

TRUE GREEN ENERGY GROUP CORPORATION

FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2010

INDEPENDENT AUDITORS' REPORT

The Board of Directors
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 financial statements of True green energy Group Corporation which comprise the statement of financial position as of December 31, 2010 and 2009, and the statement 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 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 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 financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 assessment, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of True Green Energy Group Corporation as of December 31, 2010 and 2009, and of its financial performance and its cash flows for the year ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fee in Note 18 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SISON CORILLO PARONE & CO.

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PTR No. 6757856, February 9, 2011, Pasig City

June 15, 2011

TRUE GREEN ENERGY GROUP CORPORATION**STATEMENT OF FINANCIAL POSITION***Amounts in Philippine Peso*

	December 31	
	2010	2009
ASSETS		
Current Assets		
Cash (Note 6)	₱103,025	₱100,405
Receivables (Note 7)	28,636,784	18,254,816
Prepayments and other current assets (Note 8)	4,621,988	1,205,517
	33,361,797	19,560,738
Noncurrent Assets		
Property and equipment - net (Note 9)	16,640,729	2,767,272
Other assets (Note 10)	236,667	627,057
	16,877,396	3,394,329
	₱50,239,193	₱22,955,067
LIABILITIES AND PARTNERS' CAPITAL		
Current Liability		
Accrued expenses and other payables (Note 11)	₱1,253,481	₱496,706
Advances from related party (Note 12)	207,923,669	38,118,062
	209,177,150	38,614,768
Equity (Note 14)	(158,937,957)	(15,659,701)
	₱50,239,193	₱22,955,067

See accompanying Notes.

TRUE GREEN ENERGY GROUP CORPORATION
STATEMENT OF COMPREHENSIVE LOSS

Amounts in Philippine Peso

	Years ended December 31	
	2010	2009
EXPENSES		
Commission (Note 15)	₱61,413,093	₱5,000,000
Salaries and allowances	35,689,961	4,910,820
Professional and legal fees	7,456,743	149,000
Rentals (Note 13)	7,321,295	375,975
Transportation and travel	7,089,215	1,801,226
Dues and subscription	5,788,781	332,024
Communication, light and water	5,625,587	868,716
Advertisement and promotion	4,373,196	—
Supplies	3,186,241	277,846
Outside services	1,262,239	94,714
Depreciation (Note 9)	822,519	218,461
Repairs and maintenance	316,107	84,191
Taxes and licenses	40,622	10,037
Insurance	3,780	6,350
Amortization	—	38,333
Management and consultancy fee	—	1,458,204
Miscellaneous	2,888,877	171,304
OPERATING LOSS	143,278,256	15,797,201
OTHER COMPREHENSIVE INCOME (LOSS)	—	—
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(₱143,278,256)	(₱15,797,201)

See accompanying Notes.

TRUE GREEN ENERGY GROUP CORPORATION**STATEMENT OF CHANGES IN EQUITY***Amounts in Philippine Peso*

	Contributed capital	Accumulated deficit	Total
Balances as of December 31, 2009	P137,500	(P15,797,201)	(P15,659,701)
Total comprehensive loss for the year	—	(143,278,256)	(143,218,256)
Balances as of December 31, 2009	P137,500	(P159,075,457)	P158,937,957)
Balances as of December 31, 2008	P—	P—	P—
Issuance of shares of stock	137,500	—	137,500
Total comprehensive loss for the year	—	(15,797,201)	(15,797,201)
Balances as of December 31, 2009	P137,500	(P15,797,201)	(P15,659,701)

See accompanying Notes.

TRUE GREEN ENERGY GROUP CORPORATION**STATEMENT OF CASH FLOWS***Amounts in Philippine Peso*

	Years ended December 31	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(P143,278,256)	(P15,797,201)
Adjustments for:		
Depreciation expense	822,519	218,461
Operating loss before working capital changes	(142,455,737)	(15,578,740)
Increase in receivables	(10,381,968)	(18,254,816)
Increase in prepayments and other assets	(3,416,471)	(1,205,517)
Increase in accrued expense and other payables	756,775	496,706
NET CASH USED IN OPERATING ACTIVITIES	(155,497,401)	(34,542,367)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of property and equipment	(14,695,976)	(2,985,733)
Decrease (increase) in other assets	390,390	(627,057)
NET CASH USED IN FINANCING ACTIVITIES	(14,305,586)	(3,612,790)
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of capital stock	—	137,500
Increase in advances from related parties	169,805,607	38,118,062
NET CASH PROVIDED BY INVESTING ACTIVITIES	169,805,607	38,255,562
NET INCREASE IN CASH	2,620	100,405
CASH AT THE BEGINNING OF THE YEAR	100,405	—
CASH AT END OF YEAR	P103,025	P100,405

See accompanying Notes.

