telephone Number)

**December 2009**

-----  
(Calendar Year Ended)

-----  
Form Type

-----  
Amendment Designation (if applicable)

**December 31, 2009**

-----  
Period Ended Date

-----  
(Secondary License Type and File Number)

**TRUE GREEN ENERGY GROUP CORPORATION  
AND SPECTRUM BLUE STEEL CORPORATION**

CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Equity holders  
True Green Energy Group Corporation Unit 5,  
7 & 8 Business Arcade 1, Philexcel Business  
Park, M. Roxas Highway, Clark Freeport  
Zone, Philippines

We have audited the accompanying consolidated financial statements of True Green Energy Group Corporation and Spectrum Blue Steel Corporation which comprise the consolidated statement of financial position as of December 31, 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial positions of True Green Energy Group Corporation and Spectrum Blue Steel Corporation as of December 31, 2009, and of its financial performance and its cash flows for the year ended in accordance with Philippine Financial Reporting Standards.

SISON CORILLO PARONE & CO.

Neil U. Sison  
Partner  
CPA Certificate No. 89997  
SEC Accreditation No. 0732-A  
Tax Identification No. 163257522  
Tax Accreditation No. 07-001784-1-2007  
PTR No. 3021618, February 9, 2010, Pasig City

April 25, 2010

**TRUE GREEN ENERGY GROUP CORPORATION AND SPECTRUM BLUE  
STEEL CORPORATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**December 31, 2009**

*Amounts in Philippine Peso*

**ASSETS**

**Current Assets**

Cash (Note 6)	= P101, 505
Receivables (Note 7)	38, 887, 264
Prepayments and other current assets (Note 8)	1, 385, 275
	<hr/>
	40, 374, 044

**Noncurrent Assets**

Property and equipment – net (Note 9)	20, 671, 502
Other assets (Note 10)	627, 057
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	21, 298, 559

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**= P61, 672, 603**

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**LIABILITIES AND PARTNERS' CAPITAL**

**Current Liability**

Accrued expenses and other payables (Note 11)	1, 153, 999
Advances from related party (Note 12)	107, 662, 593
	<hr/>
	108, 816, 592

**Equity** (Note 14) **(47, 143, 989)**

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**= P61, 672, 603**

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*See accompanying Notes.*

**TRUE GREEN ENERGY GROUP CORPORATION AND SPECTRUM BLUE  
STEEL CORPORATION**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**

**For Ten months ended December 31, 2009**

*Amounts in Philippine Peso*

**Expenses**

Commission (Note 15)	= P19, 513, 600
Losses	10, 575, 000
Salaries and allowances	7, 169, 820
Transportation and travel	3, 438, 357
Management and consultancy fee	1, 458, 204
Rentals (Note 13)	1, 004, 704
Communication, light and water	935, 090
Supplies	399, 075
Professional and legal fees	386, 000
Dues and subscriptions	332, 024
Depreciation (Note 9)	314, 975
Outside services	94, 714
Repairs and maintenance	84, 191
Amortization expense	38, 333
Taxes and licenses	26, 700
Insurance	6, 351
Miscellaneous	258, 281

**LOSS** (46, 035, 419)

**OTHER COMPREHENSIVE INCOME (LOSS)**

**TOTAL COMPREHENSIVE LOSS FOR THE YEAR** (= P46, 035, 419)

*See accompanying Notes.*

**TRUE GREEN ENERGY GROUP CORPORATION AND SPECTRUM BLUE  
STEEL CORPORATION**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**December 31, 2009**

*Amounts in Philippine Peso*

	<b>Contributed Capital</b> (Note 14)	<b>Accumulated deficit</b>	<b>Total</b>
<b>Balances as of December 31, 2008</b>	= P62, 500	(= P1,271, 070)	<b>(= P1, 208, 570)</b>
<b>Issuance of shares of stock</b>	137, 500	--	<b>137, 500</b>
<b>Acquisition of subsidiary shares of patent company</b>	(37, 500)	--	<b>(37, 500)</b>
<b>Total comprehensive loss for the year</b>	--	(46, 035, 419)	<b>(46, 035, 419)</b>
<b>Balances as of December 31, 2009</b>	= P162, 500	(= P47, 306, 489)	<b>(= P47,143, 989)</b>

*Balances as of December 31, 2008 pertains to subsidiary records which started its pre-operating activities in 2008.*

