

South China Resources, Inc. and Subsidiary

Consolidated Financial Statements December 31, 2011 and 2010 and Years Ended December 31, 2011, 2010 and 2009

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.





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BOA/PRC Reg. No. 0001 SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors South China Resources, Inc.

We have audited the accompanying consolidated financial statements of South China Resources, Inc. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 about 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 assessments, 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.





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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of South China Resources, Inc. and Subsidiary as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

John Nai Peng C. Ong

John Nai Peng C. Ong
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March 29, 2012, valid until March 28, 2015
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June 1, 2009, valid until May 31, 2012
PTR No. 3174817, January 2, 2012, Makati City

April 3, 2012



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SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

]	December 31
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₽730,161,936	₽893,083,578
Accounts receivable (Notes 5 and 16)	8,523,434	10,906,687
Due from related parties (Note 16)	70,109,444	45,098,362
Real estate for sale (Note 6)	447,615,888	,
Prepayments and other current assets (Note 7)	17,684,790	9,127,598
Total Current Assets	1,274,095,492	958,216,225
Noncurrent Asset Held for Sale (Note 9)	31,722,243	_
Noncurrent Assets		
Available-for-sale (AFS) investments (Note 8)	284,849,125	285,956,005
Deferred exploration costs (Note 1)	21,563,806	1,692,615
Property and equipment (Note 10)	21,046,176	6,098,757
Investment in an associate (Note 9)	· -	31,836,983
Investment property (Note 1)	-	321,048,252
Other noncurrent assets (Note 11)	3,823,191	2,397,351
Total Noncurrent Assets	331,282,298	649,029,963
TOTAL ASSETS	P1,637,100,033	₽1,607,246,188
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Note 12)	P43,311,080	₽ 714,368
Income tax payable	21,962	119,358
Total Current Liabilities	43,333,042	833,726
Equity		
Common stock - P1 par value (Note 17a)		
Authorized - 1,000,000,000 shares		
Issued - 600,489,569 shares in 2011 and	<00 400 ■ <0	505 100 5 60
597,189,569 shares in 2010	600,489,569	597,189,569
Subscribed - 306,070,000 shares in 2011 and		
309,370,000 shares in 2010 (net of subscriptions		
receivable of $229,552,500$ in 2011 and $232,027,500$ in 2010)	76,517,500	77,342,500
Additional paid-in capital	70,317,300	72,272,140
Unrealized valuation gains on AFS investments (Note 8)	10,389,619	17,672,548
Share in unrealized valuation gains on AFS investments	10,505,015	17,072,540
of an associate (Note 8)	_	13,393
Retained earnings		10,000
Appropriated (Note 17b)	500,000,000	500,000,000
Unappropriated	334,676,163	341,922,312
Treasury stock (Note 17c)	(578,000)	
Equity	1,593,766,991	1,606,412,462



SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years End	ed December 31
	2011	2010	2009
REVENUES			
Interest income (Notes 4 and 16)	₽34,169,434	₽51,497,524	₽9,920,148
Dividend income	165,918	1,005	
Foreign exchange gains - net	259		_
Gain on sale of investment in an associate (Note 23)		_	1,171,904,480
	34,335,611	51,498,529	1,181,824,628
COSTS AND EXPENSES	, ,		
Sales and marketing expenses (Note 13)	14,986,749	1,405,395	
Personnel costs (Note 14)	10,836,540	3,147,724	2,707,333
Depreciation and amortization (Note 10)	3,419,289	2,576,190	2,528,807
Travel and representation	2,910,628	6,414,361	1,374,965
Professional fees	2,021,724	1,209,011	702,944
Rent and utilities (Note 22)	1,478,302	643,931	588,646
Taxes and licenses		819,629	91,290,570
Supplies	1,396,531 885,554	159,376	107,044
Telecommunications and postage	,	209,938	207,441
Meetings, trainings and seminars	742,563	310,405	84,796
Outside services	412,276 288,631	310,403	04,790
Repairs and maintenance	282,424	118,964	21,833
Dues and subscriptions	19,745	1,910	21,633
Provision for impairment losses on deferred	19,743	1,910	_
exploration costs (Note 1)		13,248,734	
Provision for impairment in value of AFS	_	13,240,734	_
investments (Note 8)		499,356	270,000
Foreign exchange losses - net		13,397	5,439
Others	1,713,358	1,025,812	343,616
Offices	41,394,314	31,804,133	100,233,434
	11,001,011	31,001,133	100,233,131
EQUITY IN NET LOSSES OF AN ASSOCIATE	(114.740)	(2.200.010)	(40.025.540)
(Note 9)	(114,740)	(2,280,818)	(40,035,540)
SHARE IN UNREALIZED VALUATION GAINS			
ON AFS INVESTMENTS OF			
AN ASSOCIATE (Note 9)	13,393	_	_
INCOME (LOSS) BEFORE INCOME TAX	(7,160,050)	17,413,578	1,041,555,654
PROVISION FOR CURRENT INCOME TAX			
(Note 15)	86,099	119,358	159,582
NET INCOME (LOSS)	(7,246,149)	17,294,220	1,041,396,072
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized valuation gains (losses) on AFS investments			
(Note 8)	(P7 ,282,929)	₽15,682,905	₽249,900
Share in unrealized valuation gains (losses) on AFS	(= -)= -=)-	- , ,	- ,
investments of an associate (Note 9)	(13,393)	71,850	68,026
	(7,296,322)	15,754,755	317,926
TOTAL COMPREHENSIVE INCOME (LOSS)	(P14,542,471)		₽1,041,713,998
Basic/Diluted Earnings (Loss) Per Share (Note 18)	(P 0.0080)	₽0.0190	₽1.1485
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SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years End	led December 31
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES	(DF 160.050)	D17 412 570	D1 041 555 654
Income (loss) before income tax Adjustments for:	(P7 ,160,050)	₽17,413,578	₽1,041,555,654
Depreciation and amortization (Note 10)	3,419,289	2,576,190	2,528,807
Equity in net losses of an associate (Note 9)	3,419,269 114,740	2,280,818	40,035,540
Interest income (Notes 4 and 16)	(34,169,434)	(51,498,529)	(9,920,148)
Share in unrealized valuation gains on AFS investments of	(34,107,434)	(31,470,327)	(5,520,140)
an associate (Note 9)	(13,393)	_	_
Net foreign exchange losses (gains)	(259)	13,397	5,439
Provision for impairment in value of AFS	(/	- ,	-,
investments (Note 8)	_	499,356	270,000
Provision for impairment losses on deferred			
exploration costs (Note 1)	_	13,248,734	_
Gain on sale of investments in an associate (Note 23)	_	_	(1,171,904,480)
Operating loss before working capital changes	(37,809,107)	(15,466,456)	(97,429,188)
Decrease (increase) in:			
Accounts receivable	(3,225,787)	(3,876,419)	4,930,083
Real estate for sale	(126,567,636)	_	_
Prepayments and other current assets	(8,557,192)	(8,825,214)	(215,199)
Increase in accounts payable and other liabilities	42,596,712	13,588	1,060,846
Net cash used in operations	(133,563,010)	(28,154,501)	(91,653,458)
Interest received	39,778,474	44,650,862	13,792,523
Income tax paid	(183,495)	(159,582)	_
Net cash flows from (used in) operating activities	(93,968,031)	16,336,779	(77,860,935)
CASH FLOWS FROM INVESTING ACTIVITIES Decreases (increases) in: Due from related parties	(25,011,082)	(10.252)	
Deferred exploration costs	(19,871,191)	(10,253) 20,607	(70,876)
Other noncurrent assets	(1,425,840)	(2,397,351)	(70,670)
Acquisitions of:	(1,423,040)	(2,377,331)	
Property and equipment (Note 10)	(18,366,708)	(388,792)	(106,115)
AFS investments (Note 8)	(6,176,049)	(264,000,000)	
Investment property (Note 1)	_	(321,048,252)	_
Net changes in investments in an associate	_	(347,353)	362,807,749
Payments received from related parties (Note 16)	_	25,000,000	_
Net proceeds from sale of investments in an associate (Note 23)	_	_	1,227,825,489
Payment of subscriptions payable (Note 23)	_	_	(171,720,000)
Net cash flows from (used in) investing activities	(70,850,870)	(563,171,394)	1,418,736,247
CASH FLOW FROM FINANCING ACTIVITIES			150 500
Collections of subscriptions receivable (Note 17a)	2,475,000	5,760,000	472,500
Acquisition of treasury stock (Note 17c)	(578,000)		- 472 500
	1,897,000	5,760,000	472,500
EFFECT OF EXCHANGE RATE CHANGES			
ON CASH AND CASH EQUIVALENTS	259	(13,397)	(5,439)
NET INCREASE (DECREASE) IN CASH	(1/0.001./10)	(7.11 000 01 0)	1 2 11 2 12 2 2 2
AND CASH EQUIVALENTS	(162,921,642)	(541,088,012)	1,341,342,373
CASH AND CASH EQUIVALENTS AT			
BEGINNING OF YEAR	893,083,578	1,434,171,590	92,829,217
	-		
CASH AND CASH EQUIVALENTS AT	D720 171 027	D002 002 570	D1 424 171 500
END OF YEAR (Note 4)	P730,161,936	₽893,083,578	₽1,434,171,590



SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009

					Unrealized				
					Valuation				
				Unrealized	Gains (Losses)				
				Valuation	on AFS				
				Gains on AFS	Investments	Retained Earn	ings (Deficit)	Treasury	
	Common Sto	ock (Note 17a)	Additional			(Note	U \ ,	Stock	
		, ,	Paid-in Capital	(Note 7)	(Note 8)	Appropriated	Unappropriated	(Note 17c)	Total
Balances at January 1, 2009	₽588,879,569	₽79,420,000	₽72,272,140	₽1,739,743	(P126,483)	<u>Appropriated</u> <u>₽</u> _	(₽216,767,980)	P-	₽525,416,989
Collection of subscriptions	£300,079,309	£79,420,000	£/2,2/2,140	£1,739,743	(£120,463)	£-	(£210,707,960)	£	£323,410,969
receivable		472,500							472,500
Issuance of common stock	630,000	(630,000)	_	_	_	_	_	_	472,300
Net income	030,000	(030,000)	_	_	_	_	1,041,396,072	_	1,041,396,072
Other comprehensive income	_	_	_	249,900	68,026	_	1,041,330,072	_	317,926
Balances at December 31, 2009	589,509,569	79,262,500	72,272,140	1,989,643	(58,457)		824,628,092		1,567,603,487
Collection of subscriptions	309,309,309	79,202,300	72,272,140	1,909,043	(30,437)	_	024,020,092	_	1,307,003,467
receivable	_	5,760,000	_	_	_	_	_	_	5,760,000
Issuance of common stock	7,680,000	(7,680,000)	_			_			5,700,000
Appropriation for future investments	7,000,000	(7,000,000)							
(Note 17b)	_	_	_	_	_	500,000,000	(500,000,000)		_
Net income	_	_	_	_	_	_	17,294,220	_	17,294,220
Other comprehensive income	_	_	_	15,682,905	71,850	_		_	15,754,755
Balances at December 31, 2010	597,189,569	77,342,500	72,272,140	17,672,548	13,393	500,000,000	341,922,312	_	1,606,412,462
Collection of subscriptions	057,105,005	77,012,000	, =,=,=,1.0	17,072,010	10,000	200,000,000	5 .1,> 22,5 12		1,000,112,102
receivable	_	2,475,000	_	_	_	_	_	_	2,475,000
Issuance of common stock	3,300,000	(3,300,000)	_	_	_	_	_	_	_
Appropriation for future investments	, ,	(, , , ,							
(Note 17b)	_	_	_	_	_	500,000,000	(500,000,000)	_	_
Reversal of appropriation for future									
investments (Note 17b)	_	_	_	_	_	(500,000,000)	500,000,000	_	_
Treasury stock acquisition	_	_	_	_	_	_	_	(578,000)	(578,000)
Net loss	_	_	_	_	_	_	(7,246,149)		(7,246,149)
Other comprehensive loss	=	=	=	(7,282,929)	(13,393)	=	=		(7,296,322)
Balances at December 31, 2011	₽600,489,569	₽76,517,500	₽72,272,140	₽10,389,619	₽–	₽500,000,000	₽334,676,163	(P578,000)	P1,593,766,991

Share in



SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

Corporate Information

South China Resources, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production.

The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The registered office address of the Parent Company is 3/F Low Rise Pacific Star Bldg., Sen. Gil Puyat cor. Makati Avenue, Makati City.

In October 2003, the SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now registered primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as "holding companies". The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

The Parent Company has six (6) and seven (7) employees in 2011 and 2010, respectively.

In 2010, the Parent Company diversified its business and invested into real property development through SOC Land Development Corporation (SOC Land; the Subsidiary), a wholly-owned subsidiary. SOC Land was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010. The primary purpose of SOC Land is to deal and engage in real estate business.

On July 28, 2010, the Parent Company purchased 24,023 square meters parcel of land located at East Service Road of South Superhighway, Barangay Buli, Muntinlupa City at a price of \$\mathbb{P}321.0\$ million. As of December 31, 2010, the Parent Company classified the land under "Investment property" in the consolidated statement of financial position at cost of \$\mathbb{P}321.0\$ million which approximates its fair value.

On March 4, 2011, in exchange for 312,298 additional shares in SOC Land, the Parent Company transferred investment property with a fair value of \$\mathbb{P}\$312.3 million.

The registered office address of SOC Land is 6/F, YL Holdings Building, 115 VA Rufino corner Salcedo Streets, Legaspi Village, Makati City.



Status of Operations

Oil and Gas Exploration

The Parent Company is a participant in Service Contracts (SC) entered into with the Philippine government, through the Department of Energy (DOE), to conduct exploration, exploitation and development activities in the following contract areas:

			Percen	tage of
	Carr	ying Amount	Working	Interest
Contract Areas	2011	2010	2011	2010
SC-60 Northeast Palawan [formerly				
GeophysicalSurvey and Exploration				
Contract (GSEC) 99]	P21,563,806	₽1,692,615	15.00	15.00
SC-71 (formerly Area 4 Offshore Mindoro-				
Cuyo)	_	_	_	15.00
SC-41 Offshore Sulu Sea Sandakan Basin	_	_	_	1.09

The above SCs provide for certain minimum work expenditure obligations and drilling of specified number of wells and are covered by Joint Operating Agreements, which set forth the participating interests, rights and obligations of the contractors. The minimum work expenditure obligations on these contracts are estimated to be about US\$1.0 million and US\$10.1 million as of December 31, 2011 and 2010, respectively.

The Parent Company has existing SCs as follows:

• SC-60 (GSEC-99 Offshore NE Palawan)

The Parent Company, Shell Philippines Exploration B.V. and Kuwait Foreign Petroleum Co. ksc. (collectively "the Consortium I") entered the second sub-phase of SC-60 in July 8, 2008. The objective is to continue and further the exploration of the block with a commitment to drill one well during the sub-phase.

The Silangan-1 well was spud-in on July 20, 2010 and was the first deep water drilled in the area. The well was plugged and abandoned without encountering significant hydrocarbons.

During the second half of November 2010, a Controlled Source Electro-Magnetics survey in line with a request to the DOE to extend the decision period whether or not to enter the third sub-phase was launched. In 2011, cash call request from the Consortium I was paid by the Parent Company amounting to P20.0 million. As of December 31, 2011, the Consortium I was given up to February 10, 2012 to decide whether or not to enter the third sub-phase. The Consortium I did not pursue the extension.

On March 19, 2012, the DOE issued a certification, that the Parent Company is a member of SC-60 with no pending violation with the former as of December 31, 2011.

The Parent Company has 15% interest in the block as of December 31, 2011 and 2010.

• SC-71 (formerly Area 4 Offshore Mindoro-Cuyo)

On April 1, 2009, the Parent Company, Pitkin Petroleum (Pitkin), and the DOE (collectively "the Consortium II") signed SC-71. SC-71 covers an area of 1.164 MM hectares in the Cuyo/Mindoro/East Palawan region. The Operator, Pitkin, conducted geological and geophysical assessment of the block. SC-71 completed comprehensive reprocessing of over 3000 lines kilometers of 2D seismic data over the area. Interpretative was ongoing as of



December 31, 2010. As per advice of Pitkin, the first sub-phase of work was extended to April 1, 2011. The Consortium II did not pursue the extending exploration work after this date. As a result of not pursuing the extended exploration work, the Parent Company relinquished its 15% participating interest in SC-71 in 2011 and is in the process of obtaining clearance from the DOE as of December 31, 2011. The Parent Company has nil and 15% participating interest as of December 31, 2011 and 2010, respectively.

SC-41 Offshore Sulu Sea Sandakan Basin

SC-41 ran the full length of its exploration period extending exploration activity to 10 contract years. Operator, Tap Oil Ltd. (Tap Oil) drilled a well in 2008 and undertook extensive seismic processing and re-processing of the 3D seismic data in 2009 to 2010.

The SC-41 group was given until August 10, 2010 to decide whether or not to extend the SC for another year. Given that the next phase of the SC would have included a work program commitment to drill an exploratory well by May 2011, it was concluded that a well was not appropriate in light of the tight schedule and a pending Philippines Energy Contracting Round.

Tap Oil was not able to secure an appropriate farmout due in part to the tight time frame of the work program and made the decision to relinquish SC-41 prior to incurring the well commitment.

The SC-41 group views the area as still having prospectivity and may pursue exploration in the future with an appropriate work program to address the technical risks. Agreement on the composition of the new joint venture would be discussed in advance of making any application over the area, with the intent that existing partners would participate.

The Parent Company relinquished its 1.09% participating interest in SC-41 in 2011 because the Consortium II was not able to secure a farmout within the given time frame. The Parent Company has nil and 1.09% paying participating interest in the block as of December 31, 2011 and 2010, respectively.

The Parent Company provided allowance for impairment losses on deferred exploration costs amounting to \$\mathbb{P}\$13.2 million for SC-41 in 2010. No provision for impairment losses on deferred exploration costs was recognized in 2011.

As of December 31, 2011 and 2010, the allowance for impairment losses on deferred exploration costs amounted to \$\mathbb{P}88.8\$ million for the following \$\mathbb{S}Cs\$ and \$\mathbb{G}SECs\$:

- GSEC 65 West Culion;
- GSECs 68 and 71 North Calamian;
- GSEC 79 Murphy Oil and Ragay Gulf;
- GSEC 82 Cagayan Basin;
- GSEC 90 Lingayen Gulf;
- SC-71 formerly Area 4 Offshore Mindoro-Cuyo; and
- SC-41 Offshore Sulu Sea Sandakan Basin.



Real Estate Development

In 2010, the Subsidiary's plan is to develop mid-rise residential buildings. In 2011, the Subsidiary undertook its maiden project called Anuva Residences (the Project). The Project involves development of a 2.4-hectare community situated near Sucat Interchange and will have four (4) tandem buildings, with the first building targeted to be completed by 2013. The total estimated cost of the Project is ₱2.0 billion and is targeted for completion within five (5) years from the start of its construction.

On July 12, 2011, the groundbreaking ceremony for the Project was held and construction for the Project's Tandem Building 1 commenced thereafter. As of December 31, 2011, structural works have an accomplishment rate of 11.4%.

On December 14, 2011, the Housing and Land Use Regulatory Board (HLURB) released the Subsidiary's License to Sell (LTS) for the Project.

The Subsidiary, in its pre-selling phase as of December 31, 2011, has gained access in local and international markets. In 2011, 100 units or 19.4% of total available units in the first building of Tandem 1 were reserved.

Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 were approved and authorized for issue by the Board of Directors (BOD) on April 3, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for AFS investments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. All values are rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretation Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except, for the following new and amended PFRS and Philippine Interpretations which were adopted as of January 1, 2011. Adoption of these new and amended standards or interpretations did not have any significant impact to the Group except for the additional required disclosures and use of titles, captions and formats of presentation.



Amendment to PAS 24, Related Party Transactions

PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

Amendment to PAS 32, Financial Instruments: Presentation

The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Amendment to Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement*

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset.

Improvements to PFRS

Improvements to PFRS, an omnibus of amendments to standards issued in 2010, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments are effective for annual periods beginning on or after January 1, 2011, except if otherwise stated. The Group has adopted the following amendments and concluded that these changes did not have material effect on the consolidated financial statements.

PFRS 3, Business Combinations

Amends the measurement options available for non-controlling interest (NCI). Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value. The amendments to PFRS 3 are effective for annual periods beginning on or after July 1, 2011.

PFRS 7, Financial Instruments - Disclosures

• Intends to simplify the disclosures provided by reducing the volume of disclosures around the collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

• PAS 1, Presentation of Financial Statements

 Clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from the 2010 Improvements to PFRS to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Group.

- PFRS 3, *Business Combinations* (Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008))
- PFRS 3, Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- PAS 27, Consolidated and Separate Financial Statements
- PAS 34, Interim Financial Statements
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)
- Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2011

Standards issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Effective in 2012

Amendment to PFRS 7, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.

Amendment to PAS 12, Income Taxes - Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property* should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment* always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.



Effective in 2013

Amendment to PAS 1, Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)

The amendment to PAS 1 changes the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

Amendments to PAS 19, Employee Benefits

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 27, Separate Financial Statements (as revised in 2011)

As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

Amendments to PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the balance sheet date:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the balance sheet;
- c) The net amounts presented in the balance sheet;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.



The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PFRS 10, Consolidated Financial Statements

PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, Consolidation - Special Purpose Entities. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 11, Joint Arrangements

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 12, Disclosure of Interests with Other Entities

PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 13, Fair Value Measurement

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

Effective in 2014

PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital



requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

Effective in 2015

PFRS 9, Financial Instruments: Classification and Measurement

PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31 of each year. The financial statements of the Subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are deconsolidated from the date on which control ceases.

Subsidiaries are entities over which the Parent Company has control or generally has an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group or Parent Company directly or through the holding companies.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized are eliminated in full.



A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placements and that are subject to an insignificant risk of change in value.

Financial Instruments

Date of Recognition

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

Determination of Fair Value

The fair value of financial instruments traded in active markets at the reporting 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 transaction.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

The Group has financial assets under Levels 1 and 3 of the fair value hierarchy as of December 31, 2011 and 2010 (see Note 19).



Classification of Financial Instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Group has no financial assets or liabilities at FVPL and HTM investments as of December 31, 2011 and 2010.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the EIR and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables consist of cash and cash equivalents, accounts receivable, due from related parties and refundable deposits (see Notes 4, 5, 7 and 16).

AFS Investments

AFS investments include equity investments. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in "Unrealized valuation gains (losses) on AFS investments" until the investment is derecognized, at which time the cumulative gain or loss is transferred to other income (expenses), or determined to be impaired, at which time the cumulative loss is recognized in the consolidated statement of comprehensive income as other expenses and removed from "Unrealized valuation gains (losses) on AFS investments" under other comprehensive income section.

The Group evaluates its AFS investments whether the ability and intention to sell them in the near term is appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intent to hold the financial asset accordingly until maturity.



For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using EIR method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit and loss.

The Group's AFS investments consist of listed and unlisted shares (see Note 8).

Other Financial Liabilities

Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle 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. 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.

This category includes loans and borrowings which are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's other financial liabilities consist of accounts payable and other liabilities (see Note 12).

Impairment of Financial Assets

Financial Assets Carried at Amortized Cost

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually 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 assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.



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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Investments Carried at Fair Value

In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

AFS Investments at Cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument 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 discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities

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

When 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 the consolidated statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position 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.

Real Estate for Sale

Real estate for sale is carried at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs directly attributable to the acquisition for projects where the Subsidiary is the landowner, and includes actual development costs incurred up to the reporting date for projects where the Subsidiary is both the landowner and developer. When the Subsidiary is only a developer, the cost of real estate for sale pertains only to the actual development costs. NRV is the fair value less cost to sell in the ordinary course of business.

Prepayments and Other Current Assets

Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Advances to Contractors

Advances to contractors represent advance payments on services to be incurred in connection with the Subsidiary's operations. Advances to contractors are recognized under "Prepayments and other current assets" account in the consolidated statement of financial position. These are charged to expense in profit or loss, or capitalized to real estate for sale in the consolidated statement of financial position, as appropriate, when the services are rendered, which is normally within 12 months or within the normal operating cycle. Otherwise, these are classified as noncurrent assets.

Input Value-Added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Input VAT is presented as current asset and will be used to offset against the Group's current output VAT liabilities. Any excess which are being claimed as tax credits is presented as part of "Prepayments and other current assets" in the consolidated statement of financial position. Otherwise, these are classified as noncurrent assets. Input VAT is stated at its estimated NRV.

Noncurrent Asset Held for Sale

Noncurrent asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

An asset should be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell, and an active program to



locate a buyer and complete the plan must have been initiated. Further, the assets must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as completed sale within one year from the date of classification.

Investment in an Associate

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, investment in an associate are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share in net income or losses of the associate is shown as "Equity in net income (losses) of an associate" in profit or loss. This is the income (loss) attributable to equity holders of the associates and therefore is profit after tax.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and their carrying values and recognizes the amount in the "Equity in net income (losses) of an associate" in profit or loss.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Deferred Exploration Costs

Deferred exploration costs are accounted for using the full cost method determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are deferred pending determination of whether the contract area contains oil and gas reserves in commercial quantities. When the SC is permanently abandoned or the Group has withdrawn from the consortium, the related deferred exploration costs are provided with valuation allowance or written-off. An SC is considered permanently abandoned if the SC has expired and/or there are no definite plans for further exploration and/or development.



Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter, as follows:

Category	Number of Years
Building	5
Transportation equipment	5
Office furniture and equipment	3
Leasehold improvements	2

The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the periods 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 the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.

Investment Property

Investment property is measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no further economic benefit is expected from its disposal. Any gains or losses on the retirement of disposal of investment property are recognized in profit or loss in the year of retirement or disposal.



Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate 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 asset is increased to its 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 asset in prior years. Such reversal is recognized in profit or loss.

Common Stock

The Group has issued common stocks that are classified as equity. Incremental costs directly attributable to the issue of new common stocks are shown in equity as a deduction, net of tax, from the proceeds.

Additional Paid-in Capital

Amount of contribution in excess of par value is accounted for as an additional paid-in capital.

Retained Earnings

The amount included in retained earnings includes profit attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group's stockholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Group and no dividends are allocated to them respectively. When the stocks are retired, the common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-up capital when the shares were issued and to retained earnings for the remaining balance.



Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Real Estate Sales

Real estate sales from completed projects are accounted for using the full accrual method. The percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of actual costs incurred to date over the estimated total costs to complete the project. Any excess of collections over the recognized revenue are included under the "Accounts payable and other liabilities" account in the consolidated statement of financial position.

If none of the revenue recognition criteria is met, deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is presented as part of "Customers' deposits" included under the "Accounts payable and other liabilities" account in the consolidated statement of financial position.

Interest Income

Interest income is recognized as it accrues using the EIR.

Dividend Income

Dividend income is recognized when the Group's right to receive the payment is established.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Operating expenses, such as personnel, rent and utilities are generally recognized when the service is used or the expense arises while interest expenses, if applicable are accrued in the appropriate period. General and administrative expenses are expenses incurred in the direction and general administration of day-to-day operation of the Group and are generally recognized when the service is used or the expense arises.

Commission Expense

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Sales and marketing" account in the consolidated statement of comprehensive income.

Retirement Benefit Costs

The Group provides for the estimated retirement costs required to be paid under Republic Act (RA) No. 7641 to qualified employees. Under PAS 19, *Employee Benefits*, the cost of defined retirement benefits, including those mandated under RA No. 7641 should be determined using projected unit credit method to measure its obligations and costs.

Income Taxes

Current Income Tax

Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.



Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after 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 that 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 specified asset; or
- d. there is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Group's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Basic Earnings (Loss) Per Share (E/LPS)

Basic E/LPS amounts are calculated by dividing net income (loss) attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year.

Diluted Earnings (Loss) Per Share (E/LPS)

Diluted E/LPS amounts are calculated by dividing the net income (loss) attributable to common equity holders of the Parent Company (after adjusting for interest on convertible preferred shares) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares.

Segment Reporting

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments. Financial information on business segments is presented in Note 20.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-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 an interest expense.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Borrowing costs also include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are expensed in the period they occur.

Contingencies

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



Events After the Reporting Date

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

3. Significant Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgment

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. It is the currency that mainly influences its revenues and costs of operation.

Classification of Financial Instruments

The Group exercises judgment in classifying a financial instrument on initial recognition either as 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 consolidated 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 the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Determining Control in a Subsidiary

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Parent Company concluded that it has control over the operating and financial policies of SOC Land due to its direct ownership of more than 50% of the voting shares of the latter.

Determining Significant Influence in an Associate

The Group considers its investment in Premiere Development Bank (PDB) as investment in associate. The Group concluded that it has significant influence over the operating and financial policies of PDB due to the following:

- representation on the BOD;
- participation in policy-making processes, including participation in decisions about dividends and other distributions:
- material transactions between the investor and investee; and
- interchange of managerial personnel.



The Group has no control over PDB since it does not own directly or indirectly more than 50% of the voting rights of the latter.