TRUE GREEN ENERGY GROUP CORPORATION

NOTES

1. Corporate Information

True Green Energy Group Corporation (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 2009. The registered place where the principal office of the corporation will be established is at Units 5, 7 & 8 Business Arcade 1, Philexcel Business Park, M. Roxas Highway, Clark Freeport Zone, Philippines.

The purposes of the Company (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 the financial date, the Company has not yet started its commercial operations.

The accompanying financial statements for the year ending December 31, 2010 and 2009 were approved and authorized for issue by the Board of Directors (the BOD) on June 16, 2011.

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 Company'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).

Basis of exemption from adoption of PFRS for SMEs

The Company is a subsidiary of Spectrum Blue Steel - Philippines (the Parent Company). The Parent Company prepares its consolidated financial statements in accordance with Philippine Financial Reporting Standards (full PFRS). Being a subsidiary of a Company reporting under full PFRS, the Company availed the exemption from mandatory adoption of the Philippine Financial Reporting Standards for Small and Medium-sized.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in 2010 are consistent with those of the previous financial years except as follows:

- Amendment to PFRS 2, Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning January 1, 2010). The Amended Standard clarifies the scope and the accounting for group cash-settled share-based payment transactions.

Improvements to PFRSs 2009

The following are the IASB issued omnibus of amendments to its standards, issued on May 2008 and 2009, effective January 1, 2010, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments will result to changes in accounting policies but will not have any impact on the financial position or performance of the Company.

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations*
When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.
- *PAS 1, Presentation of Financial Statements*
Assets and liabilities classified as held for trading are not automatically classified as current in the statement of financial position. The Company amended its accounting policy accordingly and analyzed whether Management's expectation of the period of realization of financial assets and liabilities differed from the classification of the instrument. This will not result in any re-classification of financial instruments between current and noncurrent in the statement of financial position.
- *PAS 7, Statement of Cash Flows*
Expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.
- *PAS 16, Property, Plant and Equipment*
Items of property, plant and equipment held for rentals that are routinely sold in the ordinary course of business after rental ceases and they are held for sale.
- *PAS 17, Leases*
The amendment removes the specific guidance on classifying leases of land as operating lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The Amendments will be applied retrospectively.
- *PAS 19, Employee Benefits*
Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.

The reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provision, Contingent Liabilities and Contingent Assets* was deleted.

- *PAS 20, Accounting for Government Grants and Disclosures of Government Assistance*
Loans granted in the future with no low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other PFRS.
- *PAS 23, Borrowing Costs*
The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with Pas 39. The Company has amended its accounting policy accordingly which will not result in any change in its financial position.
- *PAS 28, Investment in Associates*
If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate transfer funds to the entity in the form of cash or repayment of loans applies. This amendment has no impact on the Company as it does not have any similar transaction.
- *PAS 31, Interest in Joint Ventures*
If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply. This amendment will have no impact on the Company because it does not have any similar transaction.
- *PAS 36, Impairment of Assets*
When discounted cash flows are used to estimate 'fair value less cost to sell, additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the financial statements as the Company does not have any similar transaction.
- *PAS 38, Intangible Assets*
Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed.
- *PAS 39, Financial Instruments: Recognition and Measurement*
Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. The reference in PAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge was removed. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

- Amendment to PAS 32, Classification of Rights Issue (effective beginning February 1, 2010). This Amendment provides guidance on the definition of a financial liability to classify rights issues (and certain options or warrants) as equity instruments if: (a) the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments; and (b) they are used to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. Rights issued in foreign currencies that were previously accounted for as derivatives will now be classified as equity instruments.
- Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity (effective beginning July 1, 2010). This Philippine Interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with paragraph 41 of PAS 39. The equity instruments issued are measured at their fair value, unless this cannot be reliably measured, in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. If only part of a financial liability is extinguished: (a) the entity needs to determine whether part of the consideration paid relates to a modification of the liability outstanding; and (b) if so, the consideration paid is allocated between the two parts. The Philippine Interpretation does not apply where the creditor is acting in the capacity of a shareholder, common control transactions, and where the issue of equity shares was part of the original terms of the liability.

