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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	AS95008557
Company Name	MINERALES INDUSTRIAS CORPORATION
Industry Classification	Metallic Core Mining
Company Type	Stock Corporation

Document Information

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SEC Registration Number

M I N E R A L E S I N D U S T R I A S C O R P O R A T I O N

(Company's Full Name)

Room 322 3rd Floor LRI Design, Plaza 210 Nicanor Garcia St., Makati City

(Business Address: No., Street City / Town / Province)

Atty. Ana A. Katigbak

Contact Person

817-6791/897-5257

Company Telephone Number

1	2		3	1

Month Day

Fiscal Year

SEC FORM 17-Q
June 30, 2011

FORM TYPE

Month Day

Annual Meeting

N.A.

Secondary License Type, If Applicable

S E C

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2011**

2. Commission identification number **(ASO95008557**

3. BIR Tax Identification No : **049-004-636-077**

4. **MINERALES INDUSTRIAS CORPORATION**
   Exact name of issuer as specified in its charter

5. **Makati City, Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia St., Makati City** **1200**
   Address of issuer's principal office Postal Code

8. **(632) 817-6791 & 897-5257**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**190,000,000 shares**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [**x**] No [ ]

    If yes, state name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [**x**] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [**x**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. **Financial Statements**

Please see attached.

Item 2. **Management's Discussion and Analysis of Financial Condition and Results of Operations; Plan of Operations**

Plan of Operations

As discussed in the Annual Stockholders' Meeting on July 27, 2011, the Company will continue to pursue possible alliances within and outside the mining sector, with the end in view of forging strategic linkages with investors who can provide the requisite financial resources and business platform on which to anchor its growth. Management is more optimistic in this regard given the sustained, albeit more modest, improvements in the local economy.

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

Income

No significant income was recognized for the first semester of 2011 and 2010.

Operating Expenses

Operating expenses for the first half of 2011 amounted to Php0.62 million, 7% higher than Php0.58 million for the same period of 2010. This is largely due to expenses incurred in the preparation of materials for the Annual Stockholders' Meeting on July 27, 2011.

Net Income

The first half of 2011 and 2010 resulted to a net loss amounting of Php0.62 million and Php0.58 million, respectively.

Liquidity and Capital Resources

For the six-month period ending June 30, 2011, net cash used in operations totaled Php.90 million, including a net loss before tax of Php0.61 million. Prepaid and other current assets went up by Php0.17 million due to increases in input tax and the monthly set-up of the annual listing fee. Accrued expenses and other payables decreased by Php0.11 million due to the settlement of outstanding liabilities.

For the same period in 2010, net cash used in operations totaled Php2.67 million, including net loss of Php0.57 million. Prepaid and other current assets went up by Php0.17 million due to increases in input tax and the monthly set-up of the annual listing fee. Accrued expenses and other payables decreased by Php0.39 million due to settlement of outstanding liabilities.

Also for 2010, the Company received Php4.955 million representing the balance of subscriptions receivable on the Php10 million private placement shares issued to certain shareholders. The Company also settled advances from shareholders amounting to Php.685 million.

Second Quarter Ended June 30, 2011 Compared to Second Quarter Ended June 30, 2010

Income

No significant income was recognized for the second quarter of 2011 and 2010.

Operating Expenses

Operating expenses for the quarter ended June 30, 2011 amounted to Php0.34 million. This is 24% higher than the Php0.27 million incurred for the same period last year due to costs related to preparations for the Annual Stockholders' Meeting on July 27, 2011.

Net Income

Net loss for the second quarter of 2011 amounted to Php0.33 million compared to Php0.27 million for the same period last year.

Liquidity and Capital Resources

For the quarter ended June 30, 2011, net cash used in operations amounted to Php0.40 million, including net loss of Php0.33 million. Prepaid and other current assets decreased by Php0.05 million and accrued expenses and other payables by Php0.11 million.

For the same quarter in 2010, net cash used in operations amounted to Php0.33 million including net loss of Php.27 million. Prepaid and other current assets went down by Php0.05 million and accrued expenses and other payables by Php0.11 million.

