

COVER SHEET

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S.E.C. Registration Number

A N G L O P H I L I P P I N E H O L D I N G S

C O R P O R A T I O N

(Company's Full Name)

6 t h F l o o r , Q u a d A l p h a C e n t r u m

B u i l d i n g , 1 2 5 P i o n e e r S t r e e t ,

M a n d a l u y o n g C i t y

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

Atty. Adrian S. Arias

Contact Person

(02) 631-5139

Company Telephone Number

1 2

Month

3 1

Day

Dec. 31, 2011
1 7 - A

FORM TYPE

Month

Day

Annual Meeting

N / A

Secondary License Type, If Applicable

S E C

Dept. Requiring this Doc.

N / A

Amended Articles Number/Section

3 1 4 1

Total No. of Stockholders

Total Amount of Borrowings

P100 million

Domestic

P1,752million

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE

1. For the Fiscal Year ended : **31 December 2011**
2. SEC Identification Number : **14102**
3. BIR Tax Identification Number: **041-000-175-630**
4. Exact name of registrant as specified in its charter: **Anglo Philippine Holdings Corporation**
5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code : (SEC Use Only)
7. Address of principal office : **6th Floor Quad Alpha Centrum Building
125 Pioneer Street, Mandaluyong City 1550**
8. Registrant's telephone number, including area code: **(632) 631-5139; (632) 635-6130**
9. Former name, former address, and former fiscal year if changed since last report: **N/A**
10. Securities registered pursuant to Sections 4 and 8 of the RSA:



Title of Each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>Common stock (P1.00 par value)</u>	<u>1,165,000,000 shares</u>
<u>Loans Payable and Long Term Debt</u>	<u>P1,852,208,886</u>

11. Are any or all of these securities listed in the Philippine Stock Exchange: **YES**
12. Check whether the registrant:
 - a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and Rule 17(a)-1 thereunder and Sections 26 and 141 of the Corporation Code during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).
Yes No
 - b) has been subject to such filing requirement for the past 90 days.
Yes No
13. Aggregate market value of the voting stock held by non-affiliates: **P858,230,346**
(446,994,972 shares @ P1.92/share as of December 31, 2011)
14. Document incorporated by reference: **2011 Audited Financial Statements**

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business and General Information

(a) Description of Business

(1) Business Development

Anglo Philippine Holdings Corporation (the “Company”) was incorporated in 1958, originally as an oil and mineral exploration company with the corporate name of “Anglo Philippine Oil Corp.” In 1996, the Company changed its primary purpose to that of an investments holding firm focused on natural resources, property development and infrastructure activities, and changed its corporate name to “Anglo Philippine Holdings Corporation”.

Core Investments

Natural Resources

The Company owns 21.81% of **United Paragon Mining Corporation** (UPMC) after converting its receivables into new UPMC equity. Following PSE’s approval of the listing of UPMC’s new shares, the Company sold 9.95 billion UPMC shares last December 28, 2011 at a price of P0.024/share which generated P144.8 million in gains for the Company. For 2011, UPMC posted a net loss of P61.7 million.

As of December 31, 2011, the Company owns 9.72% of **Atlas Consolidated Mining & Development Corporation** which posted a net income of P15.16 billion in 2011. Atlas has two (2) significant subsidiaries, namely: (a) *Berong Nickel Corporation*, which shipped a total of 317,259 wmt of nickel laterite ore and posted a net income of P76 million in 2011, and (b) *Carmen Copper Corporation*, which shipped 117,884.61 dmt of copper concentrate at an average of 27.21% Cu in 2011.

Pending the transfer of its petroleum assets, the Company continues to participate in the following ***Oil Exploration*** contracts:

Service Contract 6A	Octon, NW Palawan	3.33000 %
Service Contract 14D	Tara, NW Palawan	2.50000 %
Service Contract 41	Sulu Sea	1.67900 %
Service Contract 53	Onshore Mindoro	5.00000 %
SWAN Block	NW Palawan	33.57800 %

SC 6A (Octon) - In April 2011, the Company negotiated with potential farminee Pitkin Petroleum Limited (Pitkin) which offered to do a 3-phased work involving new seismic data acquisition and block evaluation for the initial phase and drilling of well/s during the subsequent phases contingent on the results from the previous phases. The negotiations culminated with the signing of the farmin agreement on July 11, 2011. The DOE approved on December 6, 2011 the transfer of 70% interest of the Company and its partners to Pitkin which was appointed as the new operator. The DOE likewise approved the consortium’s request to replace an earlier submitted work program with Pitkin’s new 3D data acquisition. As at December 31, 2011, the new block operator was preparing the parameter design and tendering documentation for the 3D seismic survey.

SC 14 (Tara) - In late 2009, potential farminee VenturOil, lost its exclusive farm-in right over the area as a result of the long-drawn-out period to complete their technical due diligence. When they indicated to seek a further extension, the stakeholders suggested that VenturOil must first secure accreditation with the DOE as a qualified service contractor before it can negotiate with the partners. Since then, the consortium has not received any indication from VenturOil of their interest to pursue a farm-in into these areas. As at December 31, 2011, no exploration or production activities are being carried out on the block.

SC 41 (Sulu Sea) – After Tap Oil decided to drop the contract, the Sulu Sea block became an open area which the DOE included among the areas offered in 4th Philippine Energy Contracting Round (PECR) which opened in June 2011. The Company, together with affiliate The Philodrill Corporation, intends to participate in bidding for a new contract in the Sulu Sea block.

SC 53 (Mindoro) - For the most part of 2011, block operator Pitkin Petroleum carried out the interpretation of the newly-acquired 200 line-kilometers of onshore 2D seismic data and another 200 line-kilometers of vintage 2D seismic data in offshore Sablayan area. Interpretation of these data sets was completed in mid of 2011. Meanwhile, on July 4, 2011, the DOE approved the transfer of 50% of Pitkin's interests to RMA, with Pitkin remaining as block operator. In November 2011, Pitkin recommended, and the partners approved, the commencement of the Sub-Phase 2 of the contract which carries a minimum work obligation of two (2) wells. For 2012, the consortium aims to acquire an airborne gradiometry survey, do other field programs and studies to further evaluate the block and enhance its prospectivity, and drill the Progreso-2 well.