*See accompanying Notes.*

**TRUE GREEN ENERGY GROUP CORPORATION AND SPECTRUM BLUE  
STEEL CORPORATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For Ten months ended December 31, 2009**

*Amounts in Philippine Peso*

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	(= P46,035,419)
Adjustments for:	
Depreciation expense	314,975
Operating loss before working capital changes	(45,720,444)
Increase in receivables	(38,887,264)
Increase in prepayments and other assets	(1,281,776)
Increase in accrued expense and other payables	1,153,999

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**NET CASH USED IN OPERATING ACTIVITIES** (84,735,485)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Acquisition of property and equipment	(20,731,028)
Increase in other assets	(627,057)

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**NET CASH USED IN FINANCING ACTIVITIES** (21,358,085)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Issuance of capital stock	100,000
Increase in advances from related parties	106,095,075

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**NET CASH PROVIDED BY INVESTING ACTIVITIES** 106,195,075

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**CASH AT END OF YEAR** = P101,505

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*See accompanying Notes.*

# TRUE GREEN ENERGY GROUP CORPORATION

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## NOTES

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### 1. Corporate Information

True Green Energy Group Corporation (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 2009. The Group's registered office, which is also its principal place of business, is located at Units 5, 7 & 8 Business Arcade 1, Philexcel Business Park, M. Roxas Highway, Clark Freeport Zone, Philippines.

The purposes of the Parent Company and its subsidiary (the Group) as amended on December 7, 2009, are as follows:

- to establish, create, and operate machineries, carry on, and maintain an institution which will generate energy development thru biosphere out of waste materials, for the enhancement of clean and healthy environment, beneficial to the general public.,
- to do everything necessary, suitable and proper for the accomplishment of any of the purposes, or, the attainment of any of the objects, or furtherance of the powers herein out of or set forth, either alone or in association with other corporations, firms or individuals appurtenant to, or growing or, connected with the aforesaid endeavor or any part or parts thereof, provided however, that the same is not inconsistent with the laws under which this corporation is organized; and
- to acquire by purchase, lease or otherwise, lands and interests in lands, buildings and edifices, and to own, hold and improve, develop and manage any real estate or interests therein or buildings or interest in such building or edifices, and such equipments and machineries, so acquired here or abroad for the use of the corporation for the purpose for which it is established.

As of December 31, 2009, the Group has capital deficiency resulting from pre-operating costs incurred amounting to ₱46 million. The Group's management believes that it will be recovered once its projects started its commercial operation. At the end of the current year, construction of San Fernando Gasification Facility is on-going already and expected to operate within next year. This project is expected to give the company a US\$1.5 million net profit yearly (see Note 13).

As of the financial date, the Parent Company has not yet started its commercial operations.

The Parent Company has a total of one hundred four (104) employees as of December 31, 2009

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### 2. Basis of Preparation

#### Basis of Preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated.

#### Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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### 3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years except as follows:

- Amendments to PAS 1, *Presentation of Financial Statements*

The amendments to PAS 1 are effective beginning January 1, 2009. The content in the statement of changes in Equity has been reduced to only prior period adjustments and owner changes.

In addition, the amendments to PAS 1 provide for the introduction of a new statement of comprehensive income that includes all comprehensive income. This includes the period profit or loss, as well as other comprehensive income such as gains on revaluation or foreign exchange gains and losses. Under the previous PAS 1, these amounts were presented in the statement of Changes in Equity. Entities can choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. The Group has elected to present a single statement of comprehensive income.

- Amendment to PAS 23, *Borrowing Costs*

The amendments to PAS 23 are effective beginning January 1, 2009. This standard removes the choice of accounting policy for borrowing costs available under the previous version of the standard. Entities are now required to capitalize all borrowing costs relating to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

This amendment has no significant impact to the Group, as the Group has no borrowing costs.

- Amendments to PFRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

These amendments are effective beginning January 1, 2009. The amended Standards require additional disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value measurements is now required, as well as significant transfer between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

The amendments to this standard have no significant impact on the financial statements.

- PFRS 8, *Operating Segments*

This standard is effective beginning January 1, 2009. This standard uses a 'managerial approach' to identify operating segments. The information reported would be that which managements uses internally for evaluating the performance of operating segments and allocating resources to those segments.

The amendment has no significant impact to the Group, as the Group has no operating segments.