Future Changes in Accounting Policies

The Company has not applied the following new and amended PFRS and Philippine Interpretation which is not yet effective for the year ended 2010. The following new and amended PFRS and Philippine Interpretation will not significantly impact the financial statement:

Effective in 2011 for adoption on calendar year ending December 31, 2011

- Amendment to Philippine Interpretation IFRIC 14, Prepayments of a Minimum Funding Requirement (effective beginning January 1, 2011). This Amendment provides guidance on assessing the recoverable amount of a net pension asset. The Amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.
- PAS 24 (Revised), Related Party Disclosures (effective beginning January 1, 2011). The revised standards clarify the definition of related party to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. Entities will need to consider the revised definition of related parties to ensure all the relevant information is still being captured. The changes introduced by the revised standard must be applied retrospectively.

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 to the Company, as the Company is not involved in any similar transaction.

Effective in 2013 for adoption by the Company on fiscal year ending September 30, 2014

- PFRS 9 as issued reflects the first phase of the IASB's work on replacing IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in PAS 39. The standard is effective beginning January 1, 2013. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of PFRS 9 will primarily have an effect on the classification and measurement of the Company's financial assets. The Company is currently assessing the impact of adopting PFRS 9. However, as the impact of adoption depends on the assets held by the Company at the time of adoption, it is not practical to quantify the effect.

4. Significant Accounting Policies

Cash

Cash includes cash in bank.

Financial Assets and Financial Liabilities

Date of recognition

The Company 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 Company 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 Company 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 Company 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 Company 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognized as the other comprehensive income, while any ineffective portion is recognized immediately in the statement of comprehensive income. Amounts taken to other comprehensive income are transferred to statement of comprehensive income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast transaction occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred to statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment occurs.

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

Where the Company 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 Company'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 Company 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 Company 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	5
Furniture and fixtures	5
Leasehold improvement	5
Computer and software	5

Construction in-progress is stated at cost. This includes the cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Construction in-progress are transferred to the related 'Property and equipment' when the construction or installation and related activities necessary to prepare the property and equipment for their intended use are completed, and the property and equipment are ready for service.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company 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 Company 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.

Provisions

Provisions are recognized when: (a) the Organization has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a per-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the statement of comprehensive income. Where the Organization expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

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 a 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 translations and transactions

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Philippine Peso (₱), which is the company's functional and the group's presentation currency.

(b) Transactions and balances

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 Other income (expense) net on Statement of Comprehensive Income.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

Events after the reporting period

Events after the end of the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

Any post year-end event up to the date of approval of the BOD of the financial statements that provides additional information about the Company's position at the end of reporting 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.

5. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Company 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company'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 Company 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 Company 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 Company 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 Company in 2010 and 2009. As of December 31, 2010 and 2009, due from related parties balance amounted to ₱25.39 and ₱17.77 million, respectively (see Note 12).

Estimated useful life of property and equipment

The Company 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, 2010 and 2009, the balances of the Company's depreciable property and equipment net of accumulated depreciation amounted to ₱16.64 million and ₱2.76million, respectively.

6. **Cash**

This account consists of:

	2010	2009
Cash in banks	₱63,025	₱83,905
Revolving fund	40,000	16,500
	₱103,025	₱100,405

7. **Receivables**

This account consists of:

	2010	2009
Receivable from related parties (Note 12)	₱25,391,567	₱17,725,517
Receivable from Employee	222,683	202,564
Others	3,022,534	326,735
	₱28,636,784	₱18,254,816

8. Prepayments and Other Current Assets

This account consists of:

	2010	2009
Advances to suppliers	P2,780,850	P-
Prepaid rent	1,454,965	819,344
Input tax	386,173	386,173
	P4,621,988	P1,205,517

9. Property and equipment - net

This account consists of:

	2010				Total
	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Computer Software	
Cost					
Balance at December 31, 2009	P474,279	P1,112,190	P389,532	P1,009,732	P2,985,733
Acquisitions for the year	2,702,651	1,005,287	P2,138,884	8,849,154	14,695,976
Balance at December 31, 2010	P3,176,930	P2,117,477	P2,528,416	P9,858,886	P17,681,709
Accumulated depreciation					
Balance at December 31, 2009	P36,731	P84,710	P20,788	P76,232	P218,461
Depreciation for the year	132,799	310,213	96,782	282,725	822,519
Balance at December 31, 2010	P169,530	P394,923	P117,570	P358,957	P1,040,980
Net book value as of December 31, 2010	P3,007,400	P1,722,554	P2,410,846	P9,499,929	P16,640,729
	2009				
	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Computer Software	Total
Cost					
Acquisitions for the year	P474,279	P1,112,190	P389,532	P1,009,732	P2,985,733
At December 31, 2009	P474,279	P1,112,190	P389,532	P1,009,732	P2,985,733
Accumulated depreciation					
Depreciation for the year	(P36,731)	(P84,710)	(P20,788)	(P76,232)	(P218,461)
Net book value as of December 31, 2009	P437,548	P1,027,480	P368,744	P933,500	P2,767,272