Financial Position as of June 30, 2011 Compared to Financial Position as of December 31, 2010

Statements of financial position data	**June 30, 2011**	**December 31, 2010**	**% Inc/ (Dec)**
Total Current Assets	6,362,620	7,050,420	(9.76%)
Total Assets	6,362,620	7,050,420	(9.76%)
Total Current Liabilities	3,162	117,374	(97.31%)
Total Stockholders' Equity	6,359,458	6,933,046	(8.27%)

The material changes in the statements of financial position are as follows:

- Total assets went down by 9.76% from Php7.05 million as of December 31, 2010 to Php6.36 million as of June 30, 2011.

- Cash and cash equivalents decreased by 18% from Php4.97 million as of December 31, 2010 to Php4.07 million as of June 30, 2011; total liabilities declined by 97.31% from Php.12 million to Php0.003 million due to settlement of outstanding liabilities.

- Current ratio increased from 60.07x in December 2010 to 2012x in June 30, 2011; net working capital totaled Php6.36 million in June 2011 as compared to Php6.93 million in December 2010.

- Total stockholders' equity went down by 8.27% from Php6.93 million in December 2010 to Php6.36 million in June 2011.

The Company has no subsidiaries at present. As of June 30, 2011, the Company holds 350,737 shares in Suntrust Home Development Inc. with a market price of Php0.56 per share.

Key Performance Indicators

Since the company is not in commercial operations, its key performance indicators are as follows:

KPI	**Calculation**	**June 30, 2011**	**December 31, 2010**
Current Ratio (1)	Current Assets/Current Liabilities	2,012x	60.07x
Quick Ratio (2)	Cash + Marketable Securities /Current Liabilities	1,349x	43.66x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	.0005x	.017x
Book Value per share (4)	Total Assets-Total Liabilities/ Number of Shares Outstanding	.033	.037
Loss per Share (5)	Net Loss/Weighted Average Number of Shares Outstanding	(.0032)	(.00071)

		June 30, 2011	**December 31, 2010**
(1) Current Ratio	=	6,362,620/ 3,162	7,050,420/ 117,374
(2) Quick Ratio	=	4,266,274/ 3,162	5,124,084/ 117,374
(3) Debt to Equity	=	3,162/ 6,359,458	117,374/ 6,933,046
(4) Book Value per Share	=	6,359,458/190,000,000	6,933,046/ 190,000,000
(5) Loss per Share	=	615,676/190,000,000	1,334,004/ 190,000,000

The Current Ratio is the general measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is also known as the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities.

The Quick Ratio is another measure of a company's liquidity. It is used to measure a company's ability to pay its liabilities using assets that are cash or very liquid.

The Debt to Equity Ratio is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company.

Book Value per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities then divide that total by the number of common shares outstanding.

Loss per Share is computed by dividing the net loss by the weighted average number of common shares outstanding.

Other Matters

No disclosures nor discussions were made for the following since these did not affect the past and present operations nor the foreseeable future operations of the Company:

(a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity other than those discussed in the Plan of Operation, Item 2- Management's Discussion and Plan of Operations.

(b) Any material commitments for capital expenditures, the general purpose of the commitments and the expected sources of funds for the expenditures

(c) Any known trends, events, or uncertainties that have had or that reasonably expected to have a material favorable or unfavorable impact on net sales or income other than what was mentioned in the Plan of Operation, Item 2 – Management's Discussion and Analysis;

(d) Any significant elements of income or loss that did not arise from the Company's continuing operations;

(e) Any seasonal aspects that have material effect on the financial condition or results of operation except as mentioned in the Notes to Financial Statements No 5.

PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

NOT APPLICABLE

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **MINERALES INDUSTRIAS CORPORATION**

GENER T. MENDOZA
President
Date signed: August 11, 2011

ISABELITA P. MERCADO
Treasurer
Date signed: August 11, 2011

MINERALES INDUSTRIAS CORPORATION

STATEMENTS OF FINANCIAL POSITION
(Unaudited)

		30-Jun-2011		31-Dec-2010
		Unaudited		Audited
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	₱	**4,069,861**	₱	4,969,760
Marketable securities - net (Note 5)		**196,413**		154,324
Prepaid expenses and other current assets - net (Note 6)		**2,096,346**		1,926,336
Total Current Assets		**6,362,620**		7,050,420
TOTAL ASSETS	₱	**6,362,620**	₱	7,050,420
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accrued expenses and other payables		**3,162**		117,374
Total Current Liabilities		**3,162**		117,374
Stockholders' Equity				
Capital Stock - P 1 par value				
Authorized - 240,000,000 shares				
Issued and outstanding - 190,000,000 shares		**190,000,000**		190,000,000
Reserve for fluctuation in value of available-for-sale financial assets		**105,222**		63,133
Deficit		**(183,745,764)**		(183,130,087)
Total Stockholders' Equity		**6,359,458**		6,933,046
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱	**6,362,620**	₱	7,050,420