SWAN Block - For 2011, the consortium continued to wait for PNOC-EC's evaluation of the merits of the offer to swap a portion of the consortium's interest in some blocks in exchange for interests in SC-57 and SC-58.

Aside from direct participation in various oil exploration contracts, the Company also owns 1.68% of **The Philodrill Corporation**, a publicly listed company engaged in oil exploration and production with participating interests in various oil exploration and production contracts with the Philippine Government. Philodrill posted a consolidated net income of P1.06 billion in 2011. The Company received a total of P1.8 million in dividends from Philodrill in 2011.

Property Development

The Company owns 15.79% of the **North Triangle Depot Commercial Corporation (NTDCC)**, which posted an audited net income of P292.4 million in 2011 and recorded 98% occupancy rate in the commercial center.

The Company continues to maintain a 15.79% interest in **MRT Development Corp.** (MRTDC), which owns the development rights over the perimeter lot pads around the Trinoma commercial center. MRTDC generates revenues from concessionaire rentals and advertising fees in the MRT stations.

The Company owns 4.5% of *Shang Properties, Inc. (SPI)*. For 2011, SPI posted a consolidated net income of P1.36 billion and sold 98.3% of St. Francis Towers and 75.72% of One Shangri-La Place. SPI has also finalized the Design Development drawings for Shangri-La at the Fort.

Infrastructure

The Company continues to maintain 18.6% equity in *MRT Holdings, Inc.*, the indirect majority owner of the Metro Rail Transit Corporation. As of end-2011, average ridership stood at about 530,000 passengers per day.

The Company's transfer of certain intellectual property rights and other assets over its water supply projects to *Aquatlas, Inc. (AAI)* in exchange for shares of the latter remains pending. AAI is a subsidiary of ACMDC.

Other Investments

The Company has minority investment in *Brightnote Assets Corporation*, a holding company organized for the purpose of investing in the Calabarzon area.

Filipinas Energy Corporation (FEC) has not undertaken any business operation since its incorporation due to the deferment of the transfer of the Company's oil and mineral assets.

NO bankruptcy, receivership or similar proceeding has been filed by or against the Company and/or its subsidiary during the last three (3) years.

NO material reclassification, merger, consolidation, or purchase/sale of a significant amount of assets, not in the ordinary course of business, has been undertaken by the Company and/or its subsidiary during the last three (3) years, **EXCEPT** that, in accordance with PAS 39, *Financial Instruments: Recognition and Measurements*, and PAS 28, *Investment in Associates*, the Company reclassified certain assets in 2009, as follows:

Asset	From	To	Amount
ACMDC	Investment in Associate	Available-for-Sale (AFS) investment	P1,089,000,000
SPI	Investment in Associate	Financial Assets at Fair Value through Profit or Loss (FVPL)	P 376,896,506
The Philodrill Corp. (TPC)	Investment in Associate	Financial Assets at FVPL	P 4,515,730

Also, in 2009, UPMC restated its prior year financial statements to recognize unpaid cumulative dividends on redeemable preferred shares which were presented as financial liability in its statement of financial position. UPMC also recognized the accrued interest on bonds and dividends payable at their present values. Accordingly, the net loss of UPMC increased from ₱35.8 million to ₱55.2 million in 2008. As a result of the restatement, the Company's equity in net losses of associates increased from ₱0.7 million to ₱5.6 million in 2008.

(2) Business of Issuer**(A) Description of Registrant**

The Company is an investments holding firm focused on and maintaining investments in natural resources, property development and infrastructure activities. The Company also maintains minor investments in diversified pioneer projects with attractive economic returns.

FEC is a petroleum and mineral exploration company which has not undertaken any business operation since its incorporation due to the deferment of the transfer of the Company's petroleum and mineral assets.

- (i) Principal products or services and their markets - The Company, as an investments holding firm, does not generate sales or revenues from the sale of any product or service; rather, the Company generates revenues and income, principally: (a) from its investments by way of dividends received from, and/or equitizable share in the earnings of, investee companies; and, (b) sale of investments or of the securities to which the investment may have been converted, including interest income earned by such securities.

On account of the Company's network and knowledge on local and regional investment opportunities, an offshore investments holding company engaged the services of the Company to advise on, solicit, negotiate for, buy and sell local and regional investment opportunities, in consideration for which the offshore investor pays the Company a percentage-based success fee and a fixed monthly service fee.

- (ii) Percentage of sales or revenues and net income contributed by foreign sales –

In 2011, the Company recognized around P91.6 million in retainer fees for services rendered to an offshore investor for which the Company acted as its adviser.

- (iii) Distribution methods of the products or services – Not applicable.

- (iv) Status of any new product or service – Not applicable.

- (v) Competitive business conditions – With its avowed vision/mission of “Helping Build the Filipino Future”, the Company focuses its investments in natural resources, property development and infrastructure projects.

In the mining sector, nickel and copper companies received the bulk of investments brought about by the rising demand in metals. The Company's investments in ACMDC, UPMC and TPC are expected to generate attractive returns for the Company while, at the same time, ensuring substantial contribution to the country's economy.

The infrastructure and property development industries are still in their growth stage as the infrastructure and property development needs of the country far exceed the available supply of funds for these projects. This imbalance is seen to persist beyond the immediate future. Private sector financing, such as that provided by the Company, will continue to supplement, if not totally supplant, Government funding for infrastructure projects, while funding for property development projects are mostly

private-sector driven. The infrastructure and property development industries are not confined within any specific geographic area. So far, the Company has participated in projects undertaken or to be undertaken in Metro Manila, Bulacan and the Visayas.