10. Other Noncurrent Assets

This account consists of:

	2010	2009
Marketing leads – net	P236,667	P236,667
Security deposits	-	390,390
	P236,667	P627,057

11. Accrued Expense and Other Payables

This account consists of:

	2010	2009
Accrued expense	₱526,466	₱353,267
Others	727,015	143,439
	₱1,253,481	₱496,706

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

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 Company's significant transactions with the related party consist principally of:

- a. The Company obtained non-interest bearing cash advances from the Parent Company, amounting to ₱59.89 million and ₱38.1 million as of December 31, 2010 and 2009, respectively for capital and operating expenditures. These advances have no definite repayment period and are presented as "Advances from related party" in the liabilities section of the statement of financial position.
- b. During the taxable year, the Company obtained non-interest bearing cash advances to related party used in capital and operating expenditures amounting to ₱148.0 million. This advance has no definite repayment terms and presented under "advances from related party".
- c. During the taxable year, the Company extended non-interest bearing cash advance to the Parent Company amounting to ₱18.26 million. This advance has no definite payment term and presented part of "receivables" under advances to related parties.
- d. Non-interest bearing cash advances to a stockholder amounted to ₱7.13 million and ₱17.7 million as of December 31, 2010 and 2009. These advances are collectible as the need for cash arises and are presented under caption "Receivables" part of advances to related parties.

13. Lease Commitments

The Company has existing lease contracts for office and staff houses, which are renewable upon agreement in writing between the parties. Total rent expense for the years ended December 31, 2010 and 2009 amounted to ₱7,321,295 and ₱375,975, respectively.

Future minimum lease payments in relation to the existing lease contracts is ad follows:

	2010	2009
Within one (1) year	₱8,053,425	₱1,250,145
After one (1) year but not more than five (5) years	8,858,767	1,596,760
	₱16,912,192	₱2,846,905

14. Equity

The details of the Company's common stock follow:

	2010	2009
Authorized shares	10,000	10,000
Par value per share	100	₱100
Issued shares:		
Balance at the beginning of the year	250,000	—
Issuance of common shares of stock during the year	—	250,000
Subscription receivable	(112,500)	(112,500)
Balance at the end of year	137,500	137,500

Capital management

The primary objective of the company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company 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 Company may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities.

The Company monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided to total capital. The Company includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity. Following is a computation of the Company's debt-to-capital ratio as of December 31, 2010 and 2009.

	2010	2009
(a) Short-term debt	₱209,177,150	₱38,614,768
(b) Capital	(₱158,937,957)	(₱15,659,701)
(c) Debt-to-capital ratio (a/b)	(1.32):1	(2.5):1

The Company's policy is to not to exceed a debt-to capital ratio of 2:1 level. With the current debt-to-capital ratio, the management believes that the Company can still recover in the future and support from Parent Company will continue.

The Company considers its total equity as capital and the Company is not subject to externally imposed capital requirements.

15. Commission

The company entered into an offshore service agreement whereby, the company 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.

16. Financial Risk Management Objectives and Policies

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

The BOD of the Company 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 Company is ultimately responsible for the oversight of the Company'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 Company policies for managing the aforementioned risks are summarized below.

Credit risk

The Company trades only with recognized, creditworthy third parties. It is the Company'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 Company's exposure to bad debts is not significant. The Company is not exposed to significant concentrations of credit risk.

