



TGEG CANADA LTD.

Financial Reports

June 30, 2011



TGEG Canada Ltd.

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TGEG Canada Ltd.
Statements of Financial Position
As of June 30, 2011

	in Php	in US\$	in Euros
ASSETS		@43.3877	@1.436
Current Assets			
Cash	3,454,869.08	79,627.85	55,451.15
Receivables	505,915,019.97	11,660,332.77	8,120,008.89
Prepayments & Other Current Assets	5,328,752.71	122,817.13	85,527.25
	514,698,641.76	11,862,777.74	8,260,987.28
Noncurrent Assets			
Property and Equipment - net	104,313,695.47	2,404,222.75	1,674,249.83
	619,012,337.22	14,267,000.49	9,935,237.11
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued Liabilities and Other Payables	4,067,259.46	93,742.22	65,280.10
Advances from Related Parties	82,919,221.35	1,911,122.77	1,330,865.44
	86,986,480.81	2,004,864.99	1,396,145.54
Equity			
Paid in Capital	783,717,333.15	18,063,122.34	12,578,776.00
Comprehensive Loss for the period	(55,311,154.74)	(1,274,811.86)	(887,751.99)
Deficit	(196,380,322.00)	(4,526,174.98)	(3,151,932.43)
	619,012,337.22	14,267,000.49	9,935,237.11





TGEG Canada Ltd.
Statement of Changes in Equity
As of June 30, 2011

	<u>In Php</u>	<u>In US\$</u>	<u>In Euros</u>
		43.3877	1.4360
Balance at December 31, 2010	(196,380,322.00)	(4,526,174.98)	(3,151,932.43)
Paid in Capital	783,717,333.15	18,063,122.34	12,578,776.00
Total comprehensive loss for the period	(55,311,154.74)	(1,274,811.86)	(887,751.99)
Balance at June 30, 2011	532,025,856.41	12,262,135.50	8,539,091.57





TGEG Canada Ltd.
Statements of Comprehensive Income
As of June 30, 2011

	In Php	In US\$	In Euros
		43,387.7	1,436
EXPENSES			
Commision	4,718,097.59	108,742.74	75,726.15
Salaries and Allowances	27,333,852.52	629,990.82	438,712.27
Professional and Legal Fees	4,818,341.70	111,053.17	77,335.08
Rentals	4,256,902.40	98,113.12	68,323.90
Transportation and Travel	1,615,184.94	37,226.79	25,923.95
Dues and subscriptions	3,141,336.12	72,401.54	50,418.90
Communication, Light and Water	3,253,827.90	74,994.25	52,224.41
Advertisement and promotion	1,287,236.48	29,668.24	20,660.33
Supplies	506,202.65	11,666.96	8,124.63
Outside Services	2,086,268.32	48,084.33	33,484.91
Depreciation (Note 1)	1,497,158.56	34,506.52	24,029.61
Repairs and maintenance	13,688.00	315.48	219.69
Taxes and Licenses	31,050.86	715.66	498.37
Insurance	14,777.06	340.58	237.17
Amortization	229,962.14	5,300.17	3,690.93
Management and consultancy fee	-	-	-
Miscellaneous	507,267.50	11,691.50	8,141.72
LOSS	55,311,154.74	1,274,811.86	887,751.99
OTHER COMPREHENSIVE INCOME (LOSS)	-	-	-
TOTAL COMPREHENSIVE LOSS	55,311,154.74	1,274,811.86	887,751.99



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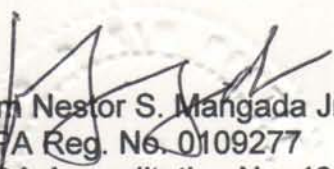
Telephone No. +63-9331773252

Attn: Registrar
New Issues Department
Deutsche Boerse
Neue Borsenstrabe 1
60487 Frankfurt am Main
Germany

Re: Certification for TGEK Canada Limited.

This is to confirm that the company, TGEK Canada Limited, has an equity capital of Eighteen Million Sixty Three Thousand One Hundred Twenty Two & 34/100 Dollars Only (\$18,063,122.34) US Currency at June 30, 2011.

The company, TGEK Canada, Limited, has issued 92,893,780 shares at this date, which have a calculated nominal capital of Nineteen Cents (0.19444) US Currency per share.



Kim Nestor S. Mangada Jr.
CPA Reg. No. 0109277
BOA Accreditation No. 4848
TIN 232-471-954
PTR No. 4758654, Jan. 26, 2011, QC
BIR AN 07-001314-7-2009

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Attn: Registrar
New Issues Department
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Germany

Re: Certification for TGED Canada Limited.