The Company generally participates in natural resources, infrastructure and property development projects as a pure equity holder without involving itself directly in the operations of the venture beyond the level of the board of directors or operating committees. The Company invests only in projects that yield or would yield a return on investment consistent with the economic thresholds set by the Company which are, in turn, based on accepted investment grade standards set by the international business community.

- (vi) Sources and availability of raw materials – Not applicable.
- (vii) Major customers - The Company is not dependent on any major customer. The Company's revenues and income are dependent on the financial performance of its investee companies.
- (viii) Related party transactions – See Note 14 of the Company's 2011 Audited Financial Statements.
- (ix) Patents, etc. – NONE
- (x) Government approvals - Not applicable.
- (xi) Effect of Government regulations - Existing government regulations do not adversely affect the business of the Company. Probable government regulation, if economically restrictive, may adversely affect the business of the Company and its subsidiary.
- (xii) Research and development activities - The Company did not undertake any research and development activities and did not incur any expenses for such activities during the last three (3) years.

In the ordinary course of business, the projects in which the Company is or becomes involved in may incur expenses in commissioning feasibility and/or other similar studies. In cases where a separate entity specific to the project is formed, these expenses form part of project development costs of that entity and are, in turn, carried as part of project investment by the Company. In cases where no separate entity is formed or the proposed project is shelved for various reasons, such expenses are charged as ordinary operating expenses of the Company.

- (xiii) Costs and effects of compliance with environmental laws – Compliance with environmental laws have not, and are not anticipated to, adversely affect the businesses and financial conditions of the Company. Costs of compliance with environmental laws are either charged as ordinary operating expenses or credited as part of project investment by the Company and its subsidiary. The Company did not incur any expenses for such activities during the last three (3) years.
- (xiv) Employees - As of 31 December 2011, the Company has twelve (12) full-time employees (including officers).

(B) Additional Requirements as to Certain Issues or Issuers

- (i) Debt Issues – Not applicable.
- (ii) Investment Company Securities – Not applicable.
- (iii) Mining and Oil Companies - In line with its previous primary business purpose, now retained as one of its secondary purposes, the Company remains a participant in certain petroleum and mineral exploration ventures pending the transfer of its petroleum and mineral assets. The amount of the Company's interests in these contracts and a brief description of the areas and status of works therein are provided in Item 1(a)1 above, under the heading "Other Investments".

Item 2. Properties

Properties of the Company and its subsidiary consist of condominium units and improvements and office equipment, all generally located in the principal offices of the Company and its subsidiary. These properties are carried at cost less accumulated depreciation. The Company and its subsidiary do not own any plant, mine or other property.

As discussed under the heading "Other Investments" above, the Company maintains participating interests in certain petroleum and mineral concession areas. To the extent of its Participating Interests in the petroleum and mineral exploration areas, the Company shares co-ownership rights with the other concessionaires over the respective Joint Accounts and Joint Properties pertaining to each concession area which are generally expressed in monetary terms as "Deferred Exploration Costs" in the Company's books of accounts.

Owing to the intermittent nature of petroleum and mineral exploration, no permanent physical property, plant or equipment are situated or being maintained in the concession areas as they are brought in only, under lease or charter, whenever there is any exploration activity to be undertaken in the areas.

Item 3. Legal Proceedings

There is **NO** material pending legal proceeding to which the Company or its subsidiary or affiliate is a party or which any of their property is the subject, and no such proceeding where the Company or its subsidiary or affiliate was a party or any of their property was the subject was terminated during the fourth quarter of the fiscal year 2011.

Item 4. Submission of Matters to a Vote of Security Holders

NO matter was submitted to a vote of security holders during the fourth quarter of the fiscal year 2011.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant’s Common Equity and Related Stockholder Matters

(a) Market Price of and Dividends on Registrant’s Common Equity and Related Stockholder Matters

(1) Market Information

The Company’s shares are listed and traded in the Philippine Stock Exchange. The high and low sale price of the Company’s shares for each quarter during the last two (2) fiscal years 2011 and 2010 and the first quarter of the current fiscal year 2012, expressed in Philippine Pesos, are as follows:

	<u>Stock Prices (Php)</u>	
	High	Low
2012 – 1 st quarter	2.26	1.90
2011 – 1 st quarter	2.11	1.01
2 nd quarter	2.90	1.67
3 rd quarter	2.97	1.85
4 th quarter	2.60	1.80
2010 – 1 st quarter	1.44	1.06
2 nd quarter	1.34	1.14
3 rd quarter	1.78	1.16
4 th quarter	2.47	1.58

(2) Holders

As of 31 December 2011, total number of shareholders of record is 3,141 while common shares outstanding were 1,165,000,000 shares. The Company’s top 20 Stockholders as of 31 December 2011 are as follows:

<u>Rank</u>	<u>Stockholders</u>	<u>Total Share</u>	<u>Percentage</u>
1	PCD NOMINEE CORPORATION	1,110,839,723	95.3510%
2	JOSE D. SANGALANG	7,392,000	0.6345%
3	SAN JOSE OIL COMPANY, INC.	4,693,332	0.4028%
4	FERNANDO GONZALES	2,933,330	0.2517%
5	ALYROM PROPERTY HOLDINGS, INC.	2,924,900	0.2510%
6	MARIANO GO BIAO	990,000	0.0849%
7	SANTIAGO TANCHAN III	972,398	0.0834%
8	JALANDONI, JAYME, ADAMS & Co., INC.	964,700	0.0828%
9	S.J. ROXAS & CO., INC. A/C # 2.19.038	935,000	0.0802%
10	CONSTANTINE TANCHAN	881,466	0.0756%
11	ALAKOR CORPORATION	863,160	0.0740%
12	JACK F. CONLEY	825,000	0.0708%
13	ANSALDO, GODINEZ & CO, INC.	818,895	0.0702%
14	ALAKOR SECURITIES CORPORATION	735,000	0.0630%
15	JESSELYN CO	715,732	0.0614%