Revenue Recognition on Real Estate Sales

Selecting an appropriate revenue recognition method for a particular real estate sales transaction requires certain judgments based on the buyer's and seller's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing of the buyer and execution of contract to sell. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the engineer's judgment and estimates on the physical portion of contract work done if the development is beyond the preliminary stage.

Collectibility of Sales Prices

In determining whether the sales prices are collectible, the Group considers that the initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

Operating Leases - The Group as Lessee

The Group has entered into a lease for its administrative office location. The Group has determined that all the significant risks and benefits of ownership of these properties remain with the lessors. Accordingly, these leases are accounted for as operating leases.

Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and excess MCIT to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Conversely, the Group recognizes deferred tax liabilities from taxable temporary differences. No deferred tax assets have been recognized on deductible temporary differences, unused NOLCO and excess MCIT amounting to P131.3 million and P147.0 million as of December 31, 2011 and 2010, respectively (see Note 15).

Estimates and Assumptions

Allowance for Impairment Losses on Accounts Receivable and Due from Related Parties
The Group reviews the balance of accounts receivable and due from related parties at each reporting date to assess whether an allowance for impairment losses should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant accounts receivable and due from related parties, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. These assessments take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.



There is no allowance for impairment losses on accounts receivable and due to related parties as of December 31, 2011 and 2010. Accounts receivable amounted to \$\mathbb{P}8.5\$ million and \$\mathbb{P}10.9\$ million as of December 31, 2011 and 2010, respectively (see Note 5). Due from related parties amounted to \$\mathbb{P}70.1\$ million and \$\mathbb{P}45.1\$ million as of December 31, 2011 and 2010, respectively (see Note 16).

Revenue and Cost Recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenues from real estate, recognized based on the percentage of completion, are measured principally on the basis of the ratio of actual costs incurred to date over the estimated total cost to complete the project.

In 2011, 2010 and 2009, no revenues and costs from sale of real estate were recognized.

Estimated Development Costs

The accounting for real estate requires the use of estimates in determining costs and profit recognition. Cost of real estate sold is based on the percentage of completion which is measured on the basis of the ratio of actual cost incurred to date over the estimated total development cost to complete the project. The total development cost of a project is estimated by the Group's engineers. At each reporting date, these estimates are reviewed and revised when necessary to reflect the current conditions.

As of December 31, 2011 and 2010, real estate for sale amounted to \$\mathbb{P}447.6\$ million and nil, respectively. In 2011, 2010 and 2009, no costs from sale of real estate were recognized.

Impairment of AFS Investments

The Group treats AFS investments as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the cost of AFS and 'prolonged' if greater than six (6) months. In addition, the Group evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Group also considers the ability of the investee to provide dividends.

As of December 31, 2011 and 2010, the Group's allowance for decline in market value of unlisted AFS investments amounted to \$\mathbb{P}3.3\$ million (see Note 8).

In 2010, the Group recognized impairment loss amounting to \$\mathbb{P}0.5\$ million due to the significant decline in value of its AFS investments (see Note 8). In 2011 and 2009, the Group did not recognize any impairment loss.

The carrying amounts of AFS investments amounted to \$\mathbb{P}284.8\$ million and \$\mathbb{P}286.0\$ million as of December 31, 2011 and 2010, respectively. The change in the fair value of the AFS investments is recorded as "Unrealized valuation gains (losses) on AFS investments" account in the equity section of the consolidated statement of financial position. The unrealized valuation gains on AFS investments amounted to \$\mathbb{P}10.4\$ million and \$\mathbb{P}17.7\$ million as of December 31, 2011 and 2010, respectively (see Note 8).



Evaluation of NRV of Real Estate for Sale

The Group adjusts the cost of its real estate for sale to NRV based on its assessment of the recoverability of the inventories. NRV for completed real estate for sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate for sale under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. Real estate for sale at cost amounted to \$\text{P447.6}\$ million as of December 31, 2011. In 2011, the Group assessed that the NRV of real estate for sale is higher than cost, hence the Group did not recognize any losses on write down of real estate for sale (see Note 6).

Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The net book values of property and equipment amounted to \$\mathbb{P}21.0\$ million and \$\mathbb{P}6.1\$ million as of December 31, 2011 and 2010, respectively (see Note 10).

Impairment of Nonfinancial Assets

The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- 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.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.



No provision for impairment losses was recognized in 2011, 2010 and 2009. The carrying values of nonfinancial assets that are subjected to impairment testing are as follows:

	2011	2010
Property and equipment (see Note 10)	P21,046,176	₽6,098,757
Investment in an associate (see Note 9)	_	31,836,983
Investment property (see Note 1)	_	321,048,252
Other noncurrent assets (see Note 11)	3,823,191	2,397,351
	P24,869,367	₽361,381,343

Impairment of Deferred Exploration Costs

The full recovery of the deferred exploration costs incurred in connection with the Group's participation in the acquisition, exploration and development of petroleum concessions is dependent upon the discovery of oil and gas in commercial quantities and the success of future development thereof. When the SC/GSEC is permanently abandoned or the entity has withdrawn from the consortium, the related deferred exploration costs are written-off. SCs and GSECs are considered permanently abandoned if the SCs and GSECs have expired and/or there are no definite plans for further exploration and development. The Group has provided full valuation allowance on deferred exploration costs incurred for certain SCs and GSECs on which management has no definite plans for further exploration and development. The Group recognized allowance for impairment losses on deferred exploration costs amounting to ₽88.8 million as of December 31, 2011 and 2010 (see Note 1). Net deferred exploration costs amounted to ₽21.6 million and ₽1.7 million as of December 31, 2011 and 2010, respectively.

Valuation of Financial Instruments

PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity. The fair value of the Group's financial assets and liabilities are disclosed in Note 19.

Retirement Benefit Costs

The Group provides for the estimated retirement costs required to be paid under Republic Act (RA) No. 7641 to qualifying employees. Under PAS 19, the cost of defined retirement benefits, including those mandated under RA No. 7641 should be determined using projected unit credit method to measure its obligations and costs. In 2011, 2010 and 2009, no retirement benefit obligation and costs were recognized as no employees have qualified under RA No 7641.

4. Cash and Cash Equivalents

	2011	2010
Cash on hand and with banks	P64,016,026	₽165,861,234
Short-term investments (see Notes 8 and 16)	666,145,910	727,222,344
	P730,161,936	₽893,083,578

Cash with banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. Interest income earned amounted to ₱29.9 million, ₱38.7 million and ₱1.9 million in 2011, 2010 and 2009, respectively.



5. Accounts Receivable

	2011	2010
Officers and employees	P7,276,407	₽4,054,958
Accrued interest (see Notes 4 and 16)	1,238,627	6,847,668
Others	8,400	4,061
	P8,523,434	₽10,906,687

Receivables from officers and employees pertain to unliquidated advances and are collectible upon demand.

6. Real Estate for Sale

Real estate for sale as of December 31, 2011 consists of:

Land (see Note 1)	₽312,298,000
Development costs (see Note 22)	135,317,888
	₽447,615,888

No revenue and cost from sale of real estate was recognized in 2011.

In 2011, the Group assessed that the NRV of real estate for sale is higher than cost, hence the Group did not recognize any loss on write down of real estate for sale.

7. Prepayments and Other Current Assets

	2011	2010
Input VAT	P17,025,395	₽1,012,897
Refundable deposits (see Note 22)	355,520	_
Office supplies inventory	218,523	175,373
Advances to contractors	_	7,726,768
Others	85,352	212,560
	P17,684,790	₽9,127,598

8. **AFS** Investments

	2011	2010
Shares - listed		
Petron Corporation	P14,458,500	₽21,595,950
Alliance Global Group, Inc.	4,653,000	_
Aboitiz Equity Ventures, Inc.	313,170	222,600
Philippine Long Distance Telephone Company	7,455	7,455
	19,432,125	21,826,005

(Forward)



	2011	2010
Shares - unlisted		_
AGP International Holdings Ltd.	265,287,000	264,000,000
Southwest Resources, Inc.	3,333,500	3,333,500
Mt. Malarayat Golf and Country Club	130,000	130,000
	268,750,500	267,463,500
Less allowance for impairment loss on		
AFS investments	3,333,500	3,333,500
	265,417,000	264,130,000
	P284,849,125	₽285,956,005

AFS investments represent investments in listed and unlisted shares without fixed maturity date or coupon rate and are measured at fair value.

Listed Shares

Listed shares consist of equity securities that are traded in the PSE. The fair values of listed shares are determined at their closing market price as of reporting date. The unrealized fair value changes of the investments are presented as "Unrealized valuation gains (losses) on AFS investments" account in the equity section of the consolidated statement of financial position.

Movements in listed AFS investments are as follows:

	2011	2010
Balances at beginning of year	P 21,826,005	₽6,143,100
Acquisition	4,889,049	_
Fair value adjustments	(7,282,929)	15,682,905
Balances at end of year	P19,432,125	₽21,826,005

Movements in the unrealized valuation gains (losses) on listed AFS investments are as follows:

	2011	2010
Balances at beginning of year	P17,672,548	₽1,989,643
Fair value adjustments	(7,282,929)	15,682,905
Balances at end of year	P10,389,619	₽17,672,548

Unlisted Shares

Unlisted shares, without available market values, are carried at cost less any impairment losses. In 2010 and 2009, the Group recognized provision for impairment loss on AFS investments on shares in Southwest Resources, Inc. amounting to P0.5 million and P0.3 million due to the significant decline in value of the shares, respectively. No provision for impairment loss on AFS investments in 2011. Allowance for impairment loss on unlisted shares amounted to P3.3 million as of December 31, 2011 and 2010.