This is to confirm that the company, TGED Canada Limited, has an equity capital of Twelve Million Five Hundred Seventy Eight Thousand Seven Hundred Seventy Six Euros (\$12,578,776) at June 30, 2011.

The company, TGED Canada, Limited, has issued 92,893,780 shares at this date, which have a calculated nominal capital of Thirteen Cents (0.13541) Euros per share.


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BIR AN 07-001314-7-2009





TEGE Canada has 800,000,000 authorized shares of which 92,893,780 were issued shares to investors, other companies and TEGE employees. Shares were issued to investors by the way of a bonus in recognition of their investment's crucial contribution to TEGE Canada and its affiliate companies operations as a whole. Shares issued to other companies and TEGE Canada employees were issued in recognition of their exemplary services to TEGE Canada and its affiliate companies.

TEGE Canada has full operational control over True Green Energy Group Corporation ("TEGE Philippines") organized in the Philippines. First, TEGE Canada and TEGE Philippines share interlocking directors, officers and controlling shareholders. Second, TEGE Canada owns the 40% foreign equity in TEGE Philippines. Third, TEGE Canada has an agency agreement with TEGE Philippines, authorizing the latter to act as the former's agent in marketing, selling and operating the Biosphere Process Systems in the Philippines. This agency agreement operates as the agent TEGE Philippines' authority to enter into contracts to build and operate Biosphere facilities in the Philippines and enables the principal TEGE Canada to control the latter's business decisions with respect to the project, under pain of revocation of TEGE's authority to use the Biosphere System.

TEGE Canada owns eighty percent (80%) of Spectrum Blue Steel Corporation Seychelles ("SBSC Seychelles"). Private shareholders own the remaining balance of twenty percent (20%).





TEGE Philippines has entered into joint venture agreements ("JVA") with the Municipality of Sta. Rosa, and the Cities of Dumaguete, Naga and Tanjay to build and operate Biosphere facilities in their respective jurisdictions. Under the JVAs of Dumaguete, Naga and Tanjay, TEGE subsidiary companies shall be incorporated and shall assume TEGE Philippines' rights and obligations under their respective JVAs.

SBSC Philippines has entered into a Public Private Partnership Agreement ("PPA") with the City of San Fernando to build and operate the first Biosphere facility in the Philippines.



TEGE Seychelles shall act as the intermediary for all future sales of finished products from our Biosphere facilities worldwide. Geographically situated at the heart of Africa, India and the open seas, TEGE Seychelles will play a central role in marketing our finished products to a worldwide market.

-  **TGPI-Negor**
(Dumaguete Facility)
-  **SBS-Negor**
(Tanjay Facility)
-  **TGPI-CamSur**
(Naga Facility)

TEGE Philippines has one hundred percent (100%) control over SBSC Philippines. This control is maintained by the following mechanisms: (a) TEGE Philippines and SBSC Philippines share interlocking directors, officers and controlling shareholders; (b) SBSC Philippines is a subsidiary of TEGE Philippines; (c) TEGE Philippines owns the sixty percent (60%) shareholding in SBSC Philippines reserved by law for Philippine citizens or Philippine companies; and lastly, (d) the remaining forty percent (40%) shares representing the foreign equity in SBSC Philippines is owned and controlled by common directors, officers and shareholders of both companies. This arrangement ensures that TEGE Philippines and SBSC Philippines comply with related Philippine laws limiting foreign equity in Philippine corporations to forty percent (40%) for certain business undertakings earlier explained.

To ensure full operational control over TEGE Philippines subsidiaries (TGPI-Negor, SBS-Negor, TGPI-CamSur etc.), TEGE Philippines shall acquire at least ninety percent (90%) of the shares of each future TEGE Philippines subsidiaries. The remaining shares shall be owned and held by common directors of SBSC Philippines or TEGE Philippines.



Spectrum Blue Steel-San Fernando Corporation ("SBSC San Fernando") was incorporated to become a subsidiary of SBSC Philippines in order to assume the latter's rights and obligations with respect to the San Fernando Biosphere facility.

TRUE GREEN ENERGY GROUP CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

INDEPENDENT AUDITORS' REPORT

BOA Registration No. 0235
SEC Accreditation No. 0150-F

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 which comprise the consolidated statement of financial position as of December 31, 2010 and 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years 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 as of December 31, 2010 and 2009, and of its financial performance and its cash flows for the years ended in accordance with Philippine Financial Reporting Standards.

SISON CORILLO PARONE & CO.