16 ANTONIO M. HENARES	660,000	0.0566%
17 TBG MBTC FAO CARLOS EJERCITO	550,000	0.0472%
18 JESUS GARCIA	440,000	0.0377%
ANTONIO HENARES &/OR CARMEN HENARES	440,000	0.0377%
19 FRANCISCO A. NAVARRO	400,000	0.0343%
20 ROBERTO V. SAN JOSE	373,866	0.0320%

(3) Dividends

Cash Dividend	Amount	Declared On	Record Date	Payment Date
2011 - CD 7	P0.03/share	Sept. 28, 2011	Oct. 12, 2011	Nov. 8, 2011
2011 - CD 6	P0.05/share	March 25, 2011	April 8, 2011	April 29, 2011
2010 - CD 5	P0.03/share	April 12, 2010	April 30, 2010	May 24, 2010
2009 - CD 4	P0.15/share	April 22, 2009	May 08, 2009	May 29, 2009
2008 - CD 3	P0.05/share	April 25, 2008	May 30, 2008	June 25, 2008
2007 - CD 2	P0.05/share	July 27, 2007	Oct. 15, 2007	Nov. 8, 2007
2007 - CD 1	P0.10/share	April 30, 2007	May 17, 2007	June 8, 2007
Stock Dividend	Rate	Declared On	Record Date	Payment Date
2008 - SD 1	10%	Sept. 19, 2008	October 31, 2008	Nov. 26, 2008

The Company's ability to declare and pay dividends on common equity is restricted by the availability of sufficient retained earnings.

(4) Recent Sales of Unregistered Securities

NO unregistered securities were sold during the past 3 years. All of the Company's issued and outstanding shares of stock are duly registered in accordance with the provisions of the SRC.

- (a) Securities Sold – Not Applicable; NO securities were sold
- (b) Underwriters and Other Purchases – Not Applicable; NO securities were sold
- (c) Consideration – Not Applicable; NO securities were sold
- (d) Exemption from Registration Claimed – Not Applicable; NO securities were sold.

Item 6. Management's Discussion and Analysis or Plan of Operation.**(a) Management's Discussion and Analysis or Plan of Operation****(1) Plan of Operation**

To sustain business growth, the Company plans to focus and build on its core investments in natural resources (through investments in ACMDC, UPMC and TPC) and property development (through investments in NTDCC and SPI). In addition, the Company will continue to take advantage of new business opportunities that may emerge in other investment areas which provide synergies with the Company's investment portfolio.

- (B)** Owing to the nature of the business of the Company as an investments holding firm, no product research and development is expected to be undertaken in the next twelve (12) months.

- (C) The Company does not expect to make any purchase or sale of any plant and/or significant equipment within the next twelve (12) months.
- (D) The Company does not expect any significant change in the number of its employees in the next twelve (12) months.

The Company will continue to be affected by the Philippine business environment as may be influenced by any local/regional financial and political crises. The Company's financial statements for the year ended 31 December 2011 reflect foreign exchange gain/losses on the Company's dollar denominated payables.

(2) Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial highlights for the years 2011, 2010, and 2009 are presented below:

	2011	2010	2009
Revenues	467,374,212	689,489,995	444,372,686
Net income/(loss)	290,695,947	560,774,028	294,071,143
Total assets	4,844,580,763	5,172,806,310	3,619,848,502
Net worth	2,862,340,692	2,774,573,056	1,232,759,122
Issued & subscribed capital	1,165,000,000	1,165,000,000	1,165,000,000

The top five (5) key performance indicators of the Company and its majority-owned subsidiary are as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Current Ratio	0.92 : 1	1.10 : 1	2.65 : 1
<u>Current Assets</u>	<u>810,056,425</u>	<u>912,626,763</u>	<u>1,278,349,109</u>
Current Liabilities	882,357,516	829,091,620	482,482,730
Assets to Equity Ratio	1.69 : 1	2.06 : 1	2.94 : 1
<u>Total Assets</u>	<u>4,844,580,763</u>	<u>5,712,806,310</u>	<u>3,619,848,502</u>
Stockholders Equity	2,862,240,692	2,774,573,056	1,232,759,122
Debt to Equity Ratio	0.69 : 1	0.86 : 1	1.94 : 1
<u>Total Liabilities</u>	<u>1,982,240,071</u>	<u>2,398,233,254</u>	<u>2,387,089,380</u>
Stockholders Equity	2,862,240,692	2,774,573,056	1,232,759,122
Equity to Debt Ratio	1.44 : 1	1.16 : 1	0.52 : 1
<u>Stockholders Equity</u>	<u>2,862,240,692</u>	<u>2,774,573,056</u>	<u>1,232,759,122</u>
Total Liabilities	1,982,240,071	2,398,233,254	2,387,089,380
Book Value per share	2.46	2.38	1.06
<u>Stockholders Equity</u>	<u>2,862,240,692</u>	<u>2,774,573,056</u>	<u>1,232,759,122</u>
Total # of Shares Outstanding	1,165,000,000	1,165,000,000	1,165,000,000
Earnings per share	0.25	0.48	0.25
<u>Net Income</u>	<u>290,695,947</u>	<u>560,774,028</u>	<u>294,071,143</u>
Average Number of shares outstanding	1,165,000,000	1,165,000,000	1,165,000,000

Current Ratio decreased in 2011 compared to 2010 due to a decrease in Current Assets, as the Company was able to collect its interest receivable from Atlas, coupled with an increase in Current Liabilities on account of a corresponding increase in the Current Portion of Long Term-Debt. On the other hand, Current Ratio decreased in 2010 as compared to 2009 due to decrease in Receivable resulting from the conversion of Atlas's US\$11.5 million loan into Atlas shares of stock.

Assets- to- Equity Ratio decreased in 2011 as compared to 2010 as the Company's Total Assets decreased in 2011, due to decrease in Available for Sale investment as a result of the decline in the market value of Atlas shares in 2011, and due to the decrease in the Company's Investment in Associates due to the sale of the Company's 9.9 billion UPM Shares. The Company's Assets to Equity Ratio was higher in 2009 at 2.94:1 as compared to 2.06:1 in 2010.