The following Philippine interpretations amendments to Philippine Accounting Standard, amendments to Philippine Financial Reporting Standard, and amendment to Philippine Interpretation and Standard which are already effective did not have a significant impact on the financial statements of the Group:

- Amendment to Philippine Interpretation IFRIC 9, *Remeasurement of embedded and Derivatives* and PAS 39. *financial Instruments: Recognition and Measurement – Embedded Derivatives*
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 14, Pas 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

Future Changes in Accounting policies

The Group has not applied the following new and amended PFRS and Philippine Interpretation which are not yet effective for the year ended 2009. The following new and amended PFRS and Philippine Interpretation will not significantly impact the financial statement:

Effective in 2010 for adoption in calendar year ending December 31, 2010

- PFRS for SMEs  
Many of the principles in full Philippine Financial Reporting Standards (PFRS) for recognizing and measuring assets, liabilities, income and expenses have been simplified under *PFRS for SMEs*. The topics that are not relevant to small and medium entities (SMEs) have been omitted, and the required disclosures have been significantly reduced.

*PFRS for SMEs* includes transition rules that set out all transitional requirements, mandatory exceptions and optional exceptions available on the first-time adoption of the standard. The transition rules are based on the requirement of PFRS 1 *First-time Adoption of International Financial Reporting Standards* but, in certain cases, the standard has been designed to make the transition rules simpler to apply. An entity can be a first-time adopter of the PFRS for SMEs only once. Therefore it cannot benefit more than once from the special measurement and recognition exceptions and exemptions available on first-time adoption of PFRS for SMEs.

*PFRS for SMEs* shall cover corporations that:

- a. Have total assets of between P3 Million and P350 Million or total liabilities of between P3 Million and P250 Million;
- b. Are not required to file financial statements under SRC Rule 68.1;
- c. Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market;
- d. Are not holders of secondary licenses issues by a regulatory agency, such as banks, investment houses, finance companies, insurance companies, securities broker/dealers, mutual funds and pre-need companies; and
- e. Are not public utilities.

As of December 31, 2009, the Group is assessing the impact of adopting the new PFRS for SMEs.

- Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements*

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

The amendment has no significant impact to the Group, as the Group is not involved in any similar transaction.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

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

The Group has not entered into transactions involving hedges and as such the amendment is unlikely to impact the financial statements of the Group.

- Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners*  
This Interpretation covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners.

The two types of distribution are:

- a. distributions on non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS, 3 ownership interest in another entity or disposal groups as defined in PFRS 5); and
- b. distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

- *Philippine Interpretation IFRIC 18, Transfers of Assets from Customers*  
This Interpretation covers accounting for transfers of items of property plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both.

The amendment has no significant impact to the Group, as the Group is not involved in any similar transaction.

#### *Improvements to PFRSs*

In April 2009, the IASB issued its second omnibus of amendments to certain standards. The improvements have no significant impact to the Group, unless otherwise stated. Below are the separate transitional provisions for each standard:

#### *PFRS 2, Share-based Payment*

- The contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3 (as revised in 2008)

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

- Clarifies that the disclosures required in respect of non-current assets or disposal groups classified as a held for sale or discontinued operations are only those set out in PFRS 5.
- The disclosure requirements of other PFRS only apply if specifically required for such non-current assets or discontinued operations.
- Also clarifies that the general requirements of PAS 1 still apply, particularly paragraphs 15 (to achieve a fair presentation ) and 125 (sources of estimation uncertainty) of PAS 1.

#### *PFRS 8, Segment Reporting*

- Segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

#### *PAS 1, Presentation of Financial Statements*

- The terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

#### *PAS 7, Statement of Cash Flow Statement*

- Explicitly states that only expenditure that results in a recognized asset can be classified as cash flow from investing activities.

#### *PAS 17, Leases*

- Removes the specific guidance on classifying land as a lease so that only the general guidance remains.

PAS 18, *Revenue*

- The IASB has added guidance (which accompanies the Standard) to determine whether entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:
  - Has primary responsibility for providing the goods or service;
  - Has inventory risk;
  - Has discretion in establishing prices;
  - Bears the credit risk.

PAS 36, *Impairment of Assets*

- Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as define in PFRS 8 before aggregation for reporting purposes.

PAS 38, *Intangible Assets*

- If an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives.
- The valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

PAS 39, *Financial Instruments: Recognition and Measurement*

- A prepayment option is considered closely related to the host contract when the exercise price of a payment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
- The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquire at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
- Gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

Effective in 2012

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

The improvement has no significant impact the Group, as the Group is not involved in any similar transaction.