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

a. Credit risk exposure

	2010	2009
Cash* (Note 6)	₱63,025	₱83,905
Receivables (Note 7)		
Due from related parties	25,391,567	17,725,517
Advances to officers and employees	222,683	202,564
Other receivables	3,022,534	326,735
	₱28,699,809	₱18,338,721

* exclude cash on hand

b. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of December 31, 2010 and 2009, gross of allowance for impairment losses:

	2010				Total
	Neither Past Due Nor Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	
Cash*					
(excluding cash on hand)	₱63,025	₱—	₱—	₱—	₱63,025
Receivables (Note 7):					
Due from related parties	—	25,391,567	—	—	25,391,567
Advances to officers and employees	222,683	—	—	—	222,683
Other receivables	—	3,022,534	—	—	3,022,534
	₱285,708	₱28,414,101	₱—	₱—	₱28,699,809

* exclude cash on hand

	2009				Total
	Neither Past Due Nor Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	
Cash					
(excluding cash on hand)	₱83,905	₱—	₱—	₱—	₱83,905
Receivables (Note 7):					
Due from related parties	—	17,725,517	—	—	17,725,517
Advances to officers and employees	202,564	—	—	—	202,564
Other receivables	—	326,735	—	—	326,735
	₱286,469	₱18,052,252	₱—	₱—	₱18,338,721

* exclude cash on hand

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 Company manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Company intends to use internally generated funds and proceed from debt.

The following table summarizes the maturity profile of the Company's financial liabilities as of December 31, 2009 based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company'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 Company's financial assets and liabilities as of December 31, 2010 and 2009 based on undiscounted contractual cash flows.

	2010				Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 years	
Financial Assets					
Cash*	P63,025	P—	P—	P—	P63,025
Receivables:					
Due from related parties	—	—	—	25,391,567	25,391,567
Advances to officers, employees and suppliers	—	—	222,683	—	222,683
Other receivables	—	—	3,022,534	—	3,022,534
	P63,025	P—	P3,245,217	P25,391,567	P28,699,809
Financial Liabilities					
Accrued liabilities and other payables	P—	P—	P1,253,481	P—	P1,253,481
Due to related parties	—	—	207,923,669	—	207,923,669
	P—	P—	P209,177,150	P—	P209,177,150

	2009				Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 years	
Financial Assets					
Cash*	P83,905	P—	P—	P—	P83,905
Receivables:					
Due from related parties	—	—	—	17,725,517	17,725,517
Advances to officers, employees and suppliers	—	—	202,564	—	202,564
Other receivables	—	—	326,735	—	326,735
	P83,905	P—	P529,299	P17,725,517	P18,338,721
Financial Liabilities					
Accrued liabilities and other payables	P—	P—	P496,706	P—	P496,706
Due to related parties	—	—	38,118,063	—	38,118,063
	P—	P—	P38,614,769	P—	P38,614,769

* exclude cash on hand

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 Company's exposure to market risk for change in interest rates relates primarily to the Company'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 Company's transactional currency exposures arise from sales other than its functional currency.

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

17. 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, 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, 2010 and 2009.

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash*	P63,025	P63,025	P83,905	P83,905
Receivables:				
Due from related parties	25,391,567	25,391,567	17,725,517	17,725,517
Advances to officers and employees	222,683	222,683	202,564	202,564
Other receivables	3,022,534	3,022,534	326,735	326,735
Total loans and receivables	P28,699,809	P28,699,809	P18,338,721	P18,338,721
Financial Liabilities				
Financial liabilities at amortized cost				
Accrued expense and other payables	P1,253,481	P1,253,481	P496,706	P496,706
Due to related parties	207,923,669	207,923,669	38,118,063	38,118,063
	P209,177,150	P209,177,150	P38,614,769	P38,614,769

* exclude cash on hand

18. Supplementary Information Required in Taxes and Licenses under Revenue Regulation No. 15-2010 (RR No. 15-2010)

The Bureau of Internal Revenue (BIR) issued RR No. 15-2010 which became effective on December 2010 and amended certain provisions of RR No. 21-2002 to include in the Notes to the Financial Statements information on taxes, duties and licenses paid or accrued during the taxable year.

Value-Added Tax

The Company has no output VAT and input VAT paid and claimed for the taxable year.

Withholding Taxes

Withholding taxes withheld and remitted by the Company during 2010 are as follows:

	Paid	Accrued	Total
Tax on Compensation and Benefits	P1,014,176	P204,616	P1,218,792

Other taxes

Taxes and licenses paid by the Company during the year amounted to P40,622.

Tax Assessments

The Company has no outstanding deficiency tax assessment being protested and tax cases under preliminary investigation or prosecution in court or bodies outside BIR. The management of the Company believes that if there will be an assessment, it will have no effect on these financial statements.

Statement on Disclosure of Supplementary Information

The additional information discussed above on taxes and licenses is presented as compliance with the requirement of BIR and is not a required part of the basic financial statements. Said information has been subjected to the auditing procedures performed in our audit with applied materiality to the basic financial statements taken as a whole.