Debt-to-Equity Ratio continuously decreased from 2009 to 2011 due to increases in Stockholders' Equity arising from the net income generated by the Company and unrealized valuation gain on AFS investments recognized from 2009 to 2011. Conversely, Equity-to-Debt ratio increased from 2009 to 2011.

Book Value Per Share (BVPS) increased from 2009 to 2011 due to the increase in Stockholders Equity arising from the rebound in the market prices of Atlas resulting in a higher net unrealized gains in AFS investments and the consistent positive net income of the Company from 2009 to 2011.

Earnings Per Share (EPS) increased from 2009 to 2010 due to gains on mark-to-market changes in derivative assets arising from the conversion of Atlas's US\$11.5 million loan into Atlas shares in 2010, but decreased from 2010 to 2011 due to a lower net income posted in 2011.

- (i) There are no known trends, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity, EXCEPT that the possible sale of the Company's assets may generate additional one-time revenues for the Company.
- (ii) The Company's internal source of liquidity comes, primarily, from revenues generated from operations. The Company's external source of liquidity comes, primarily, from loans/financing obtained from financial institutions and, alternatively, may also come from the collection of its accounts receivables and issuance of additional capital stock.
- (iii) The Company has no material commitments for capital expenditures, but is expected to contribute its equity share in the capital expenditures of its investee companies. However, the bulk of the funding for such expenditures will be sourced from project financing.
- (iv) There are no known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the revenues or income from continuing operations, save as stated in Item 6, paragraph (a)2(i) above.
- (v) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

- (vi) There have been no material changes from period to period in one or more line items of the Company's financial statements, EXCEPT that:
- a. Net Revenues decreased from 2010 to 2011 due to: (i) decrease in interest income as a result of payment of US\$11.5 Million Atlas loan to Anglo in 2010, and ii) the absence gains on mark-to-market changes in derivative assets which was the main factor of the increase in Net revenues from 2009 to 2010. The Increase in Gains on sale of investment from 2010 to 2011 was due to the sale of the Company's 9.9 billion UPM Shares. Also, Discount on Long Term Debt increased due to renewal of EPL Loan.
 - b. Cost and Expenses increase from 2010 to 2011 mainly due to the increase in general and administrative expenses and losses on impairment of receivables. On the other hand, cost and expenses slightly increased from P121.7 million in 2009 to P124.7 million in 2010.
 - c. Income (Loss) Before Income Tax decreased from 2010 to 2011 due to lower Revenues generated by the Company in 2011. On the other hand, Income Before Income Tax increased from P322.7 million and P564.8 million in 2009 and 2010, respectively, due to higher Net Revenues and lower Cost and Expenses.
 - d. Basic and Diluted Earnings Per Share decreased from P0.48 in 2010 to P0.25 in 2011 due to the lower Net Income generated by the Company in 2011. The Basic and Diluted Earnings per share in 2009 was also P0.25.
 - e. Retained Earnings increased from P132.3 million in 2009 to P658.2 million in 2010 to P855.7 million in 2011 due to the net income generated by the Company in 2009, 2010 and 2011.
 - f. Current Assets decreased from P1.3 billion in 2009 to P912.6 million in 2010 mainly due to the conversion of Atlas's US\$11.5 million loan into Atlas shares of stock, On the other hand, the decrease in Current Assets from P912.6 million in 2010 to P810 million in 2011 was mainly due to decrease in Cash and Cash equivalent due to payment of the Company's loans to LBP and EPL.
 - g. Non-Current Assets decreased from P4.3 billion in 2010 to P4.03 billion in 2011 due to decrease in the value of Available for Sale Investment as a result of the decline in the market value of Atlas shares. Non-Current Assets is P4.3 billion in 2010 due to the additional shares of Atlas acquired by the Company from the conversion of Atlas's US\$11.5 million loan into Atlas shares coupled with an increase in market value of Atlas shares.
 - h. Current Liabilities increased from P829 million in 2010 to P882.4 million in 2011 due to recognition of the Current Portion of Long Term Debt which will mature in June 2012. The increase in Current Liabilities from P482.5 million in 2009 to P829 million in 2010 was also due to recognition of the Current Portion of Long Term Debt which matured in June 2011 and on account of the deposit received from Metro Pacific Investments Corporation (MPIC) in relation to the potential acquisition by MPIC of the Company's MRTHI shares which are subject to satisfaction and completion of certain closing requirements.

- i. Non-current Liabilities continue to decrease from P1.9 billion in 2009 to P1.6 billion in 2010 and P1.1 billion in 2011 due to reclassification of Current Portion of Long Term Debt with maturities in June 2010, June 2011 and October 2012.
 - k. Stockholders' Equity continuously increased from to P1.2 billion in 2009 to P2.8 billion in 2010 and to P2.9 billion in 2011 mainly due to Net Income and the Unrealized Valuation Gain on AFS investments generated by the Company in 2009, 2010 and 2011.
- (vii) There have been no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.
 - (viii) There are **NO** events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
 - (ix) There are **NO** material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

(2) Interim Periods

No interim financial statements are included in this report.

Item 7. Financial Statements

Refer to the Audited Financial Statements as of December 31, 2011, 2010, and 2009.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There have been **NO** changes in, nor disagreements with, accountants on accounting and financial disclosure for fiscal years 2011, 2010 and 2009.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

(a) Directors, Executive Officers Promoters and Control Persons

(1) Identify Directors and Executive Officers

(A) Names and Ages of Directors and Executive Officers

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>	<u>Period of service as such officer</u>
Alfredo C. Ramos	68	Filipino	Chairman of the Board	1989 to present
Christopher M. Gotanco	62	Filipino	Director	1987 to present
			President	1988 to present
Adrian S. Arias	49	Filipino	Executive Vice President	2005 to present
			Asst. Corporate Secretary	1998 to present
Francisco A. Navarro	68	Filipino	Director	1984 to present
			Executive Vice President	1986 to 2005

Augusto B. Sunico	83	Filipino	Director	1984 to present
			Treasurer	1986 to present
Illuminada P. Rodriguez	63	Filipino	Director	1998 to 2004
			General Manager	2003 to 2005
			VP-Finance and Administration	2005 to present
Roberto V. San Jose	70	Filipino	Director	1998 to present
			Corporate Secretary	1979 to present
Presentacion S. Ramos	70	Filipino	Director	1984 to present
Cecilia R. Licauco	61	Filipino	Director	2011 to present
Anton S. Ramos	37	Filipino	Director	2011 to present
Adrian S. Ramos	32	Filipino	Director	2006 to present
Renato C. Valencia	69	Filipino	Independent Director	2006 to present
Ramoncito Z. Abad	64	Filipino	Independent Director	2007 to present

Messrs. Valencia and Abad are the Company's independent directors.