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#### 4. Significant Accounting Policies

##### Cash

Cash includes cash in bank and in hand.

##### Financial Assets and Financial Liabilities

###### *Date of recognition*

The Group recognizes a financial asset or financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

###### *Initial recognition of financial instruments*

Financial assets within the scope of PAS 39 are classified as either financial assets at fair value through profit or loss, loans, and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Financial liabilities, on the other hand, are classified as either financial liability at fair value through profit or loss or other liability.

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit and loss. Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

###### *Financial assets or financial liabilities at fair value through profit or loss*

Financial assets or financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis, or
- The assets and liabilities are part of a Group of financial assets and financial liabilities, respectively, or both financial assets and financial liabilities, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in trading gain - net on financial assets and financial liabilities designated at fair value through profit or loss. Interest earned is recorded in interest income, while dividend income is recorded in other income according to the terms of the contract, or when the right of the payment has been established. Interest incurred is recorded in interest expense.

The Group has not designated any financial asset or financial liability as at fair value through profit or loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at cost or amortized cost in the statement of the financial position. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve months from the balance sheet date. Otherwise, these are classified as noncurrent assets. Classified as loans and receivables are the Group's other receivable.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the statement of the financial position. Amortization is determined using the effective interest rate method. Assets under this category are classified as current assets if maturity is within 12 months from the statement of the financial position date and noncurrent assets if maturity is more than a year.

The Group has not designated any financial asset as held-to-maturity.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the statement of the financial position. Changes in the fair value of investments classified as available-for-sale financial assets are recognized in equity, except for the foreign exchange fluctuations on available-for-sale debt securities and the related effective interest which are taken directly to the statement of comprehensive income. These changes in fair values are recognized in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in the statement of comprehensive income.

The Group has not designated any financial asset as available for sale.

*Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as fair value through profit or loss upon the inception of the liability. These include liabilities arising from operations (e.g., payables, accruals).

The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

#### Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transactions.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value technique, comparison to similar instruments for which market observable prices exist and other relevant valuation models

#### Day 1 profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the statement of comprehensive income.

In cases where variables used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

#### Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

#### Derecognition of Financial Assets and liabilities

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

- a. the rights to receive cash flows from the asset have expired;
- b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- c. transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred the rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

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

#### Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial or group of financial assets is impaired.

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

#### *Loans and receivables*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If it is assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial asset is collectively assessed for impairment loss. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance for impairment loss account. The amount of the loss shall be recognized in the statement of income.

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of an item of property and equipment includes its purchase price and any cost attributable in bringing the asset to the intended location and working condition. Cost also includes interest and other charges on borrowed funds used to finance the acquisition or construction of property and equipment to the extent incurred during the period of construction and installation.

Expenditures incurred after the fixed assets have been put into operation such as repairs and maintenance are normally recognized as expense in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted to an increase in the future economic benefits expected to be obtained from the use of an item property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

The useful life and depreciation method are reviewed and adjusted, if appropriate, at each financial year-end to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in statement of comprehensive income in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed and adjusted, if appropriate, at each financial year-end.

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

	Years
Office equipment	3 - 5
Furniture and fixtures	3 - 5
Leasehold improvement	3 - 5
Computer and software	3 - 5

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

An assets' recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use net selling price and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from the other assets or group of assets.

Where the carrying amount of an asset exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased, if any such indication exists, the Group makes an estimates of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the assets is increased to the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the assets in prior years.

The following criteria are being applied in assessing impairment of specific assets:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

#### Contingencies

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

#### Income Tax

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the date of statement of financial position.

#### Equity

Capital stock is determined using the nominal value of shares that have been issued.

Accumulated earnings (losses) include all the current and prior period results as disclosed in the statement of comprehensive income.

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- d. there is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the assessment for any scenarios above, and at the date of renewal or extension period for the second scenario.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based the terms of the leased contract

### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial position date. All differences are taken to the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with the statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at that date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### Related Parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled by or are under common control with the Group are also considered related parties.

### Subsequent Events

Any post year-end event up to the date of approval of the Board of Directors (BOD) of the financial statements that provides additional information about the Group's position at the financial position date (adjusting event) is reflected in the financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the financial statements, when material.