Neil U. Sison
Partner
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SEC Accreditation No. 0732-A
Tax Identification No. 163257522
Tax Accreditation No. 07-000144-01-2011
PTR No. 6757856, February 9, 2011, Pasig City

June 16, 2011

TRUE GREEN ENERGY GROUP CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in Philippine Peso

	December 31	
	2010	2009
ASSETS		
Current Assets		
Cash (Note 6)	P2,880,119	P101,505
Receivables (Note 7)	131,561,593	38,887,264
Prepayments and other current assets (Note 8)	4,801,746	1,385,275
	139,243,458	40,374,044
Noncurrent Assets		
Property and equipment – net (Note 9)	74,752,910	20,671,502
Other non-current assets	236,667	627,057
	74,989,577	21,298,559
	P214,233,035	P61,672,603
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued liabilities and other payables (Note 10)	P4,831,774	P1,153,999
Advances from related parties (Note 11)	405,784,583	107,662,593
	410,616,357	108,816,592
Equity (Note 13)	(196,383,322)	(47,143,989)
	P214,233,035	P61,672,603

See accompanying Notes.

TRUE GREEN ENERGY GROUP CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Amounts in Philippine Peso

	Years ended December 31	
	2010	2009
EXPENSES		
Commission (Note 14)	₱61,413,093	₱19,513,600
Salaries and allowances	35,689,961	7,169,820
Professional and legal fees	10,820,541	386,000
Transportation and travel	8,618,986	3,438,357
Rentals (Note 12)	7,357,095	1,004,704
Dues and subscriptions	5,788,781	332,024
Communication, light and water	5,740,781	935,090
Advertisement and promotion	4,373,196	—
Supplies	3,193,291	399,075
Outside services	1,406,239	94,714
Depreciation (Note 9)	981,313	314,975
Repairs and maintenance	316,107	84,191
Taxes and licenses	19,242	26,700
Insurance	3,780	6,351
Losses (Note 15)	—	10,575,000
Management and consultancy fee	—	1,458,204
Amortization expense	—	38,333
Miscellaneous	3,516,927	258,280
LOSS	(149,239,333)	(46,035,418)
OTHER COMPREHENSIVE INCOME (LOSS)	—	—
TOTAL COMPREHENSIVE LOSS	(₱149,239,333)	(₱46,035,418)

See accompanying Notes.

TRUE GREEN ENERGY GROUP CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in Philippine Peso

	Equity Attributable to Equity holders of the Parent			Minority Interests	Total Stockholders' Equity
	Share capital	Accumulated Loss	Total		
Balances at December 31, 2009	₱137,500	(₱33,940,132)	(₱33,802,632)	(₱13,341,357)	(₱47,143,989)
Total comprehensive loss for the year	—	(146,854,902)	(146,854,902)	(2,384,431)	(149,239,333)
Balances at December 31, 2010	₱137,500	(₱180,795,034)	(₱180,657,534)	(₱15,725,788)	(₱196,383,322)
Balances at December 31, 2008	₱—	₱—	₱—	₱(1,246,070)	(₱1,246,070)
Issuance of shares for the year	137,500	—	137,500	—	137,500
Total comprehensive loss for the year	—	(33,940,132)	(33,940,132)	(12,095,287)	(46,035,419)
Balances at December 31, 2009	₱137,500	(₱33,940,132)	(₱33,802,632)	(₱13,341,357)	(₱47,143,989)

See accompanying Notes.

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

	Years ended December 31	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss	(P149,239,333)	(P46,035,418)
Adjustments for:		
Depreciation expense (Note 9)	981,312	314,975
Operating loss before working capital changes	(148,258,021)	(45,720,444)
Increase in receivables (Note 6)	(92,674,329)	(38,887,264)
Increase in prepayments and other current assets	(3,416,471)	(1,281,776)
Increase in accrued expense and other payables	3,677,776	1,153,999
NET CASH USED IN OPERATING ACTIVITIES	(240,671,045)	(84,735,485)
CASH FLOWS FROM FINANCING ACTIVITY		
Acquisition of property and equipment (Note 9)	(55,062,721)	(20,731,028)
Decrease (increase) in other assets	390,390	(627,057)
NET CASH PROVIDED BY FINANCING ACTIVITY	(54,672,331)	(21,358,085)
CASH FLOWS FROM INVESTING ACTIVITY		
Issuance of capital stock	—	100,000
Increase in advances from related parties	298,121,990	106,095,075
NET CASH PROVIDED BY INVESTING ACTIVITY	298,121,990	106,195,075
NET INCREASE IN CASH	2,778,614	101,505
CASH AT THE BEGINNING OF THE YEAR	101,505	—
CASH AT END OF YEAR	P2,880,119	P101,505

See accompanying Notes.