MINERALES INDUSTRIAS CORPORATION

INTERIM STATEMENTS OF INCOME
(Unaudited)

		Quarter Ended June 30		
		2011		**2010**
INCOME				
Interest		**2,713**		4,870
Gain on sale of marketable securities				
	₱	**2,713**	₱	4,870
EXPENSES				
Salaries and other employees benefits		**91,829**		79,317
Professional fees		**71,244**		56,786
Listing maintenance fee		**67,550**		72,500
Utilities		**45,000**		30,000
Office supplies and printing costs		**36,310**		6,450
Representation		**10,500**		11,451
Transportation		**8,411**		10,435
Miscellaneous		**5,977**		4,195
		336,821		271,135
INCOME (LOSS) BEFORE INCOME TAX		**(334,108)**		(266,265)
Provision for income tax		**543**		974
NET INCOME (LOSS) AFTER INCOME TAX	₱	**(334,651)**	₱	(267,239)
INCOME (LOSS) PER SHARE (Note 9)		**(0.0018)**		(0.0014)

MINERALES INDUSTRIAS CORPORATION

INTERIM STATEMENTS OF INCOME
(Unaudited)

		Six Months Ended June 30		
		2011		2010
INCOME				
Interest		**8,401**		8,758
Gain on sale of marketable securities				
	₱	**8,401**	₱	8,758
EXPENSES				
Salaries and other employees benefits		**171,659**		143,634
Listing maintenance fee		**130,050**		145,000
Professional fees		**119,561**		113,571
Utilities		**90,000**		60,000
Office supplies and printing costs		**41,168**		8,142
Representation		**32,957**		24,358
Transportation		**16,664**		17,935
Taxes and licenses		**9,541**		58,912
Miscellaneous		**10,797**		11,368
		622,397		582,919
INCOME (LOSS) BEFORE INCOME TAX	₱	**(613,996)**	₱	(574,162)
Provision for income tax		**1,680**		1,752
NET INCOME (LOSS) AFTER INCOME TAX	₱	**(615,676)**	₱	(575,913)
NET INCOME (LOSS) PER SHARE (Note 9)	₱	**(0.0032)**	₱	(0.0030)

MINERALES INDUSTRIAS CORPORATION

INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

		Quarter Ended June 30		
		2011		2010
NET INCOME/ (LOSS)		**(334,651)**		(267,239)
OTHER COMPREHENSIVE INCOME (LOSS)				
Net unrealized gain (loss) on AFS financial assets		**14,029**		230,971
TOTAL COMPREHENSIVE INCOME / (LOSS)	**₱**	**(320,622)**	**₱**	**(36,268)**

MINERALES INDUSTRIAS CORPORATION

INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

		Six Months Ended June 30		
		2011		2010
NET INCOME /(LOSS)		**(615,676)**		(575,913)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Net unrealized gain (loss) on AFS financial assets		**42,088**		(12,015)
TOTAL COMPREHENSIVE INCOME/ (LOSS)	**₱**	**(573,588)**	**₱**	**(587,928)**

MINERALES INDUSTRIAS CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Quarter Ended June 30	
	2011	2010
CAPITAL STOCK - P 1 par value		
Authorized - 240,000,000 shares		
Issued - 190,000,000 shares	**₱ 190,000,000**	₱ 190,000,000
DEFICIT:		
Balance at beginning of period	**(183,411,113)**	(182,347,743)
Net loss for the quarter	**(334,651)**	(267,239)
Balance at end of period	**(183,745,764)**	(182,614,982)
Reserve for fluctuation in value of available-for-sale financial assets	**105,222**	268,134
TOTAL STOCKHOLDERS' EQUITY	**₱ 6,359,458**	₱ 7,653,152