AGP International Holdings, Ltd. (AGP International)

AGP International is a British Virgin Islands (BVI) business company formed in November 2010 by Icaza, Gonzalez-Ruiz & Aleman Trust Limited with registered office at the Vanterpool Plaza Second Floor Wickmans Cay I Road Town, Tortola BVI. As of December 21, 2010, AGP International's authorized securities consist of 1,400,000,000 no par value shares divided into 1,000,000,000 common shares and 400,000,000 Series A preferred shares.



In 2010, the Parent Company subscribed to and subsequently fully paid for 26,086,957 preferred shares of AGP International Holdings, Ltd., which represents a 6.52% interest at a purchase price of \$\mathbb{P}264.0\$ million. AGP International invested in 40% of the outstanding capital stock of AGP Philippines Holdings I, Inc. (AGP Philippines), which was incorporated on December 13, 2010. In 2010, AGP Philippines finalized the acquisition of all of the shares of DMCI Holdings, Inc. (DMCI-HI) in Atlantic Gulf & Pacific Group of Manila, Inc. (AG&P). The shares comprise of 973,089,025 shares directly owned and 17 shares beneficially owned by DMCI-HI, representing 98.19% of the outstanding capital of AG&P. AG&P provides modular engineering and construction and general engineering design services, including fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries. Accordingly, the Group's risk factors include those factors that impact, either positively or negatively, the markets for engineering and construction services.

As of December 31, 2011 and 2010, the Group accounts for its investment in AGP International as AFS investments carried at cost since its ownership interest does not provide the Group significant influence to participate in the financial and operating policy decisions of AGP International.

On January 31, 2012, the Parent Company, together with the other legal owners of AGP International preferred shares, entered into a Share Purchase Agreement with AGP International to sell its shares to the latter for \$0.40 cents per share. On the same date, AGP International and AG&P executed a waiver and release form in favor of each seller, relieving them from any claims related to the shares.

9. Investment in an Associate

	2011	2010
Acquisition costs:		
Balances at beginning of year	P 35,191,153	₽34,843,800
Additional investment	_	347,353
Reclassification as held for sale	(35,191,153)	_
Balances at end of year	_	35,191,153
Accumulated equity in net losses:		
Balances at beginning of year	(3,367,563)	(1,086,745)
Equity in losses	(114,740)	(2,280,818)
Reclassification as held for sale	3,482,303	_
Balances at end of year	_	(3,367,563)
Share in unrealized valuation gains on AFS		
investments of an associate:		
Balances at beginning of year	13,393	(58,457)
Share in fair value adjustments on AFS		
investments of an associate	_	71,850
Reversal to profit or loss	(13,393)	_
Balances at end of year	_	13,393
	₽–	₽31,836,983



PDB

PDB is a private development bank incorporated in the Philippines in 1960. PDB is engaged in transactions and undertakings, including but not limited to, trust functions, operation of demand deposit accounts, foreign currency transactions, quasi-banking functions, domestic letters of credit, dealership of bonds and other debt instruments, subject to applicable regulations, financial allied and non-allied undertakings, performance of all kinds of services for commercial banks or operation under an expanded banking authority and other transactions that may be allowed to be engaged in by private development banks.

PDB operates within the Philippines and maintains 38 branches in Metro Manila and in the Provinces of Bulacan, Rizal, Laguna, Cavite and Batangas.

On November 5, 2010, the Parent Company subscribed to and paid for 3,016 additional shares at the subscription price of \$\mathbb{P}0.4\$ million. As of December 31, 2010, the Group's equity share in PDB is 4.79% and the Group accounts for its investment in PDB under the equity method since the Group exercises significant influence over the operating and financial policies of PDB.

On June 1, 2011, the Parent Company, together with other shareholders, entered into a Share Purchase Agreement (the Agreement) with Security Bank Corporation for the sale of its 351,454 common shares in PDB. The sellers are the legal owners of an aggregate of 7,071,263 common shares in PDB, representing 96.42% of the issued and outstanding capital stock of PDB. Under the Agreement, the price per share amounted to \$\mathbb{P}181.7\$ which resulted to a total share consideration of \$\mathbb{P}1.3\$ billion. The obligations of the parties to complete the sale and purchase of the shares under the Agreement are subject to the approval of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP). The approval from BSP has yet to be granted as of December 31, 2011.

As of December 31, 2011, the Group reclassified its investment in PDB amounting to \$\mathbb{P}31.7\$ million as held for sale and presented it under "Noncurrent asset held for sale" account in the consolidated statement of financial position. On January 20, 2012, the Monetary Board of the BSP approved the transaction contemplated in the Agreement.

The summarized financial information of PDB as of and for the year ended December 31, 2010 is as follows:

 Total assets
 \$\mathbb{P}\$5,357,127,257

 Total liabilities
 4,588,147,736

 Net loss
 (47,616,242)

10. Property and Equipment

	2011				
		Transportation	Office Furniture and	Leasehold	
	Building	Equipment	Equipment	Improvements	Total
Cost:					
Balances at beginning					
of year	₽–	₽13,020,964	P2,050,969	P432,098	P15,504,031
Additions	15,451,939	741,071	1,912,102	261,596	18,366,708
Balances at end of year	15,451,939	13,762,035	3,963,071	693,694	33,870,739

(Forward)



			2011		
	Building	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Accumulated depreciation					
and amortization:					
Balances at beginning					
of year	_	7,413,538	1,559,638	432,098	9,405,274
Depreciation and					
amortization	_	2,513,949	714,489	190,851	3,419,289
Balances at end of year	_	9,927,487	2,274,127	622,949	12,824,563
Net book values	₽15,451,939	₽3,834,548	₽1,688,944	₽70,745	P21,046,176

			2010	
		Office		
	Transportation	Furniture and	Leasehold	
	Equipment	Equipment	Improvements	Total
Cost:				_
Balances at beginning				
of year	₽13,020,964	₽1,662,177	₽432,098	₽15,115,239
Additions	_	388,792	_	388,792
Balances at end of year	13,020,964	2,050,969	432,098	15,504,031
Accumulated depreciation				
and amortization:				
Balances at beginning				
of year	4,961,345	1,435,641	432,098	6,829,084
Depreciation and				
amortization	2,452,193	123,997	_	2,576,190
Balances at end of year	7,413,538	1,559,638	432,098	9,405,274
Net book values	₽5,607,426	₽491,331	₽–	₽6,098,757

Significant additions to property and equipment in 2011 pertain to the marketing and sales office used situated in East Service Road, Barangay Buli, Muntinlupa, which was constructed and completed in 2011.

11. Other Noncurrent Assets

In 2010, other noncurrent assets amounting to ₱2.4 million represent advances for the processing of bid documents, costs for pre-bidding conferences and consultancy fees related to Parent Company's participation in the bid submission for the Philippine Mining Development Corporation's Diwalwal Mineral Reservation Project. Additional advances amounting to ₱1.4 million in 2011 represent advances made by the Parent Company for its prospective agriculture-related projects. Other noncurrent assets amounted to ₱3.8 million and ₱2.4 million as of December 31, 2011 and 2010, respectively.



12. Accounts Payable and Other Liabilities

	2011	2010
Customers' deposits	P19,033,889	₽_
Contractors' payable (see Note 22)	17,069,253	_
Retention payable	4,105,929	_
Accrued expenses	2,097,583	464,093
Accounts payable	595,336	109,675
Government payables	409,090	140,600
	£ 43,311,080	₽714,368

Customers' deposits include collections received from buyers which have not met the revenue recognition criteria. Contractors' payable represents billings of various contractors for services in relation to the Project. Retention payable represents the amount retained by the Subsidiary as security for any defects and damages on the works arising from or due to faulty workmanship and/or defective contractor-supplied materials before the final acceptance of the Project and the payment of the last billing. Accrued expenses consist significantly of accruals for professional fees. Accounts payable are noninterest-bearing and are normally settled with 30-60 days.

13. Sales and Marketing Expenses

	2011	2010	2009
Consultancy fees	P8,745,667	₽1,072,805	₽–
Advertising (see Note 22)	5,587,551	332,590	_
Internet fees, web design and maintenance	653,531	_	_
	P14,986,749	₽1,405,395	₽–

14. Personnel Costs

	2011	2010	2009
Salaries and wages	P7,367,023	₽2,286,433	₽1,937,100
Short term employee benefits	3,469,517	861,291	770,233
	P10,836,540	₽3,147,724	₽2,707,333

15. Income Taxes

The Group's current provision for income tax in 2011, 2010 and 2009 represents MCIT.



There are deductible temporary differences, unused NOLCO, and excess MCIT for which no deferred tax assets were recognized since the Group expects that these deferred tax assets will not be realized in the future. These deductible temporary differences, unused NOLCO, and excess MCIT are as follows:

	2011	2010
Allowance for impairment losses on deferred		_
exploration costs	P88,713,164	₽88,713,164
NOLCO	42,217,694	57,981,095
MCIT	365,046	278,940
Unrealized foreign exchange loss	_	18,836
	P131,295,904	₽146,992,035

As of December 31, 2011, the Group has the following NOLCO and MCIT that can be claimed as deduction from future taxable income and income tax due, respectively:

Year Incurred	Year of Expiry	NOLCO	MCIT
2011	2014	₽34,613,224	₽86,099
2010	2013	6,003,109	119,358
2009	2012	1,601,361	159,582
		₽42,217,694	₽365,039

Movement of the Group's NOLCO and MCIT follows:

NOLCO

	2011	2010
Balances at beginning of year	₽57,981,095	₽58,198,849
Additions	34,613,224	6,003,109
Expirations	(50,376,625)	(6,220,863)
Balances at end of year	P42,217,694	₽57,981,095

MCIT

	2011	2010
Balances at beginning of year	₽278,940	₽159,582
Additions	86,099	119,358
Balances at end of year	P365,039	₽278,940



A reconciliation of income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statement of comprehensive income follows:

	2011	2010	2009
Income tax computed at statutory tax rates	(P2,148,015)	₽5,224,073	₽312,466,697
Additions to (reductions in) income tax			
resulting from:			
Change in unrecognized deferred			
tax assets	10,464,415	5,898,930	39,765,548
Nondeductible expenses	782,912	2,505,742	_
Interest income subjected to final tax	(8,963,360)	(13,658,893)	(582,319)
Nontaxable income	(49,853)	(301)	_
Gain on sale of investment in an			
associate	_	_	(351,571,344)
Provision for impairment in value of			
AFS investments	_	149,807	81,000
	P86,099	₽119,358	₽159,582

16. Related Party Disclosures

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 significant influences. Related parties may be individuals or corporate entities.