TRUE GREEN ENERGY GROUP CORPORATION

NOTES

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, 2010 and 2009, the Group has capital deficiency resulting from pre-operating costs incurred amounting to ₱149.2 million and ₱46.0 million, respectively. 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).

The accompanying consolidated financial statements were approved and authorized for issue by the Group's management 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 Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its 60% owned subsidiary, Spectrum Blue Steel Corporation, which is also incorporated under Philippine law. The financial statements of the subsidiary are prepared under the same reporting period and using uniform accounting policies as the Parent Company.

All significant intercompany transactions and balances recognized are eliminated upon consolidation.

Minority interest represent the portion of loss and net asset of Spectrum Blue Steel Corporation not held by the Group and are presented separately in the consolidated statement of financial position, separate from the Parent Company.

3. **Changes in Accounting Policies**

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, computers & software	3 – 5
Furniture and fixtures	3 – 5
Leasehold improvements	3 – 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. Provision 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 specifies 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 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 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.

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 statement of financial position 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 P48.74 million (see Note 11).

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, 2010 and 2009, the balances of the Group's depreciable property and equipment net of accumulated depreciation amounted to P74,752,910 and P20,671,502, respectively.

6. **Cash**

This account consists of

	2010	2009
Cash in banks	P2,840,119	P85,005
Revolving fund	40,000	16,500
	P2,880,119	P101,505

7. **Receivables**

This account consists of

	2010	2009
Advances to related parties (Note 11)	P110,286,275	P33,251,794
Advances to suppliers and contractors (Note 12)	18,000,000	4,252,635
Advances to officers and employees (Note 11)	3,052,635	1,056,100
Others	222,683	326,735
	P131,561,593	P38,887,264

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

8. Prepayments and Other Current Assets

This account consists of

	2009	2008
Prepayments	P2,780,850	P-
Prepaid rent	1,454,965	819,344
Input tax	565,931	565,931
	P4,801,746	P1,385,275

9. Property and equipment - net

This account consists of:

2010					
	Office equipment and computer software	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost					
At December 31, 2009	P1,800,228	P1,237,857	P396,311	P17,576,649	P21,011,045
Acquisitions	11,604,005	1,005,287	2,138,884	40,314,545	55,062,721
At December 31, 2010	P13,404,233	P2,243,144	P2,535,195	P57,891,194	P76,073,766
Accumulated depreciation and amortization					
At December 31, 2009	P224,644	P93,923	P20,976	P-	P339,543
Depreciation for the year	535,792	346,479	99,042	-	981,313
At December 31, 2010	P760,436	P440,402	P120,018	P-	P1,320,856
Net book value at December 31, 2010	P12,643,797	P1,802,742	P2,415,177	P57,891,194	P74,752,910
2009					
	Office equipment and computer software	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost					
At December 31, 2008	P263,150	P16,867	P-	P-	P280,017
Acquisitions	1,537,077	1,220,989	396,313	17,576,649	20,731,028
At December 31, 2009	P1,800,227	P1,237,856	P396,313	P17,576,649	P21,011,045
Accumulated depreciation and amortization					
At December 31, 2008	P23,527	P1,041	P-	P-	P24,568
Depreciation and amortization	201,117	92,882	20,976	-	314,975
At December 31, 2009	P224,644	P93,923	P20,976	P-	P339,543
Net book value at December 31, 2009	P1,575,583	P1,143,933	P375,337	P17,576,649	P20,671,502

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

10. Accrued Liabilities and Other Payables

This account consists of

	2009	2008
Accrued expenses	P3,540,793	P643,740
Others	1,290,981	510,259
	P4,831,774	P1,153,999

Accrued expenses are usually being settled on 30 – 60 days term.

Other payables include subscription payable, staff house rentals and other payable.

11. 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 Seychelles, the Ultimate Parent, amounting to P405.78 million and P107.66 million, as of December 31, 2010 and 2009, respectively used 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 non-interest bearing cash advances to a stockholder amounting to P7.13 million and P15.6 million, as of December 31, 2010 and 2009, respectively. This advance is presented in statements of financial position under caption "Receivables".
- c. The Group made non-interest bearing cash advances to True Green Energy Group - Canada, an affiliate, amounting to P124.43 million and P15.6 million as of December 31, 2010 and 2009, respectively. This advance is presented in statements of financial position under caption "Receivables".
- d. Non-interest bearing cash advances to officers and employees amounting to P2.46 million and P1.05 million as of December 31, 2010 and 2009, respectively. These advances have no definite repayment period and presented part of "Receivables".