MINERALES INDUSTRIAS CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Six Months Ended June 30	
	2010	2010
CAPITAL STOCK - P 1 par value		
Authorized - 240,000,000 shares		
Issued - 190,000,000 shares	₱ **190,000,000**	₱ 190,000,000
DEFICIT:		
Balance at beginning of period	**(183,130,087)**	(181,796,083)
Net loss for the 6 months period	**(615,676)**	(575,913)
Balance at end of period	**(183,745,764)**	(182,371,996)
Reserve for fluctuation in value of available-for-sale financial assets	**105,222**	25,148
TOTAL STOCKHOLDERS' EQUITY	₱ **6,359,458**	₱ 7,653,152

MINERALES INDUSTRIAS CORPORATION

STATEMENTS OF CASH FLOWS
(Unaudited)

		Quarter Ended June 30		
		2011		2,010
CASH FLOW FROM OPERATING ACTIVITIES				
Net Loss before income tax	₱	**(334,108)**	₱	(266,265)
Adjustments for:				
Interest income		**(2,713)**		(4,870)
Gain on sale of marketable securities		**-**		
Operating loss before working capital changes		**(336,821)**		(271,135)
Changes in assets and liabilities:				
Decrease Prepaid and other current assets		**47,766**		48,622
Decrease in accrued expenses and other payables		**(109,001)**		(109,988)
Net cash used in operations		**(398,056)**		(332,500)
Interest received		**2,713**		4,870
Income taxes paid		**(543)**		(974)
Net cash used in operating activities		**(395,887)**		(328,604)
NET INCREASE (DECREASE) IN CASH		**(395,887)**		(328,604)
CASH AT BEGINNING OF PERIOD		**4,465,748**		4,032,896
CASH AT END OF PERIOD	₱	**4,069,861**	₱	3,704,292

MINERALES INDUSTRIAS CORPORATION

STATEMENTS OF CASH FLOWS
(Unaudited)

		Six Months Ended June 30		
		2011		2010
CASH FLOW FROM OPERATING ACTIVITIES				
Net Loss before income tax	₱	**(613,996)**	₱	(574,162)
Adjustments for:				
Interest income		**(8,401)**		(8,758)
Gain on sale of marketable securities		**-**		-
Operating loss before working capital changes		**(622,397)**		(582,920)
Changes in assets and liabilities:				
Increase in prepaid and other current assets		**(170,010)**		(169,624)
Decrease in accrued expenses and other payables		**(114,212)**		(387,456)
Net cash used in operations		**(906,620)**		(1,139,999)
Interest received		**8,401**		8,758
Income taxes paid		**(1,680)**		(1,752)
Net cash used in operating activities		**(899,899)**		(1,132,993)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of available-for-sale financial assets		**-**		(1,537,500)
Net Cash generated from investing activities		-		(1,537,500)
CASH FLOW FROM FINANCING ACTIVITY				
Proceeds from stock subscriptions		**-**		4,955,000
Payment advances from shareholders		**-**		(685,000)
Net cash generated from financial activities		**-**		4,270,000
NET INCREASE (DECREASE) IN CASH		**(899,899)**		1,599,507
CASH AT BEGINNING OF PERIOD		**4,969,760**		2,104,785
CASH AT END OF PERIOD	₱	**4,069,861**	₱	3,704,292

1. Corporate Information

Minerales Industrias Corporation (the Company) is incorporated and organized in the Republic of the Philippines to engage in the business of exploration, exploitation and development of the country's various mineral resources. The registered office address of the Company is at Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City.

On July 26, 2007 and August 31, 2007, the Board of Director (BOD) and stockholders of the Company, respectively, approved the following amendments to the Company's Articles of Incorporation:

a) Change in company name from Multitech Investments Corp. to Minerales Industrias Corporation;
b) Change in primary purpose from holding to mining; and
c) Change in registered address from 22nd Floor, Unit E-2005 A East, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City to Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City.

The Securities and Exchange Commission (SEC) approved the change in company name and primary purpose on September 24, 2007 and the change in registered address on January 14, 2008.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying interim financial statements have been prepared on a historical basis, except for available-for-sale (AFS) investments that have been measured at fair value, and these financial statements are presented in Philippine Peso (₱), the Company's functional currency.

Statement of Compliance
The interim financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Company has followed the same accounting policies and methods of computation used in the preparation of the most recent annual financial statements. No new accounting policy has been adopted for this interim report.