In the normal course of business, the Group has significant related party transactions as follows:

		Amounts Due from	
		Related	Parties
	Nature of Relationship	2011	2010
Puyat Steel Corporation (PSC)	Common Stockholders	P45,000,000	£45,000,000
International Pipe Industries			
Corporation (IPIC)	Common Stockholders	25,000,000	_
South China Petroleum			
International (SCPI)	Common Stockholders	109,444	98,362
		P70,109,444	₽45,098,362

a. PSC

PSC is a world-class manufacturer of galvanized and pre-painted steel sheets and coils used in roofing and walling profiles and bended accessorial products established in 1956. PSC set up the first galvanizing plant in the Philippines to answer to the need of the country for galvanized iron sheets to be used in the construction, building and roofing materials. In 1998, PSC inaugurated in Rosario, Batangas, the Philippines' first ever state-of-the-art continuous galvanizing line utilizing the modern non-oxidizing furnace (NOF) technology in a globally competitive stature. By the year 2000, PSC became the first NOF continuous galvanizing plant to be ISO 9002 certified. PSC is under common control with the Group.



The BOD through a board resolution dated January 24, 2008 authorized the Group to enter into a related party agreement with PSC to advance an amount of up to £130.0 million for the acquisition of raw materials to be processed into finished steel products. The funding facility extended to PSC is secured by way of assignment to the Group of finished goods inventories and all receivables and proceeds of postdated checks issued arising from the sale of the finished goods. The funding facility is renewable on a yearly basis. Under this arrangement, the Group receives a guaranteed return on investment (ROI) of at least 8% per annum.

As of December 31, 2011 and 2010, the outstanding receivable from PSC amounted to $\mathbb{P}45.0$ million. These are due and demandable. Interest earned by the Group in relation to these advances amounted to $\mathbb{P}3.7$ million, $\mathbb{P}6.0$ million and $\mathbb{P}9.7$ million in 2011, 2010 and 2009, respectively.

PSC's accounts receivable and finished goods with fair value equivalent to the outstanding balance are used as collateral for the amount owed to the Group.

b. IPIC

IPIC is the pioneer manufacturer of large-diameter spiral welded pipes and machinery fabrication in the Philippines and Southeast Asia and has been producing quality pipes for the last 48 years. IPIC is the only company to date that has secured the American Petroleum Institute monogram in the Philippines. IPIC was also the first company in the Southeast Asia to pioneer in the design and exportation of high-tension transmission poles, weight coating of submarine line pipe and non-tension and pre-tension concrete pressure pipes.

In May 2011, the BOD has authorized the Group to enter into a related party agreement with IPIC to provide a standby fund facility in the amount of up to \$\mathbb{P}50.0\$ million for the acquisition of raw materials to be processed into finished steel pipe products. The Group will receive a guaranteed return on investment of at least 8% per annum.

As of December 31, 2011, the outstanding receivable from IPIC amounted to 25.0 million. The amount is due and demandable. Interest earned and receivable by the Group in relation to these advances amounted to 20.4 million and 20.14 million in 2011, respectively.

IPIC's accounts receivable and finished goods with fair value equivalent to the outstanding balance are used as collateral for the amount owed to the Group.

c. SCPI

SCPI is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration.



The total amount of receivable from SCPI as of December 31, 2011 and 2010 amounting to \$\mathbb{P}0.1\$ million pertains to the amount paid for the business permit and registration. The amount is due and demandable.

d. Cash Deposits and Short-term Investments in PDB

The Group has cash deposits and short-term investments in PDB as follows:

	2011	2010
Cash deposits	P3,768,993	₽1,039,992
Short-term investments	230,343,687	264,138,183
	P234,112,680	₽265,178,175

Interest earned by the Group in relation to the cash deposits and short-term investments in PDB amounted to \$\mathbb{P}\$11.2 million, \$\mathbb{P}\$7.5 million and \$\mathbb{P}\$0.2 million in 2011, 2010 and 2009, respectively.

e. Key Management Personnel Compensation

Salaries and short-term employee benefits of key management personnel amounted to \$\mathbb{P}2.2\$ million, \$\mathbb{P}2.1\$ million and \$\mathbb{P}1.6\$ million in 2011, 2010 and 2009, respectively.

17. Equity

a. Common Stock

The Parent Company's authorized, issued and outstanding common shares are as follows:

	Decem	ber 31, 2011	Decem	ber 31, 2010
	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₽1 par value	1,000,000,000	P1,000,000,000	1,000,000,000	₽1,000,000,000
Issued	600,489,569	600,489,569	597,189,569	597,189,569
Subscribed	306,070,000	306,070,000	309,370,000	309,370,000
Treasury	500,000	(578,000)	_	_

The Parent Company was registered on September 25, 1992 with authorized capital stock of 1,000,000,000 shares at \$\mathbb{P}1.0\$ per share.

In 2011 and 2010, 3,300,000 and 7,680,000 subscribed shares were fully paid and issued, respectively. Collections from such subscribed shares amounted to ₱2.5 million and ₱5.8 million in 2011 and 2010, respectively.

b. Retained Earnings

On April 7, 2010, the BOD approved the resolution earmarking \$\pm\$500.0 million of the Group's retained earnings for purposes of funding its investments related to the Anuva Residences and Diwalwal Mine Reserve projects. On December 21, 2011, the BOD approved the resolution for the reversal of the 2010 appropriation of retained earnings and further earmarking \$\pm\$500.0 million of the Group's retained earnings in 2011 for purposes of funding its investments related to the Anuva Residences and other investment projects.



c. Treasury Stock

On December 21, 2011, the Parent Company formalized its share repurchase program. Under the terms and conditions of the share repurchase program, 100,000,000 shares shall be repurchased from the market covering a period of twenty-four (24) months starting December 22, 2011. The total budget allocated for the share repurchase program is \$\mathbb{P}120.0\$ million.

As of December 31, 2011, the Parent Company acquired 500,000 of its own shares for total of \$\mathbb{P}0.6\$ million.

18. Basic/Diluted E/LPS

	2011	2010	2009
Net income (loss)	(P7 ,246,149)	₽17,294,220	₽1,041,396,072
Weighted average number of shares	906,167,902	912,269,569	906,758,736
Basic/Diluted E/LPS	(P 0.0080)	₽0.0190	₽1.1485

There are no dilutive potential common shares outstanding as of December 31, 2011, 2010 and 2009.

19. Financial Instruments

Financial Risk Management Objectives and Policies

The Group has various financial assets and liabilities such as cash and cash equivalents, accounts receivable, due from related parties, refundable deposits, AFS investments and accounts payable and other liabilities which arise directly from its operations. The main purpose of the Group's financial instruments is to finance its operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, liquidity risk and equity price risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below:

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.



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

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Grade - pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this category.

The tables below show the credit quality by class of financial asset based on the Group's rating system As of December 31, 2011 and 2010:

			2011		
	Neither Past Due	Nor Impaired	Past Due		
		Standard	But Not		
	High Grade	Grade	Impaired	Impaired	Total
Loans and receivables					
Cash and cash					
equivalents*	₽730,111,936	₽–	₽–	₽-	₽730,111,936
Accounts receivable	1,238,627	3,245,384	4,039,423	_	8,523,434
Due from related parties	_	70,109,444	_	_	70,109,444
Refundable deposits	_	355,520	_	_	355,520
AFS investments	284,849,125	_	_	3,333,500	288,182,625
	P1,016,199,688	P73,710,348	P4,039,423	P3,333,500	P1,097,282,959

^{*}Excluding cash on hand.

			2010		
	Neither Past Due	Nor Impaired	Past Due		
		Standard	But Not		
	High Grade	Grade	Impaired	Impaired	Total
Loans and receivables					
Cash and cash					
equivalents*	₽893,063,578	₽–	₽–	₽–	₽893,063,578
Accounts receivable	6,847,668	4,055,308	3,711	_	10,906,687
Due from related parties	_	45,010,253	88,109	_	45,098,362
AFS investments	285,956,005	_	_	3,333,500	289,289,505
	₽1,185,867,251	₽49,065,561	₽91,820	₽3,333,500	₽1,238,358,132

^{*}Excluding cash on hand.

Cash and cash equivalents are considered high grade as the Group trades only with top banks in the Philippines. Standard grade receivables are for accounts receivable from officers and employees and third parties, due from related parties and refundable deposits which would require some reminder follow-ups to obtain settlement from the counterparties.



The tables below show the aging analysis of financial assets per class that the Group held as of December 31, 2011 and 2010. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

				2	011		
	Neither Past	P	ast Due but	Not Impaired			
	Due nor	Less than	31 to 60	61 to 90	More than		
	Impaired	30 Days	Days	Days	91 Days	Impaired	Total
Loans and receivables							
Cash and cash							
equivalents*	₽730,111,936	₽–	₽–	₽–	₽–	₽–	₽730,111,936
Accounts receivable	4,484,011	31,023	_	8,400	4,000,000	_	8,523,434
Due from related						_	
parties	12,000,000	_	_	58,109,444	_		70,109,444
Refundable deposits	355,520	_	_	_	_	_	355,520
AFS investments	284,849,125	_	_	_	_	3,333,500	288,182,625
	P1 031 800 502	P31 023	P_	P58 117 844	P4 000 000	P3 333 500	P1 007 282 050

^{*}Excluding cash on hand.