12. Commitments and Contingencies

Lease Commitments

The Group has various 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, 2010 and 2009 amounted to P 7.35 million and P1.0 million, respectively

The future minimum rentals payable under no cancellable operating lease agreements follow:

Within one (1) year	2010	₱1,250,145
After one (1) year but not more than	₱2,840,119	
five (5) years	40,000	1,596,760
	₱2,880,119	₱2,846,905

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, 2010 and 2009, the Group has advanced a total amount of US\$425,000 and US\$25,000 (₱18.0 million and ₱1.2 million), respectively. This amount is presented under caption "Receivables" (Note 6).

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, 2010 and 2009, the Group incurred a total amount of ₱57.9 million and ₱17.5 million, respectively 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, 2010, 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.

13. **Equity**

The details of the Group's common stock follow

	2010	2009
Authorized shares	20,000	20,000
Par value per share	₱100	₱100
Issued shares:		
Balance at beginning of year	1,375	625
Issuance of common shares of stock during the year	—	1,125
Acquisition of shares of parent company from subsidiary	—	(375)
Balance at the end of year	1,375	1,375
Share capital	₱137,500	₱137,500

On August 25, 2009, the Group approved to increase authorized capital stock of its subsidiary from P1 million (10,000 shares, P100 par) to P100 million (1 million shares, P100 par) thru Board Resolution No. 2009-3. As of reporting date, the Group is still waiting for the approval of increase of capital stock from Philippines Securities and Exchange Commission (SEC).

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. No changes have been made in the objective, policies and processes as they have been applied in previous years.

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 equity. Following is a computation of the Group's debt-to-capital ratio as of December 31, 2010 and 2009.

	2009	2008
(a) Short-term debt	P410,616,357	P108,816,592
(b) Capital	P137,500	P137,500
(c) Debt-to-capital ratio (a/b)	2,986:1	791:1

The Group's policy is to not to exceed a debt-to capital ratio of 2:1 level. The Group considers its total paid-up stocks as capital. With the current debt-to-equity ratio, the management believes that the Group can still recover in the future and support from Ultimate Parent Company will continue until operation normalized.

14. **Commissions**

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. As of December 31, 2010 and 2009 commissions paid and accrued by the Group amounted to P 61.41 million and P19.51 million, respectively.

15. **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.

16. **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, 2010 and 2009, without considering the effects of collaterals and other credit risk mitigation techniques.

a. Credit risk exposure

	2010	2009
Cash* (Note 6)	₱2,840,119	₱85,005
Receivables (Note 7)		
Advances to related parties	110,286,275	33,251,794
Advances to suppliers and contractors	18,000,000	4,252,635
Advances to officer, employees and suppliers	3,052,635	1,056,100
Other receivable	222,683	326,735
	₱134,401,712	₱38,972,269

* 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 High Grade	Past Due Standard Grade	Nor Impaired Substandard Grade	Past Due or Individually Impaired	
	Loans and receivables:				
Cash *	₱2,840,119	₱-	₱-	₱-	₱2,840,119
Receivables (Note 7):					
Advances to related parties	-	110,286,275	-	-	110,286,275
Advances to suppliers and contractors	-	18,000,000	-	-	18,000,000
Advances to officers, employees and suppliers	-	3,052,635	-	-	3,052,635
Other receivable	-	222,683	-	-	222,683
	₱2,840,119	₱133,561,593	₱-	₱-	₱134,401,712

	2009				Total
	Neither High Grade	Past Due Standard Grade	Nor Impaired Substandard Grade	Past Due or Individually Impaired	
	Loans and receivables:				
Cash *	₱85,005	₱-	₱-	₱-	₱85,005
Receivables (Note 7):					
Advances to related parties	-	33,251,794	-	-	33,251,794
Advances to suppliers and contractors	-	4,252,635	-	-	4,252,635
Advances to officers, employees and suppliers	-	1,056,100	-	-	1,056,100
Other receivable	-	326,735	-	-	326,735
	₱85,005	₱38,887,264	₱-	₱-	₱38,972,269

* 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 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, 2010 and 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.