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## 5. Significant Accounting Judgments and Estimates

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

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

### Judgments

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

#### *Classification of financial instruments*

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### *Determination of fair values of financial instruments*

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting judgment and estimates. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates vitality rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity

Where the fair value of certain financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable market data where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and vitality for longer dated derivatives. The fair values of the Group's derivative financial instruments are based from quotes obtained from counterparties.

*Determination of Functional currency*

PAS 21, *the effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following:

- a. The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- b. The currency in which funds from financing activities are generated; and
- c. The currency in which receipts from operating activities are usually retained

Estimates

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

*Estimating impairment of due from related parties*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delays in payment.

Where there is objective evidence of impairment, the amount and timing of future cash flow are estimated based on age and status of the financial asset, as well as on historical loss experience. Allowance for impairment loss is provided when management believes that the balance cannot be collected or realized after exhausting all efforts and courses of actions.

No provision for impairment of due from related parties was recorded by the Group in 2009. As of December 31, 2009, due from related parties balance amounted to P33.25 million (see Note 7).

*Estimated useful life of property and equipment*

The Group estimated the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The estimated useful life of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful life of property and equipment would increase depreciation expense and decrease noncurrent assets.

As of December 31, 2009, the balances of the Group's depreciable property, and equipment amounted to P20,671,502 (see Note 9).

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6. **Cash**

This account consists of:

Cash in banks	<b>P85,005</b>
Revolving fund	<b>16,500</b>
	<hr/> <b>P101,505</b> <hr/>

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**7. Receivables**

This account consists of:

Advances to related parties (Note 12)	<b>₱33,251,794</b>
Advances to suppliers and subcontractor	<b>4,252,635</b>
Advances to officers and employees	<b>1,056,100</b>
Others	<b>326,735</b>
	<b>₱38,887,264</b>

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Advances to related parties are usually collectible as the need for cash arises.

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**8. Prepayments and Other Current Assets**

This account consists of:

Prepaid rent	<b>₱819,344</b>
Input tax	<b>565,931</b>
	<b>₱1,385,275</b>

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**9. Property and equipment - net**

This account consists of:

	Office equipment and computer software	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
<b>Cost</b>					
At December 31, 2008	₱263,150	₱16,867	₱-	₱-	₱280,017
Acquisitions	1,537,077	1,220,989	396,313	17,576,649	20,731,028
At December 31, 2009	<b>₱1,800,227</b>	<b>₱1,237,856</b>	<b>₱396,313</b>	<b>₱17,576,649</b>	<b>₱21,011,045</b>
<b>Accumulated depreciation and amortization</b>					
At December 31, 2008	₱23,527	₱1,041	₱-	₱-	₱24,568
Depreciation for the year	201,117	92,882	20,976	-	314,975
At December 31, 2009	<b>₱224,644</b>	<b>₱93,923</b>	<b>₱20,976</b>	<b>₱-</b>	<b>₱339,543</b>
<b>Net book value at December 31, 2009</b>	<b>₱1,575,583</b>	<b>₱1,143,933</b>	<b>₱375,337</b>	<b>₱17,576,649</b>	<b>₱20,671,502</b>

Balances as of December 31, 2008 were taken from subsidiary records which started its pre-operating activities in 2008.

Constructions in progress consist mostly of cost incurred for the preparation and construction of Biosphere Gasification Facility at Brgy. Lara, San Fernando City.

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**10. Other Assets**

This account consists of:

Security deposits	<b>₱390,390</b>
Marketing leads – net	<b>236,667</b>
	<b>₱627,057</b>

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### 11. Accrued Expense and Other Payables

This account consists of:

Accrued expense	<b>₱643,740</b>
Others	<b>510,259</b>
	<b>₱1,153,999</b>

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Accrued expenses are normally settled within 30 – 60 days term.

Other payables pertain to subscription payables and other payables.

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### 12. Related party transactions

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Related party transactions are made under the normal course of business. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence.

In the regular course of business, the Group's significant transactions with the related party consist principally of:

- a. The Group obtained unsecured non-interest bearing cash advances from SBS London, the Ultimate Parent and TGEN London, an affiliate, amounting to ₱102.66 million and ₱5 million, respectively, as of December 31, 2009, for capital and operating expenditures. These advances have no definite repayment period and are presented as "Advances from related parties" in the liabilities section of the statement of financial position.
- b. The Group made advances to True Green Energy Group - USA, an affiliate, and a stockholder amounting to ₱15,626,277 and ₱17,625,517, respectively, for operating expenditures, these advances is presented in statements of financial position under caption "Receivables".