(B) Positions and offices that each person named above held with the Company

Mr. Alfredo C. Ramos has been a Director since 1975 and the Chairman of the Board since 1989.

Mr. Christopher M. Gotanco has been a Director since 1987 and the President since 1988. He was previously the VP-Finance and Administration.

Atty. Adrian S. Arias was appointed Executive Vice President in 2005 and has been Assistant Corporate Secretary since 1998. He was previously VP-Legal and Corporate Affairs.

Mr. Francisco A. Navarro has been a Director since 1984 and Executive Vice President from 1986 to 2005.

Atty. Augusto B. Sunico has been a Director since 1984 and a Treasurer since 1986.

Ms. Illuminada P. Rodriguez was appointed VP-Finance & Administration in 2005. She was previously a director (1998-2004), General Manager (2003-2005) and Accounting Manager (1984-2003).

Atty. Roberto V. San Jose has been the Corporate Secretary since 1979 and a Director since 1998.

Ms. Presentacion S. Ramos, Mr. Adrian S. Ramos, Ms. Cecilia R. Licauco, and Mr. Anton S. Ramos have been Directors since 1984, 2006, 2011 and 2011, respectively.

(C) Term of Office as Director and Period of Service

The Directors of the Company are elected at the Company's annual stockholders' meeting to hold office until the next succeeding annual meeting and until their successors shall have been elected and qualified. Officers are appointed/elected annually by the Board of Directors at the organizational meeting following the annual stockholders' meeting, to hold office until the next organizational meeting of the Board of Directors in the following year or until a successor shall have been elected/appointed and qualified, in accordance with Company By-Laws.

(D) Business experience of directors/officers during the past five (5) years

Mr. Alfredo C. Ramos is the Chairman of the Board and Chief Executive Officer of the Company. For the past five (5) years, he has served as a director and/or executive officer, and maintained business interests, in companies involved in the printing, publication, sale and distribution of books, magazines and other printed media, transportation, oil and gas exploration, mining, property development, shopping center, department store, gaming and retail, among others.

Mr. Christopher M. Gotanco is a Director and the President/COO of the Company. For the past five (5) years, he has served as a director and/or executive officer in companies involved in transportation, financial services, oil and gas exploration, mining, property development and commercial center, among others.

Atty. Adrian S. Arias is the Company's Executive Vice President and Assistant Corporate Secretary. He has served as a director of an investment house and a financing company and has been in active corporate law practice and management for more than five (5) years.

Atty. Augusto B. Sunico is a Director and the Treasurer of the Company. For the past five (5) years, he has served as a director and/or executive officer, and maintained business interests, in a university and companies engaged in oil and gas exploration, mining, shipbuilding, stock brokerage, property development, financial services and shopping center, among others.

Ms. Iluminada P. Rodriguez is the Vice President for Finance and Administration of the Company. For the past five (5) years, she has served as an executive officer of companies involved in garments and manufacturing.

Atty. Roberto V. San Jose is a Director and the Corporate Secretary of the Company. He has been in the active practice of law and is a Senior Partner at the Castillo Laman Tan Pantaleon & San Jose Law Offices for more than five (5) years.

Mr. Francisco A. Navarro is a Director of the Company. For the past five (5) years, he has headed the petroleum exploration and development group of The Philodrill Corporation and served the boards of condominium companies.

Ms. Presentacion S. Ramos is a Director of the Company. For the past five (5) years, she has served as a director and/or executive officer, and maintained business interests, in companies involved in the printing, publication, sale and distribution of books, magazines and other printed media, department store, stock brokerage, oil and gas exploration and mining, among others.

Mr. Adrian S. Ramos is a Director of the Company since 2006. For the past five (5) years, Mr. Ramos has served in various management capacities and as a director to companies engaged in mining, investment holdings, securities and water infrastructure.

Ms. Cecilia R. Licauco is a Director of the Company since July 2011. She serves as a director and/or executive officer in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1975-present), and stationery distribution (1993-present), among others.

Mr. Anton S. Ramos is a Director of the Company since July 2011. He serves as a director and/or executive officer in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1996-present), securities (1996-present), property development and infrastructure (1996-present), investment holdings (2000-present), and mining (2008-present), among others.

Mr. Renato C. Valencia was elected independent director of the Company in 2006. He is the former administrator of the Social Security System (SSS).

Mr. Ramoncito Z. Abad was elected independent director of the Company in 2007. He is the former Chairman of Development Bank of the Philippines.

(E) Directors with directorship(s) held in reporting companies

Alfredo C. Ramos

Atlas Cons.Mining & Dev't. Corp.	Shang Properties Inc.
MRT Holdings, Inc	The Philodrill Corporation
MRT Dev't. Corp.	United Paragon Mining Corp.
National Book Store, Inc.	Vulcan Industrial & Mining Corp.
North Triangle Depot Comm'l Corp.	

Christopher M. Gotanco

Boulevard Holdings Inc.	Penta Capital Finance Corp.
MRT Holdings, Inc.	Penta Capital Investment Corporation
MRT Development Corp.	The Philodrill Corporation
North Triangle Depot Comm'l Corp.	Vulcan Industrial & Mining Corp.