The tables below summarize the maturity profile of the Group'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*	P2,840,119	P-	P-	P-	P2,840,119
Receivables:					
Due from related parties	-	-	-	110,286,275	110,286,275
Advances to suppliers and contractors	-	-	-	18,000,000	18,000,000
Advances to officers and employees	-	-	3,052,635	-	3,052,635
Others receivable	-	-	222,683	-	222,683
	P2,840,119	P-	P3,275,318	P128,286,275	P134,401,712
Financial Liabilities					
Accrued expenses and other payables	P-	P-	P4,831,774	P-	P4,831,774
Advances from related parties	-	-	-	405,784,583	405,784,583
	P-	P-	P4,831,774	P405,784,583	P410,616,357

	2009				Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 years	
Financial Assets					
Cash*	P85,005	P-	P-	P-	P85,005
Receivables:					
Due from related parties	-	33,251,794	-	-	33,251,794
Advances from suppliers and contractors	-	4,252,635	-	-	4,252,635
Advances to officers and employees	-	1,056,100	-	-	1,056,100
Other receivable	-	326,735	-	-	326,735
	P85,005	P38,887,264	P-	P-	P38,972,269
Financial Liabilities					
Accrued expenses and other payables	-	-	1,153,999	-	1,153,999
Advances from related parties	-	-	-	107,662,593	107,662,593
	P-	P-	P1,153,999	P107,662,593	P108,816,592

* exclude cash on hand

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 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, 2010 and 2009.

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash*	P2,840,119	P2,840,119	P85,005	P85,005
Receivables:				
Due from related parties	110,286,275	110,288,275	33,251,794	33,251,794
Advances to suppliers and contractors	18,000,000	18,000,000	4,252,635	4,252,635
Advances to officers and employees	3,052,635	3,052,635	1,056,100	1,056,100
Other receivables	222,683	222,683	326,735	326,735
	P134,401,712	P134,401,712	P38,972,269	P38,972,269
Financial Liabilities				
Accrued expenses and other payables	P4,831,774	P4,831,774	P1,153,999	P1,153,999
Advances from related parties	405,784,583	405,784,583	107,662,593	107,662,593
	P410,616,357	P410,616,357	P108,816,592	P108,816,592

Introduction

The foregoing explanation of True Green Energy Group Canada Ltd.'s corporate structure and the Company's Consolidated Financial Statements for 2009, 2010 and the First and Second Quarters of 2011.

We commence with an explanation of the relationship between True Green Energy Group Ltd. Canada and its agent companies. This is followed by a discussion of the corporate structure of TGEG Canada. This is followed by an explanation on the basis of the consolidation of the Financial Statements for True Green Energy Corporation ("TGEG Philippines") and Spectrum Blue Steel ("SBSC Philippines") for 2009, 2010 and the First and Second Quarters of 2011 prepared by Kim Nestor S. Mangada, Jr., CPA and Associates. We conclude with the rationale for treating these documents as the financial statement of TGEG Canada.

TGEG Canada (with Corporation No. 756348-5, Cusip No. 872419106, ISIN CA8724191066), on the other hand, is a publicly traded company (trading under the symbol TGG) in the Frankfurt Stock Exchange and was duly organized under Canadian laws. It was issued its Certificate of Incorporation on 29 May 2010. TGEG Canada has the license to use the Biosphere Technology for the purpose of marketing, selling, leasing and operating the same in the Philippines, in Brazil, Ukraine, Poland, Romania and Mexico (by virtue of the Biosphere License Agreement dated 03 November 2010, License Number BTLA-20010-01).

TGEG Canada and Its Agent Companies

Agent companies of TGEG Canada are True Green Energy Group Corporation ("TGEG Philippines), Spectrum Blue Steel Corporation incorporated in the Republic of the Philippines ("SBSC Philippines"), the similarly named Spectrum Blue Steel Corporation incorporated in the Republic of Seychelles ("SBSC Seychelles"), Spectrum Blue Steel-San Fernando Corporation ("SBSC San Fernando"), and the True Green Energy Group Corporation incorporated in the Republic of Seychelles ("TGEG Seychelles").

For brevity, TGEG Canada, TGEG Philippines, SBSC Philippines, SBSC Seychelles, SBSC San Fernando and TGEG Seychelles shall hereafter be collectively referred to as "Agent Companies".

TGEG Philippines (with Company Registration No. CS200903735) is a company duly organized under the laws of the Philippines. Its Certificate of

Incorporation was issued on 11 March 2009 by the Philippine Securities and Exchange Commission (“SEC”). TGED Philippines has entered into joint venture agreements (“JVA”) with the Municipality of Sta. Rosa, and the Cities of Dumaguete, Naga and Tanjay to build and operate Biosphere facilities in their respective jurisdictions. Under the JVAs of Dumaguete, Naga and Tanjay, TGED subsidiary companies shall be incorporated and shall assume TGED Philippines’ rights and obligations under their respective JVAs.