		2010					
-	Neither Past]	Past Due but N	Not Impaired			
	Due nor	Less than	31 to 60	61 to 90	More than		
	Impaired	30 Days	Days	Days	91 Days	Impaired	Total
Loans and receivables							
Cash and cash							
equivalents*	₽893,063,578	₽–	₽–	₽–	₽–	₽–	₽893,063,578
Accounts receivable	10,902,976	_	_	3,711	-	_	10,906,687
Due from related parties	45,010,253	_	_		88,109	_	45,098,362
AFS investments	285,956,005	_	_		-	3,333,500	289,289,505
	P1,234,932,812	₽–	₽–	₽3,711	₽88,109	₽3,333,500	₽1,238,358,132

^{*}Excluding cash on hand.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity purposes based on contractual undiscounted cashflows, and the Group's financial liabilities based on contractual undiscounted payments.

			2011			
		On	Less than 3	3 to 6	6 to 12	More than
	Total	Demand	Months	Months	Months	1 Year
Financial Assets:						
Cash and cash						
equivalents	₽730,161,936	P730,161,936	₽–	₽-	₽-	₽-
Accounts	, ,	, ,				
receivable	8,523,434	4,039,423	4,484,011	_	_	_
Due from related	, ,	, ,	, ,			
parties	70,109,444	58,109,444	12,000,000	_	_	_
Refundable	, ,	, ,	, ,			
deposits	355,520	_	355,520	_	_	_
AFS investments	288,182,625	288,182,625	´ –	_	_	_
	P1,097,332,959	P1,080,493,428	P16,839,531	₽–	₽–	₽–
Financial Liabilities:						
Accounts payable						
and other						
liabilities	₽19,762,172	₽-	P19,762,172	₽–	₽–	₽_
navinties	£17,702,172	£-	£17,704,174	£-	£-	£-



			2010			
	Total	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 1 Year
Financial Assets:						
Cash and cash						
equivalents	₽893,083,578	₽893,083,578	₽-	₽–	₽-	₽–
Accounts						
receivable	10,906,687	3,711	10,902,976	_	_	_
Due from related						
parties	45,098,362	88,109	45,010,253	_	_	_
AFS investments	289,289,505	289,289,505	_	_	_	_
	₽1,238,378,132	₽1,182,464,903	₽55,913,229	₽_	₽–	₽–
Financial Liabilities:						
Accounts payable						
and other						
liabilities	₽573,768	₽–	₽573,768	₽–	₽–	₽–

Equity Price Risk

Equity price risk is the likelihood that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's AFS investments in equity securities. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The Group measures the sensitivity of its AFS investments by using PSE index fluctuations and its effect to respective share prices.

The following table demonstrates the sensitivity to a reasonably possible change in the equity price based on past price performance and macroeconomic forecast for 2011, with all other variables held constant, of the Group's other comprehensive income and equity:

	Change in PSE Stock Market Index			
Effect on Income Before Income Tax	+10%	-10%		
2011	₽1,943,213	(P1,943,213)		
2010	2,182,601	(2,182,601)		
2009	614,310	(614,310)		

The impact on the Group's equity already excludes the impact on transactions affecting the consolidated statement of comprehensive income.

Fair Values of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the consolidated financial statements.

	Carryin	Carrying Values		Values
	2011	2010	2011	2010
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₽730,161,936	₽893,083,578	₽730,161,936	₽893,083,578
Accounts receivable	8,523,434	10,906,687	8,523,434	10,906,687
Due from related parties	70,109,444	45,098,362	70,109,444	45,098,362
Refundable deposits	355,520	_	355,520	_
AFS financial assets				
AFS investments	284,849,125	285,956,005	284,849,125	285,956,005
	P1,093,999,459	₽1,235,044,632	P1,093,999,459	₽1,235,044,632

(Forward)



	Carrying Values		Fair Values	
	2011	2010	2011	2010
Financial Liabilities Other financial liabilities Accounts payable and other				
liabilities	₽19,762,172	₽573,768	₽19,762,172	₽573,768

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

Cash and Cash Equivalents, Accounts Receivable, Due from Related Parties, Refundable Deposits and Accounts Payable and Other Liabilities

The carrying amounts of cash and cash equivalents, accounts receivable, due from related parties, refundable deposits and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

AFS Investments

Fair value of AFS investments is based on the quoted market bid prices at the close of business as of the reporting date.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following tables show the Group's financial instruments carried at fair value:

			2011	
	Level 1	Level 2	Level 3	Total
Financial Assets				
AFS investments:				
Listed	₽19,432,125	₽–	₽-	P19,432,125
Unlisted	130,000	_	265,287,000	265,417,000
	P19,562,125	₽-	P265,287,000	P284,849,125
			2010	
	Level 1	Level 2	Level 3	Total
Financial Assets				_
AFS investments:				
Listed	₽21,826,005	₽–	₽–	₽21,826,005
Unlisted	130,000	_	264,000,000	264,130,000
	₽21,956,005	₽–	₽264,000,000	₽285,956,005

As of December 31, 2011 and 2010, there were no transfers between Level 1 and Level 3 fair value measurements.



Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2011 and 2010.

The following table pertains to the account balances which the Group considers as its core economic capital:

	2011	2010
Common stock	P600,489,569	₽597,189,569
Subscribed common stock - net	76,517,500	77,342,500
Additional paid-in capital	72,272,140	72,272,140
Retained earnings	834,676,163	841,922,312
Treasury stock	(578,000)	_
	P1,583,377,372	₽1,588,726,521

20. Segment Information

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- The oil and gas exploration segment, which is engaged in the exploration, evaluation, development and production of oil and gas.
- The real estate development segment, which is engaged in the real estate business.
- Others pertain to the activities of the Parent Company as a holding entity.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating income or loss in the consolidated financial statements.

The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the three years in the period ended December 31.

2011

	Oil and Gas Exploration	Real Estate Development	Others	Total	Eliminations	Consolidated
Segment results						
Income (loss) before income tax	₽–	(P 29,518,566)	₽22,358,516	(P7,160,050)	₽–	(\pmp7,160,050)
Provision for income tax	_	=	(86,099)	(86,099)	_	(86,099)
Net income (loss)	₽–	(\$\P29,518,566)	₽22,272,417	(P 7,246,149)	₽-	(P 7,246,149)

(Forward)



	Oil and Gas	Real Estate				
	Exploration	Development	Others	Total	Eliminations	Consolidated
Assets						
Segment assets	₽-	₽542.051.011	₽1,282,475,036	₽1.824.526.047	(¥208.989.820)	₽1,615,536,227
Investments	_	-	322,298,000	322,298,000	(322,298,000)	-
Deferred exploration costs	21,563,806	=		21,563,806		21,563,806
•	₽21,563,806	₽542,051,011	₽1,604,773,036	P2,168,387,853	(£531,287,820)	₽1,637,100,033
Segment liabilities	₽–	₽251,564,838	₽758,024	₽252,322,861	(P 208,989,820)	₽43,333,042
Other segment information						
Depreciation and amortization	₽–	₽877,881	₽2,541,408	₽3,419,289	₽–	₽3,419,289
2010						
<u>2010</u>						
	Oil and Gas	Real Estate				
	Exploration	Development	Others	Total	Eliminations	Consolidated
Segment results						
Income (loss) before income tax	(P13,248,734)	(P2,293,260)	₽32,955,572	₽17,413,578	₽–	₽17,413,578
Provision for income tax	_	_	(119,358)	(119,358)	_	(119,358
Net income (loss)	(₽13,248,734)	(P 2,293,260)	₽32,836,214	₽17,294,220	₽–	₽17,294,220
Assets						
Segment assets	₽–	₽19,083,889	₽1,565,889,669	₽1,584,973,558	(£11,256,968)	₽1,573,716,590
Investments	_	=	41,836,983	41,836,983	(10,000,000)	31,836,983
Deferred exploration costs	1,692,615	_	_	1,692,615	_	1,692,615
	₽1,692,615	₽19,083,889	P1,607,726,652	₽1,628,503,156	(P21,256,968)	P1,607,246,188
Segment liabilities	₽-	₽11,377,149	₽713,545	₽12,090,694	(P 11,256,968)	₽833,726
Other segment information				_		·
Provision for impairment losses on						
deferred exploration costs		D	₽_	₽13,248,734	₽-	₽13,248,734
	₽13,248,734	₽–	F-	£13,246,734	- -	F13,270,737
Depreciation and amortization	P13,248,734 P13,248,734	₽- 15,956	2,560,234	2,576,190	-	2,576,190

21. Registration with the Board of Investments (BOI)

As disclosed in Note 1, the Subsidiary's current project is the Anuva Residences. The Project has been divided into two (2) development phases with Phase 1 comprising of Tandem Buildings 1 and 2 and Phase 2 comprising of the other two (2) buildings.

On September 2, 2011, the Subsidiary's Phase 1 project was duly registered with the BOI as a New Developer of Low-Cost Mass Housing on a Non-pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, the Subsidiary is entitled with an Income Tax Holiday (ITH) for three (3) years from October 2011 or actual start of commercial operations or selling, whichever is earlier but in no case earlier than the date of registration. Under the specific terms and conditions of the registration, the Subsidiary shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH. The compliance with the socialized housing requirement shall be completed within the ITH entitlement period of the Subsidiary.

As of December 31, 2011, the Subsidiary is in the process of developing the program and timetable for its socialized housing project.



22. Contracts and Commitments

The Group has the following significant commitments and agreements:

Construction Agreements

The Subsidiary entered into various contracts related to the construction of the Project. These contracts pertain to "Construction Management," "General Construction Works," "Exterior Wall Construction Works," "General Building Construction - Marketing and Sales Office," Land Development Works," "Mechanical Works" and "Electrical and Auxiliary Works."

Costs capitalized as real estate for sale related to these agreements amounted to \$\mathbb{P}\$135.3 million in 2011.