The effects of the foregoing transactions are shown under the appropriate accounts in the financial statements.

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### 13. Commitments and Contingencies

#### Lease Commitments

The Company has existing lease contracts for office and staff houses, which are renewable upon agreement in writing between the parties ranging from one (1) to three (3) years. Total rent expense for the year ended December 31, 2009 amounted to ₱1 million. The future minimum rentals payable under no cancellable operating lease agreements follow:

Within one (1) year	<b>₱1,250,145</b>
After one (1) year but not more than five (5) years	<b>1,596,760</b>
	<b>₱2,846,905</b>

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Contract with Biosphere Development Corporation

On July 28, 2009, the Group entered into a sales and purchase agreement with Biosphere Development Corporation (BDC), whereby, BDC will supply Biosphere Process System for San Fernando project for a total contract price of US\$13.5 million. This amount is payable on installment until completion of fabrication and installation of the system. As of December 31, 2009, the Group has advanced a total amount of US\$25,000 (P1.2 million). This amount is presented under caption "Receivables" (Note 7).

Contract with the City of San Fernando, Pampanga

On August 17, 2009, the Group entered into a 25-years Public and Private Partnership Agreement (P & PPA) – a joint venture project - with the City of San Fernando for the development, installation, deployment and management, operation and maintenance of a 10 MW Biosphere Gasification Facility within the jurisdiction of the City of San Fernando, Pampanga. As of December 31, 2009, the Group incurred a total amount of P17.5 million for the construction, research and management fees. This amount is presented under caption Property and equipment "Construction in Progress".

Proposed Joint Venture Agreement

Aside from San Fernando City, City of Manila, Province of Laguna, Province of Nueva Ecija, Municipality of Naga, City of Dumaguete, and City of Santa Rosa were identified also as future joint venture partner for Biosphere Gasification project. As of December 31, 2009, initial meetings were attended already by the Group's management and the formal joint venture agreement for every project are expected to be finalized by the first quarter of next year.

Contingencies

In connection with the San Fernando Biosphere Gasification Facility project, on November 9, 2009, the Group entered into contract with Saint J's Builders for the construction of perimeter fence and access road to project site. The agreed contract price for this project amounted to P10.1 million subject to 30% down payment for mobilization and the remaining balance is payable in progress billing basis. As of December 31, 2009, the down payment paid by the Group amounting to P3 million was presented under receivables as advances to contractors.

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#### 14. Equity

The Group considers its total stocks issued and outstanding as capital. As of December 31, 2009, the Group's share issued and outstanding amounted to P162,500. The details of the Group's stocks follow:

Authorized shares	<b>20,000</b>
Par value per share	<b>P100</b>
Issued shares:	
Balance at beginning of year	<b>625</b>
Issuance of common shares of stock during the year	<b>1,375</b>
Acquisition of shares of parent company to subsidiary	<b>(375)</b>
Balance at the end of year	<b>1,625</b>
Share capital	<b>P162,500</b>

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided to total capital. The Group includes within gross debt all interest-bearing loans and borrowings, while capital represents total stocks issued and outstanding. Following is a computation of the Group's debt-to-capital ratio as of December 31, 2009.

(a) Short-term debt	<b>P108,816,592</b>
(b) Capital	<b>P162,500</b>
(c) Debt-to-capital ratio (a/b)	<b>700:1</b>

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#### 15. Commission

The Group entered into an offshore service agreement whereby, the Group utilized the service of foreign marketing professionals to facilitate the opening and closing of deals with the foreign investors. The marketing professionals were paid thru commission basis.

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#### 16. Losses

This account represents payments made by the Group for the set-up of satellite office in United States to facilitate the sourcing of investors. Subsequently, the satellite office was closed due to circumstances beyond control.

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#### 17. Financial Risk Management Objectives and Policies

The Group principal financial instruments comprise cash, financial assets at FVPL and other borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations.

The BOD of the Group reviews and approves policies for managing each of these risks and they are summarized below, together with the related risk management structure.

##### Risk management Structure

The BOD of the Group is ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

##### Risk Management Policies

The main risks arising from the use of financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group policies for managing the aforementioned risks are summarized below.

*Credit risk*

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification and approval procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group is not exposed to significant concentrations of credit risk.