Spectrum Blue Steel (Negros Oriental) Corporation (“SBS-Negor”), True Green Planet International-Negros Oriental (“TGPI-Negor”), and True Green Planet International- Camarines Sur (“TGPI-Camsur;” SBS –Negor, TGPI-Negor, and TGPI-Camsur shall hereinafter be collectively referred to as “TGED Subsidiaries”) are presently undergoing incorporation as a subsidiaries of TGED Philippines. SBS-Negor, TGPI-Negor and TGPI-Camsur shall assume TGED Philippines’ rights and obligations with respect to the future Tanjay, Dumaguete and Naga Biosphere facilities, respectively.

SBSC Philippines (with Company Registration No. CS2008088418) was organized under the laws of the Philippines. Its Certificate of Incorporation was issued on 30 June 2008 by the Philippine SEC. By virtue of BTLA-2008-03 dated 02 June 2008, SBSC Philippines was duly licensed to use the Biosphere technology here in the Philippines. SBSC Philippines has entered into a Public Private Partnership Agreement (“PPA”) with the City of San Fernando to build and operate our pioneer Biosphere facility in the Philippines.

SBSC San Fernando (with Company Registration No. CS201004253) is likewise a company organized under Philippine laws on 18 June 2010. SBSC San Fernando was incorporated to become a subsidiary of SBSC Philippines in order to assume the latter’s rights and obligations with respect to the San Fernando Biosphere facility.

SBSC Seychelles (with Company No. 078545) was incorporated in the Republic of Seychelles on 02 August 2010.

TGED Seychelles (with Company No. 078544) was likewise incorporated in the Republic of Seychelles on 02 August 2010.

Corporate Structure

The corporate structure is a graphical representation tracing the ownership and/or interests of TGED Canada in its agent companies located outside of Canada.

Legal mechanisms are in place giving TGEG Canada full operational control over its agent companies. Operational control of TGEG Canada over its affiliate companies is maintained in several ways.

First, TGEG Canada’s Chairman/Founder and CEO Ronald Shane Flynn (“Mr. Flynn”) and its management team and directors (collectively, “TGEG Canada directors”) own the controlling equity of TGEG Canada shares. TGEG Canada has 800,000,000 authorized shares. The remaining 92, 893, 780 shares were issued to investors, other companies and Company employees. The shares were issued to investors by way of a bonus, in recognition of the fact that their investment in SBSC Seychelles was crucial contribution for TGEG Canada’s and its affiliate companies’ operations as a whole. The shares issued to other companies and Company employees were in recognition of their exemplary services to TGEG Canada and its agent companies.

Second, TGEG Canada owns eighty percent (80%) of SBSC Seychelles; the remaining twenty percent (20%) is owned by individual shareholders.

Third, TGEG Canada and its agent companies, share the same directors, officers and controlling shareholders.

Below is a table of the positions occupied by TGEG Canada directors, officers and controlling shareholders in TGEG Canada affiliate companies.

Name & Nationality	Position held in TGEG Canada	Position held in TGEG Philippines	Position held in SBSC Philippines	Position held in SBSC Seychelles	Position held in TGEG Seychelles
Hollie Phipps (Canadian)	Director	N/A	N/A	N/A	N/A
Richie Carson (Filipino)	Director	COO/Shareholder	N/A/Shareholder	N/A	N/A
Ronald Shane Flynn (American)	CEO	CEO/Founder/Shareholder	CEO/Founder/Shareholder	Director/Shareholder	Director/Shareholder

Fourth, TGEG Canada owns the forty (40%) foreign equity in TGEG Philippines. Shareholders who own the forty percent (40%) foreign equity in TGEG Philippines and have jointly executed a deed assigning their respective shares in favor of TGEG-Canada.

This arrangement likewise ensures that TGEG Philippines (and SBSC Philippines) comply with related Philippine laws limiting foreign equity in Philippine corporations to forty percent (40%) for certain business undertakings.

Resort to the above legal mechanisms is imperative because of strict Philippine laws limiting foreign equity in certain business undertakings to a maximum of forty percent (40%) at all times. No less than the Philippine Constitution limits foreign equity in Philippine companies seeking to own private lands. This limitation is echoed in Republic Act No. 7042 ("Foreign Investments Act of 1991") in relation to Executive Order No. 584 (a presidential edict implementing the Foreign Investments Act of 1991). In their respective Articles of Incorporation, both TGEG Philippines and SBSC Philippines indicated the ownership of private lands as one of their business undertakings.