Changes in Accounting Policies
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, 2010. Unless otherwise indicated, the adoption of these following new and amended PFRS and Philippine Interpretations did not have an impact on the Company's financial statements.

- Amendment to PFRS 2, *Share-based Payment - Group Cash-settled Share-based Transactions*
  The Amendment clarifies the scope and the accounting for group cash-settled share-based payment transaction in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction.

- Revised PFRS 3, *Business Combinations* and Amended PAS 27, *Consolidated and Separate Financial Statements*
  The revised PFRS 3 introduces a number of changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of noncontrolling interest (NCI), the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

  The amended PAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by the revised PFRS 3 and amended PAS 27 affect acquisitions or loss of control of subsidiaries and transactions with NCI after January 1, 2010.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
  The Amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- Philippine Interpretation IFRIC 17, *Distributions of Noncash Assets to Owners*
  This Philippine Interpretation is provides guidance on accounting for arrangements whereby an entity distributes noncash assets to shareholders either as distribution of reserves or as dividends.

Improvements to PFRSs
The omnibus amendments to PFRSs issued in April 2009 were issued primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. The adoption of these amended standards did not have any significant impact on the Company's financial statements, unless otherwise indicated.

Improvements to PFRS 2008
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
  This Amendment clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains an NCI after the sale transaction. The Amendment is effective for annual periods beginning on or after July 1, 2009.

Improvements to PFRSs 2009
- PFRS 2, *Share-based Payment*
  This Amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3.

- PFRS 8, *Operating Segments*
  This Amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*
  This Amendment clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*
  This Amendment explicitly states that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*
  This Amendment removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The Amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*
  This Amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*
  This Amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives.

  It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedge Items*
  This Amendment clarifies that:
  (a) a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract;
  (b) the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken, and
  (c) gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
  This Philippine Interpretation clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
  This Philippine Interpretation states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including

the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Future Changes in Accounting Policies
The Company has not applied the following PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2010. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective in 2011

- Revised PAS 24, *Related Party Disclosures*
  The revised Standard is effective for annual periods beginning on or after January 1, 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- Amendment to PAS 32, *Classification of Rights Issues*
  The Amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010. It amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's nonderivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*
  The Amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Amendments also require additional disclosure if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period.

- Amendments to Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement*
  The Amendment to Philippine Interpretation IFRIC 14 effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The Amendment permits an entity to treat the repayment of a minimum funding requirement of an asset.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
  This Philippine Interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In the case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Effective in 2012

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This 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 rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

- Amendment to PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*
  It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

Effective in 2013

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9, as issued in 2010, reflects the first place of the work 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, 2013. In subsequent phases, hedge accounting and derecognition will be addressed.

Improvements to PFRS

The omnibus amendments to 2010 issued Standards have not been adopted as they become effective for annual periods on or either after July 1, 2010 or January 1, 2011. The Company has not yet adopted the following amendments and anticipates that these changes will have no material effect on its financial statements.

- Revised PFRS 3, *Business Combinations*
  This Amendment clarifies that the Amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, and PAS 39, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

  It also limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either: at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

  The Amendment also requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses. It further specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of NCI and measured at their marked-based measure; if unvested - they are measured at market based value as if granted at acquisition date, and allocated between NCI and post-combination expense.

- PFRS 7, *Financial Instruments: Disclosures*
  This Amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Amendments to quantitative and credit risk disclosures are as follows:

  a) Clarification that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
  b) Requirement for all financial assets to disclose the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
  c) Removal of the disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
  d) Removal of the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
  e) Clarification that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

- PAS 1, *Presentation of Financial Statements*
  This Amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- PAS 27, *Consolidated and Separate Financial Statements*
  This Amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This Amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

<u>Cash on hand and in bank</u>
Cash includes cash on hand and deposits held on demand with banks.

<u>Financial Instruments</u>
Date of recognition
The Company recognizes a financial asset or a financial liability on the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition
All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-

to-maturity (HTM) investments, AFS financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability 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.

Determination of fair value
The fair values for financial instruments traded in active markets at the financial reporting date are based on their quoted market prices 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 ask 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 all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Fair value hierarchy
The Company 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 in the market, 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.