Augusto B. Sunico

Alakor Securities Corp.	Penta Capital Investment Corp.
The Philodrill Corporation	Manuel L. Quezon University
United Paragon Mining Corp.	Penta Capital Finance Corp.
Vulcan Industrial & Mining Corp.	

Presentacion S. Ramos

Alakor Securities Corp.	The Philodrill Corporation
National Book Store, Inc.	Vulcan Industrial & Mining Corp.

Roberto V. San Jose

Atlas Resources Management Group	MAA Consultants, Inc,
CP Group of Companies	Mabuhay Holdings Corp.
CP Equities Corporation	

Francisco A. Navarro

The Philodrill Corporation	Vulcan Industrial & Mining Corp.
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Adrian S. Ramos

Alakor Securities Corp.	United Paragon Mining Corp.
Aquatlas, Inc.	Vulcan Industrial & Mining Corp
Atlas Cons.Mining & Dev't. Corp	The Philodrill Corporation

Cecilia R. Licauco

Anvil Publishing
Filstar Distributors Corp.

National Book Store Inc.
Solar Publishing

Anton S. Ramos

Atlas Cons.Mining & Dev't. Corp.

United Paragon Mining Corp.

Renato C. Valencia

Asia Pacific Network Holdings
Bases Conversion Dev't Authority
House of Investments
Hypercash Payment System, Inc.
Independent Insight, Inc.

I People
Malayan Insurance Co.
Metropolitan Bank & Trust Company
Roxas Holdings Inc.
Triple Top AIM Inc.

I

Mr. Ramoncito Z. Abad is a director of Monheim Distributors.

(2) Significant Employees

Other than its current officers and employees, the Company has not engaged the services of any person who is expected to make significant contributions to the business of the Company.

(3) Family Relationships

Mr. Alfredo C. Ramos (Chairman of the Board) is the husband of Ms. Presentacion S. Ramos (Director), brother of Ms. Cecilia R. Licauco (Director), and brother-in-law of Atty. Augusto B. Sunico (Director). Messrs. Adrian S. Ramos (Director) and Anton S. Ramos (Director) are the sons of Mr. Alfredo C. Ramos and Ms. Presentacion S. Ramos.

(4) Involvement in Certain Legal Proceedings

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, promoter, or control person of the Company was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior that time; (2) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses of any director, person nominated to become a director, executive officer, promoter, or control person; (3) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities or banking activities of a director, person nominated to become a director, executive officer, promoter, or control person of the Company; and, (4) judgment against a director, person nominated to become a director, executive officer, promoter, or control person of the Company found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have

violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

(1) Summary Compensation Table

The aggregate compensation paid to the Company's Chief Executive Officer and most highly compensated executive and non-executive officers named below as a group for the two most recently completed fiscal years (2010 and 2011) and the ensuing fiscal year (2012) are:

Name	Position	2010	2011	2012 (est.)
Alfredo C. Ramos	Chairman			
Christopher M. Gotanco	President			
Adrian S. Arias	EVP			
Illuminada P. Rodriguez	VP			
TOTAL		P6,949,654	P8,837,061	P9,720,671
All officers and directors as a group unnamed		P8,326,766	P11,511,870	P12,663,057

(2) Compensation of Directors

(A) Standard Arrangement

For the most recently completed fiscal year, directors received and will receive a per diem of P5,000.00 per month to defray their expenses in attending board meetings.

(B) Other Arrangements

There are no other arrangements for compensation of directors, as such, during the last fiscal year and for the ensuing fiscal year.

(3) Employment Contracts and Termination of Employment and Change-in-Control

(A) The Company maintains standard employment contracts with Messrs. Alfredo C. Ramos and Christopher M. Gotanco, both of which provide for their respective compensation and benefits, including entitlement to health benefits, representation expenses and company car plan.

(B) Other than what is provided under applicable labor laws, there are no compensatory plans or arrangements with executive officers entitling them to receive more than P2,500,000.00 as a result of their resignation or any other termination of employment, or from a change in control of the Company, or a change in the executive officers' responsibilities following a change in control of the Company.

The Company maintains a retirement plan pursuant to which an eligible employee will receive one month's pay for every year of service for the first 10 years and two month's

pay for every year of service beyond the first 10 years. Based on this policy, the retirement pay of some officers of the Company may exceed P2,500,000.00.

- (C) There are no warrants or options outstanding in favor of directors and officers of the Company.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of 31 December 2011, the Company is not aware of anyone who beneficially owns more than 5% of its outstanding stock, except as set forth below:

Company's voting securities as of December 31, 2011:

Title of Class	Name and address of record owner and relationship with the issuer	Name of Beneficial Owner	Citizenship	No. of shares held	Percentage Ownership
Common	PCD Nominee Corporation Makati Stock Exchange Bldg. 6767 Ayala Avenue, Makati City Stockholder	(see note A)	Filipino	461,173,901*	39.60%
Common	National Book Store, Inc. (Note B, C) 4 th Floor, Quad Alpha Centrum 125 Pioneer St., Mandaluyong City Stockholder	(see Note D)	Filipino	483,029,406** (Direct/Indirect shs)	41.46%
Common	Alakor Corporation (Note B, C) 5 th Floor Quad alpha Centrum 125 Pioneer St. Mandaluyong City Stockholder	(see Note D)	Filipino	167,615,525** (Direct/Indirect shs)	14.39%

*Net of 649,665,822 shares under the name of Alakor Securities Corp.

**Of the total shares of 649,665,822 shares under the name of Alakor Securities Corp., National Book Store Inc. owns 482,913,457 shares while Alakor Corporation owns 166,752,365 shares.

Note A: The shares registered in the name of PCD Nominee Corporation (PCD) are beneficially owned by its participants. As a matter of practice, PCD itself does not vote the number of shares registered in its name; instead, PCD issues a general proxy constituting and appointing each of its participants as PCD's proxy to vote for the number of shares owned by such participant in PCD's books as of Record Date.