The table below shows the gross maximum exposure to credit risk of the Group as of December 31, 2009, without considering the effects of collaterals and other credit risk mitigation techniques.

a. Credit risk exposure

Cash (Note 6)	<b>₱101,505</b>
Receivables (Note 7)	
Due from related parties	<b>33,251,794</b>
Advances to suppliers and subcontractors	<b>4,252,635</b>
Advances to officers and employees	<b>1,056,100</b>
Others	<b>326,735</b>
	<b>₱38,988,769</b>

b. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of December 31, 2009, gross of allowance for impairment losses:

	2009				Total
	Neither Past Due Nor Impaired			Past Due or Individually Impaired	
	High Grade	Standard Grade	Substandard Grade		
<b>Loans and receivables:</b>					
Cash					
(excluding cash on hand)	<b>₱101,505</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱101,505</b>
Receivables (Note 7):					
Due from related parties	-	33,251,794	-	-	33,251,794
Advances to suppliers and subcontractor	-	4,252,635	-	-	4,252,635
Advances to officers and employees	-	1,056,100	-	-	1,056,100
Others	-	326,735	-	-	326,735
<b>Total loans and receivables</b>	<b>₱101,505</b>	<b>₱38,887,264</b>	<b>₱-</b>	<b>₱-</b>	<b>₱38,988,769</b>

High grade cash and cash equivalents are working cash fund placed, invested, or deposited in foreign and local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability.

Other high grade accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. The accounts are typically impaired as the counterparties generally respond to credit actions and update their payments accordingly. Substandard grade accounts have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

*Liquidity risk*

Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Group manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Group intends to use internally generated funds and proceed from debt.

The following table summarizes the maturity profile of the Group's financial liabilities as of December 31, 2009 based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitment. The analysis into relevant maturity group is based on the remaining period at the end of the reporting period to the contractual maturity dates. Balances due within six (6) months equal their carrying amounts, as the impact of discounting is insignificant.

**Maturity Profile of Financial Assets and Liabilities**

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2009 based on undiscounted contractual cash flows.

	2009				Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 years	
<b>Financial Assets</b>					
Cash	P101,505	P-	P-	P-	P101,505
Receivables:					
Due from related parties	33,251,794	-	-	-	33,251,794
Advances to suppliers and subcontractors	4,252,635	-	-	-	4,252,635
Advances to officers and employees	1,056,100	-	-	-	1,056,100
Others	326,735	-	-	-	326,735
	<b>P38,988,769</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P38,988,769</b>
<b>Financial Liabilities</b>					
Accrued expenses and other payables	-	-	1,153,999	-	1,153,999
Due to related parties	-	-	-	107,662,593	107,662,593
	<b>P-</b>	<b>P-</b>	<b>P1,153,999</b>	<b>P107,662,593</b>	<b>P108,816,592</b>

**Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for change in interest rates relates primarily to the Group's short-term debt obligations.

**Foreign currency risk**

Foreign currency is the risk that the future value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactional currency exposures arise from sales other than its functional currency.

The Group's objective is to keep transactional currencies at an acceptable level to its operations to minimize foreign exchange exposures.

**18. Fair Value Measurement**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

***Cash, receivables, accrued liabilities, and other payables***

Carrying amounts approximate their fair values due to the relatively short-term maturity of these instruments.

***Amounts due from and due to related parties***

Carrying amounts of due from and due to related parties which are payable and due on demand approximate their fair values.

The following table summarizes the carrying amounts and fair values of the financial assets and financial liabilities by category as of December 31, 2009.

	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Financial Assets</b>		
Loans and receivables:		
Cash	<b>₱101,505</b>	<b>₱101,505</b>
Receivables:		
Advances to related parties	<b>33,251,794</b>	<b>33,251,794</b>
Advances to suppliers and subcontractors	<b>4,252,635</b>	<b>4,252,635</b>
Advances to officers and employees	<b>1,056,100</b>	<b>1,056,100</b>
Other receivables	<b>326,735</b>	<b>326,735</b>
<b>Total loans and receivables</b>	<b>₱38,988,769</b>	<b>₱38,988,769</b>
<b>Financial Liabilities</b>		
Financial liabilities at amortized cost		
Accrued expense and other payables	<b>₱1,153,999</b>	<b>₱1,153,999</b>
Due to related parties	<b>107,662,593</b>	<b>107,662,593</b>
	<b>₱108,816,592</b>	<b>₱108,816,592</b>

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#### 19. Approval of Financial Statements

The consolidated financial statements for ten (10) months ended December 31, 2009 were approved and authorized for issue by the Board of Directors on April 25, 2010.