Day 1 profit
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value ('Day 1' profit) in profit or loss unless it qualifies for recognition as some type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1" profit amount.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS or financial assets designated at FVPL. This accounting policy relates to the statement of financial

position caption “Cash on hand and in bank”.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the statement of income. The losses arising from impairment of such loans and receivables are recognized in provision for impairment losses in the statement of income.

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified as designated as at FVPL, HTM investments or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include equity securities.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as “Fair value changes on AFS financial assets” in other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in the statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognized in the statement of income.

Other financial liabilities

Other financial liabilities pertain to issued financial instruments that are not classified or designated as at FVPL and contains contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Company’s accrued expenses and other payables and other obligations that meet the above definition (other than liabilities covered by other accounting Standards, such as income tax payable).

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets
The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged against the statement of income. Interest income is continued to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the current operations. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with the changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any difference between loss estimate and actual loss experience.

AFS financial assets
In case of equity securities classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment loss, 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 in the statement of income - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity securities are not reversed through the statement of financial performance. Increases in fair value after impairment are recognized in other comprehensive income.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the 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.

Equity
Capital stock
Capital stock is measured at par value for all shares issued.

Deficit
Deficit represents the cumulative amount of net losses of the Company.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity, other than those

relating to distributions to equity participants. Expenses are recognized in profit or loss in the period these are incurred.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as at the reporting date.

Deferred tax

Deferred income tax is provided, using the 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 with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences and net operating loss carry over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is applicable 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 as at the reporting period.

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

Value-added tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the tax authority is included as part of "Other current assets" in the statement of financial position.

Basic/Diluted Earnings per Share

Basic/diluted earnings per share (EPS) is computed based on the weighted average number of common shares outstanding after giving retroactive effect to stock dividends declared and stock rights exercised during the year.

Provisions

Provisions are recognized when the Company 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. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement.

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

Events after the Reporting Date

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

3. Significant Accounting Judgments and Estimates

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

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

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

Operating lease commitments - Company as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term.

Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed as follows.

Estimating allowance for impairment losses on receivables
The Company maintains an allowance for credit losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's, carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Company to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of

the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of June 30, 2011, accounts receivables amounted to ₱1,066,172 have been fully provided with allowance for impairment losses.

Estimating allowance for probable losses
The Company reviews the carrying amounts of its creditable withholding taxes (CWT) at each balance sheet date and sets up allowance for probable losses to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the CWT assets to be used.

As of June 30, 2011, allowance for probable losses amounted to ₱1,976,300.

Fair value of AFS financial assets
Where the fair values of AFS financial assets recorded in the financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Impairment of AFS financial assets
The Company treats AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more or 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and discount factors for unquoted equities.

As of June 30, 2011, AFS financial assets amounted to ₱196,413.

Recognition of deferred tax assets
Deferred tax assets are recognized for all unused tax losses to the extent that 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.

4. **Cash**

This account consists of:

	June 30, 2011	December 31, 2010
Cash on hand	**₱5,000**	₱5,000
Cash in Bank	**4,064,861**	4,964,760
	₱4,069,861	₱4,969,760

Cash in banks earns interest at the respective bank deposit rates. Interest earned on cash in bank amounted to ₱8,401and ₱18,241 in June 30, 2011 and December 31, 2010, respectively.

5. **AFS Equity Securities**

This account represents 350,737 shares in Suntrust Home Development, Inc. (formerly Fairmont Holdings, Inc.), The cost of these investments as of June 30, 2011 and December 31, 2010 amounted to Php196,413and 154,324 respectively.

6. **Prepaid Expenses and Other Current Assets**

This account consists of:

	June 30, 2011	December 31, 2010
Creditable withholding tax - net of allowance for impairment losses of ₱1,976,300 in 2011 and 2010	**₱1,137,429**	₱1,137,429
Maintenance Fee	**125,000**	-
Prepaid expense (employee benefits)	**4,830**	14,488
Input taxes	**829,087**	774,419
	₱2,096,346	₱1,926,336

7. **Accrued expenses and other payables**

This account consists of:

	June 30, 2011	December 31, 2010
Accrued expenses	**-**	₱110,000
Taxes payable	**3,162**	7,374
	₱ 3,162	₱117,374

Accrued expenses and other payables are non-interest-bearing and are generally within 30- to 60- day terms.