The Group has no purchase commitments as of December 31, 2011 and 2010.

Advertising Agreements

The Subsidiary entered into various contracts related to marketing and promotions of the Project. These contracts pertain to "Billboard Lease," "Transit Advertising" and "Public Relations and Communication."

Sales and marketing expenses related to these agreements amounted to \$\mathbb{P}5.6\$ million in 2011.

Lease Agreements

- a. On February 1, 2011, the Subsidiary entered into a lease contract with YL Holdings Corporation for the lease of office space at 6/F, YL Holdings Building, 115 VA Rufino corner Salcedo Streets, Legaspi Village, Makati City. The contract is for a term of one year from March 3, 2011 to February 3, 2012. The Subsidiary paid security deposit amounting to ₱0.2 million to answer for any and all damages to the leased premises and as security for the return of the leased premises in proper condition. The related rent expense recognized by the Subsidiary in 2011 amounted to ₱0.7 million.
- b. In 2010, the Parent Company entered into a sublease contract with Bell Telecommunications, Inc. (BellTel) for the lease of office space located at 3/F Low Rise Pacific Star Building, Makati City. The contract is for a term of one year renewable for another one year at the lessee's discretion. The related rent expense recognized by the Parent Company in 2011, 2010 and 2009 amounted to \$\mathbb{P}0.4\$ million, \$\mathbb{P}0.5\$ million, \$\mathbb{P}0.4\$ million, respectively.

23. Other Matters

a. Sale of Investments in BellTel

On December 18, 2009, a Deed of Sale has been entered by the Parent Company and Two Cassandra-CCI Conglomerates, Inc. for the sale of the 32.40% (3,240,000 shares) ownership of the Parent Company in BellTel for a total consideration of $\mathbb{P}1.2$ billion. Incidental to the sale of shares, the Parent Company settled its outstanding subscription payable amounting to $\mathbb{P}171.7$ million. Also, on the same date, the Parent Company collected its advances to BellTel amounting to $\mathbb{P}368.9$ million as of the date of sale. Capital gains tax paid by the Parent Company in relation to the sale of the shares amounted to $\mathbb{P}90.4$ million.



b. Comparative figures have been adjusted to conform to changes in presentation in the current year. Receivables from related parties which was previously presented under "Accounts receivable" account was reclassified under "Due from related parties" account in the consolidated statement of financial position.



SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY

SCHEDULE RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2011

Unappropriated retained earnings as of December 31, 2010, as adjusted to available for dividend declaration	₽341,922,312
Net loss actually incurred/realized during the period	(7,160,050)
	334,762,262
Add (Less): Reversal of 2010 appropriation	500,000,000
Appropriation of retained earnings during the period	(500,000,000)
Treasury shares	(578,000)
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2011	₽334,184,262



SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS DECEMBER 31, 2011

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2011:

PFRS 1, First-time Adoption of Philippine Financial Reporting Standards PFRS 2, Share-based Payment PFRS 3, Business Combinations PFRS 4, Insurance Contracts PFRS 5, Non-current Assets Held for Sale and Discontinued Operations PFRS 6, Exploration for and Evaluation of Mineral Resources PFRS 7, Financial Instruments: Disclosures PFRS 8, Operating Segments PAS 1, Presentation of Financial Statements PAS 2, Inventories PAS 2, Inventories PAS 10, Events after the Reporting Period PAS 11, Construction Contracts PAS 10, Events after the Reporting Period PAS 11, Construction Contracts PAS 16, Property, Plant and Equipment PAS 17, Leases PAS 18, Revenue PAS 19, Employee Benefits PAS 20, Accounting for Government Grants and Disclosure of Government Assistance PAS 22, Related Party Disclosures PAS 23, Borrowing Costs PAS 24, Related Party Disclosures PAS 25, Investments in Associates PAS 27, Inventorial Reporting by Retirement Benefit Plans PAS 29, Financial Instruments: Presentation PAS 31, Interests in Joint Ventures PAS 33, Ernings per Share PAS 33, Interime Financial Reporting PAS 34, Interime Financial Reporting PAS 35, Provisions, Contingent Liabilities and Contingent Assets PAS 38, Intangible Assets	PFRSs and PIC Q&As	Adopted/Not Adopted/ Not Applicable	
PFRS 2, Share-based Payment PFRS 3, Business Combinations PFRS 4, Insurance Contracts PFRS 5, Non-current Assets Held for Sale and Discontinued Operations PFRS 6, Exploration for and Evaluation of Mineral Resources PFRS 7, Financial Instruments: Disclosures PAS 1, Presentation of Financial Statements PAS 1, Presentation of Financial Statements PAS 2, Inventories PAS 7, Statement of Cash Flows PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors PAS 10, Events after the Reporting Period PAS 11, Construction Contracts PAS 12, Income Taxes PAS 16, Property, Plant and Equipment PAS 17, Leases PAS 19, Employee Benefits PAS 20, Accounting for Government Grants and Disclosure of Government Assistance PAS 21, Related Party Disclosures PAS 23, Borrowing Costs PAS 24, Related Party Disclosures PAS 25, Investments in Associates PAS 27, Financial Reporting in Hyperinflationary Economies PAS 29, Financial Reporting in Hyperinflationary Economies PAS 31, Interests in Joint Ventures PAS 32, Investments in Associates PAS 33, Enrangible Assets PAS 34, Interim Financial Reporting PAS 37, Provisions, Contingent Liabilities and Contingent Assets PAS 38, Intangible Assets		Not applicable	
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PAS 37, Provisions, Contingent Liabilities and Contingent Assets Adopted PAS 38, Intangible Assets Not applicable			
PAS 38, Intangible Assets Not applicable		*	
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PAN 39 Financial Instruments: Recognition and Measurement Adonted	PAS 39, Financial Instruments: Recognition and Measurement	Adopted	
PAS 40, Investment Property Not applicable		•	



PFRSs and PIC Q&As	Adopted/Not Adopted/ Not Applicable
PAS 41, Agriculture	Not applicable
Philippine Interpretation IFRIC–1, <i>Changes in Existing</i>	Not applicable
Decommissioning, Restoration and Similar Liabilities	
Philippine Interpretation IFRIC–2, Members' Shares in Co-operative	Not applicable
Entities and Similar Instruments	
Philippine Interpretation IFRIC-4, Determining whether an	Not applicable
Arrangement contains a Lease	
Philippine Interpretation IFRIC-5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not applicable
Philippine Interpretation IFRIC–6, <i>Liabilities arising from</i>	Not applicable
Participating in a Specific Market - Waste Electrical and	- Constant
Electronic Equipment	
Philippine Interpretation IFRIC–7, <i>Applying the Restatement</i>	Not applicable
Approach under PAS 29 Financial Reporting in	
Hyperinflationary Economies	
Philippine Interpretation IFRIC–9, Reassessment of Embedded Derivatives	Not applicable
Philippine Interpretation IFRIC–10, Interim Financial Reporting and Impairment	Not applicable
Philippine Interpretation IFRIC–12, Service Concession Arrangements	Not applicable
Philippine Interpretation IFRIC–13, Customer Loyalty Programmes	Not applicable
Philippine Interpretation IFRIC–14, PAS 19 - <i>The Limit on a Defined</i>	Not applicable
Benefit Asset, Minimum Funding Requirements and their Interaction	
Philippine Interpretation IFRIC–16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Not applicable
Philippine Interpretation IFRIC–17, Distributions of Non-cash Assets to Owners	Not applicable
Philippine Interpretation IFRIC–18, <i>Transfers of Assets from Customers</i>	Not applicable
Philippine Interpretation IFRIC–19, Extinguishing Financial Liabilities with Equity Instruments	Not applicable
Philippine Interpretation SIC-7, <i>Introduction of the Euro</i>	Not applicable
Philippine Interpretation SIC–10, Government Assistance - No Specific Relation to Operating Activities	Not applicable
Philippine Interpretation SIC-12, Consolidation - Special Purpose Entities	Not applicable
Philippine Interpretation SIC–13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	Not applicable
Philippine Interpretation SIC-15, <i>Operating Leases – Incentives</i>	Not applicable
Philippine Interpretation SIC–21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>	Not applicable
Philippine Interpretation SIC–25, Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not applicable
Philippine Interpretation SIC–27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Not applicable
Philippine Interpretation SIC–29, Service Concession Arrangements:	Not applicable



PFRSs and PIC Q&As	Adopted/Not Adopted/ Not Applicable
Disclosures	
Philippine Interpretation SIC–31, Revenue - Barter Transactions	Not applicable
Involving Advertising Services	
Philippine Interpretation SIC-32, Intangible Assets - Web Site Costs	Not applicable
PIC Q&A No. 2006-01: PAS 18, Appendix, paragraph 9 - Revenue	Not applicable
recognition for sales of property units under pre-completion	
contracts	
PIC Q&A No. 2006-02: PAS 27.10(d) - Clarification of criteria for	Not applicable
exemption from presenting consolidated financial statements	
PIC Q&A No. 2007-03: PAS 40.27 - Valuation of bank real and	Not applicable
other properties acquired (ROPA)	
PIC Q&A No. 2008-01 (Revised): PAS 19.78 - Rate used in	Not applicable
discounting post-employment benefit obligations	
PIC Q&A No. 2008-02: PAS 20.43 - Accounting for government	Not applicable
loans with low interest rates under the amendments to PAS 20	
PIC Q&A No. 2009-01: Framework.23 and PAS 1.23 - Financial	Not applicable
statements prepared on a basis other than going concern	
PIC Q&A No. 2010-01: PAS 39.AG71-72 - Rate used in determining	Not applicable
the fair value of government securities in the Philippines	
PIC Q&A No. 2010-02: PAS 1R.16 - Basis of preparation of	Not applicable
financial statements	
PIC Q&A No. 2011-01: PAS 1.10(f) - Requirements for a Third	Not applicable
Statement of Financial Position	