Fifth, TGEG Canada has an agency agreement with TGEG Philippines, authorizing the latter to act as the former's agent in marketing, selling and operating the Biosphere Process Systems in the Philippines. This agency agreement operates as the agent TGEG Philippines' authority to enter into contracts to build and operate Biosphere facilities in the Philippines and enables the principal TGEG Canada to control the latter's business decisions with respect to the project, under pain of revocation of TGEG's authority to use the Biosphere System.

Sixth, to ensure full operational control over TGEG Philippines subsidiaries, TGEG Philippines shall acquire at least ninety percent (90%) of the shares of each future TGEG Philippines subsidiaries. The remaining shares shall be owned and held by common directors of SBSC Philippines or TGEG Philippines. By way of recollection, it was stated at the outset that TGEG Philippines has entered in JVAs with several local government units in the Philippines and that under these agreements, TGEG subsidiaries shall be incorporated under Philippine laws to assume TGEG Philippines' rights and obligations under their respective JVAs.

Seventh, TGEG Philippines has one hundred percent (100%) control over SBSC Philippines. This control is maintained by the following mechanisms: (a) TGEG Philippines and SBSC Philippines share interlocking directors, officers and controlling shareholders; (b) SBSC Philippines is a subsidiary of TGEG Philippines; (c) TGEG Philippines owns the sixty percent (60%) shareholding in

SBSC Philippines reserved by law for Philippine citizens or Philippine companies; and lastly, (d) the remaining forty percent (40%) shares representing the foreign equity in SBSC Philippines is owned and controlled by common directors, officers and shareholders of both companies. This arrangement ensures that TGED Philippines and SBSC Philippines comply with related Philippine laws limiting foreign equity in Philippine corporations to forty percent (40%) for certain business undertakings earlier explained.

There is a further reason for maintain the so-called sixty-forty (60-40) rule on foreign equity. SBSC Philippines is presently seeking to register the Biosphere Project with the Philippine Board of Investment (an attached agency to the Philippine Department of Trade and Industry) under Executive Order No. 226 ("Omnibus Investment Code of 1987"), in order for the to avail of fiscal incentives. In order to qualify for these fiscal incentives under the law, a corporation must be organized in under Philippine laws and at least sixty percent (60%) of its stock must be owned and held by Filipino stockholders.

Lastly, TGED Seychelles was envisioned to act as the intermediary for all future sales of finished products from our Biosphere facilities worldwide, given the strategic location of Seychelles in the global community. Geographically situated at the heart of Africa, India and the open seas, TGED Seychelles will play a central role in marketing our products to a worldwide market.

***Basis for the Consolidation of the
Financial Statements of TGED
Philippines and SBSC Philippines***

As previously discussed, the Consolidated Financial Statements of TGED Philippines and SBSC Philippines for 2009, 2010 and the first two quarters of 2011 were prepared by Kim Nestor S. Mangada, Jr., CPA and Associates.

TGED Philippines is the parent company of SBSC Philippines. Coupled with the fact that the financial statements of the parent company TGED Philippines and its subsidiary SBSC Philippines were prepared under the same reporting period and using the same uniform accounting policies of International Accounting Standards (IAS), there is sufficient basis for the consolidation of the financial statements of the parent and subsidiary companies.

***Rationale for treating the
Consolidated Financial
Statements of TGED Philippines
and SBSC Philippines as the
Financial Statements of TGED
Canada***

The Consolidated Financial Statements of TGEG Philippines and SBSC Philippines should be viewed in the context of TGEG-Canada's corporate structure since this corporate structure, as earlier explained, traces the ownership and/or interests of TGEG Cyprus in its affiliate companies as well as their underlying legal relationships. Simply stated, based on the corporate structure, TGEG Philippines' and SBSC Philippines' Consolidated Financial Statements are that of TGEG Canada. This position finds further support in the related party transactions divulged in the aforesaid financial statements, as well as other legal documents uploaded elsewhere in this website.

Conclusion

In sum, TGEG Canada's corporate structure sufficiently explains and traces its ownership and/or interests in all its agent companies, specifically to TGEG Philippines and SBSC Philippines, which latter two companies are directly involved in the promotion, marketing and future operation of the Biosphere Technology (beginning with the San Fernando Facility in the very near future). The proven ownership and/or interests of TGEG Canada in its affiliate companies support our position to treat TGEG Philippines' and SBSC Philippines' Consolidated Financial Statements as that of TGEG Canada.

Ultimately, the complexities of doing business in multiple jurisdictions governed by oftentimes divergent laws have made the resort to the above-described corporate structure a legal, as well as a practical necessity for the Company.

We trust that this explanation sufficiently addresses your concerns.

Very Truly Yours,

Atty. Renato Paraiso

Atty. Deborah Santos