8. **Capital Stock**

On December 29, 2009, the BOD approved a resolution authorizing the Company to issue a total of 10,000,000 common shares out of the existing authorized capital stock at a subscription price of ₱ 1.00 per share, or a total price value of ₱10,000,000. Out of the ₱10,000,000 capital stock subscribed, an amount equal to₱5,045,000 was paid by the stockholders on the same date.

On January 29, 2010 and February 1, 2010, the Company's shareholders paid for the outstanding subscriptions receivable amounting to ₱3,655,000 and ₱1,300,000, respectively.

9. **Basic/Diluted Loss per Share**

Basic/diluted loss per share was computed as follows:

	Six Months Ended June 30,	
	2011	2010
Net loss (a)	**(₱ 615,676)**	(₱ 575,913)
Weighted average number of outstanding common shares (b)	**190,000,000**	190,000,000
Basic/diluted loss per share (a/b)	**(₱0.0032)**	(₱0.0030)

	Quarter Ended June 30,	
	2011	2010
Net loss (a)	**(₱ 334,651)**	(₱ 267,239)
Weighted average number of outstanding common shares (b)	**190,000,000**	190,000,000
Basic/diluted loss per share (a/b)	**(₱0.0018)**	(₱0.0014)

10. **Financial Instruments**

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of June 30, 2011 and December 31, 2010.

	June 30, 2011		December 31, 2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Cash	**₱4,069,861**	**₱4,069,861**	₱4,969,760	₱4,969,760
AFS financial assets	**196,413**	**196,413**	154,324	154,324
Total financial assets	**₱4,266,274**	**₱4,266,274**	₱5,124,084	₱5,124,084

	June 30, 2011		December 31, 2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Other Financial Liabilities				
Accrued expenses	**-**	**-**	110,000	110,000
Total financial liabilities	**₱**	**₱**	₱110,000	₱110,000

Due to the short-term nature of these transactions, the fair values of cash and accrued expenses and other payables and advances from shareholders approximate their carrying values. For AFS financial assets, the fair values are based on quoted prices published in markets.

Fair Value Hierarchy

The Company 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 Company considers its AFS equity securities amounting to ₱196,413 and ₱154,324 as of June 30, 2011 and December 31, 2010, respectively, under Level 1 classification (see Note 5). During the reporting period ending June 30, 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and AFS financial assets, advances from shareholders and accrued expenses and other payables. The main purpose of the Company's financial instruments is to fund the operational and capital expenditures

Exposure to credit, liquidity and market price risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash in bank with fixed interest rates.

Credit Risk

The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash exposes the Company to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Company consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing.

The maximum exposure to credit risk of the statements of financial position pertains only to cash amounting to ₱4,069,861 and ₱4,969,760 as of June 30, 2011 and December 31, 2010, respectively.

The Company's cash on hand and in bank has high grade credit quality.

The credit quality of the financial assets was determined based on the nature of the counterparty and the Company's historical experience with them.

Liquidity Risk

Liquidity or funding risk is the risk associated with the difficulty of selling financial assets in a timely manner at their values to meet obligations.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and working capital requirements. To cover its financing requirements, the Company intends to use the proceeds from its private placement of 10 million common shares.

Price Risk

The Company's price risk exposure relates to its AFS financial assets where values will fluctuate as a result of changes in market prices.

Such investment securities are subject to price risk due to changes in market values arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

Price risk is the risk that future cash flows will fluctuate because of changes in market prices of individual stocks and the changes in the level of Philippine Stock Exchange index (PSEi).

The sensitivity of net asset value is the effect of the assumed changes in the market index on AFS financial assets for the effects of the assumed changes in market index.

Capital Management

The primary objective of the Company'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 shareholder value.

As of June 30, 2011 and December 31, 2010, the Company has a deficit of ₱183.7 million and ₱183.1 million, respectively. In order to strengthen capital position and address the deficit incurred due to non operation, the Company has issued additional stock subscriptions amounting to ₱10 million in December 2009. These subscriptions were fully paid by February 2010.

The Company is not subject to externally imposed capital requirements.

11. Operating Segments

As of June 30, 2011 and December 31, 2010, the Company has no operating segment since it is not engaged in any investing and operating activity. The Management continues to assess investment opportunities and various options regarding operations that the Company may undertake in the future.

The Company has no revenue outside the Philippines, hence, the Company did not present geographical information required by PFRS 8.