Note B: Based on PCD's books, there are 201 beneficial owners of the Company's voting stock of which Alakor Securities Corporation (ASC) is the record owner of more than 5% of the Company's voting securities and, among the clients of ASC, National Book Store, Inc. (NBSI) and Alakor Corporation (AC) are the beneficial owners of more than 5% of the Company's voting securities.

Note C: The respective proxies of NBSI and AC are appointed by their Board of Directors and the Company becomes aware of such proxies only when the appointment is received by the Company. Based on previous practice, Mr. Alfredo C. Ramos has been the appointed proxy for NBSI and AC for the previous years.

Note D: Mr. Alfredo C. Ramos has direct/indirect interest/shareholdings with NBSI and AC.

(2) Security Ownership of Management

As of 31 December 2011, the Company's directors and officers own the following number of shares registered in their respective names:

Type	Name of beneficial owner	Amount and nature of Beneficial ownership		Citizenship	Percent Of Class
		Direct	Indirect		
Common	Alfredo Ramos (D/CEO)	11,000	24,692,638	Filipino	2.12%
Common	Christopher M. Gotanco (D/O)	110	12,805,540	Filipino	1.10%
Common	Adrian S. Arias (O)	0	0	Filipino	<0.00%

Common	Augusto Sunico (D/O)	22,110	110,000	Filipino	0.03%
Common	Illuminada P. Rodriguez (O)	22,000	0	Filipino	<0.01%
Common	Roberto V. San Jose (D/O)	373,866	59,386	Filipino	0.04%
Common	Francisco A. Navarro (D)	400,000	13,582	Filipino	0.04%
Common	Presentacion S. Ramos (D)	55,000	28,636,665	Filipino	2.46%
Common	Cecilia R. Licauco (D)	1,000	103,000	Filipino	0.02%
Common	Anton S. Ramos (D)	1,000	0	Filipino	<0.01%
Common	Adrian S. Ramos (D)	18,000	33,000	Filipino	<0.01%
Common	Renato C. Valencia (ID)	1,100	0	Filipino	<0.01%
Common	Ramoncito Z. Abad (ID)	1,100	0	Filipino	<0.01%

There are no additional shares of the Company which the above listed directors and officers have the right to acquire beneficial ownership of from options, warrants, conversion privileges, or similar obligations.

(3) Voting Trust Holders of 5% or More

To the extent known to the Company, there is no person holding more than 5% of the Company's securities under a voting trust or similar arrangement.

(4) Changes in Control

To the extent known to the Company, there are no arrangements which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

(1) Related Transactions

Except as disclosed in Note 14 of the 2011 Audited Financial Statements hereto attached, there had been NO transactions during the last two (2) years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any director or executive officer of the Company, or nominee for election as a director, or owner of more than 5% of the Company's voting securities, or voting trust holder of 5% or more of any class of the Company's securities, or any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons had or is to have a direct or indirect material interest.

In the ordinary and regular course of business, the Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

(2) Not Applicable

(3) Parent of the Company

NO person holds more than 50% of the Company's voting securities, and the Company has no parent company.

(4) Transaction with Promoters

The Company has had no transaction with promoters during the last (5) years.

PART 1V – CORPORATE GOVERNANCE**Item 13. Corporate Governance**

Furnish the information required by Part V of “Annex C, as amended”.

The Issuer’s compliance with SEC Memorandum Circular No. 2 dated April 5, 2002 and SEC Memorandum Circular No. 6, series of 2009, as well as all relevant Circulars on Corporate Governance has been monitored.

The Issuer, its directors, officers, and employees complied with the leading practices and principles on good corporate governance as embodied in the Issuer’s Corporate Governance Manual. The Issuer, its directors and officers have substantially followed the provisions of the Corporate Governance Manual and have not adopted deviations from the same.

The Issuer also complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Corporate Governance Manual.

The Assistant Corporate Secretary acts as Issuer’s Compliance Officer.

CORPORATE GOVERNANCE MANUAL

In January 27, 2011, the Board of Directors of the Issuer adopted its Revised Corporate Governance Manual which it submitted to the Securities and Exchange Commission. The Manual includes provisions on:

- Objective
- Compliance System
 1. Duties and responsibilities of Compliance Officer
 2. Plan of Compliance including the general responsibilities and qualifications of:
 - Board of Directors
 - Board Committees
 - Corporate Secretary
 - External Auditor
 - Internal Auditor
- Communication Process
- Training Process
- Adequate and Timely Information
- Accountability and Audit
- Reportorial or Disclosure System of Company’s Corporate Governance Policies
- Shareholders Benefits
- Governance Self-Rating System
- Monitoring and Assessment
- Penalties for Non-Compliance with the Manual

Internal Control

In performing their duties, the Issuer's Board of Directors also acknowledge their responsibility for the Issuer's system of internal financial control. The System is designed with a view to provide reasonable assurance against any material misstatement or loss. This aims to ensure that assets of the Issuer are safeguarded, proper accounting records are maintained and that the financial information used within the business and for publication is reliable. The control system also includes clearly drawn lines of accountability and delegation of authority and comprehensive reporting and analysis against approved annual budgets.

Regular reports are also be prepared for the Board to ensure that Directors are supplied with all the information they require in timely and appropriate manner.

Audit Committee

Pursuant to its Corporate Governance Manual, the Board created an Audit Committee in August 2002. The membership in said committee is compliant with the composition set forth in the Issuer's Corporate Governance Manual. The Committee acts in an advisory capacity and makes recommendation to the Board. It also reviews the findings and plans of the Internal and External Auditors of the Issuer and liaises, on behalf of the Board, with the auditors. The Committee meets regularly to review audit reports, status of the Issuer's audits, internal controls, interim and final financial statements prior to recommending them to the Board for approval.

Nomination Committee

Pursuant to its Corporate Governance Manual, the Board created a Nomination Committee. The Nomination Committee shall have at least three (3) members, one of whom is an independent director. The procedure for the nomination of regular and independent directors is detailed in the Issuer's Corporate Governance Manual as well as in Issuer's amended By-Laws.

Nomination of Independent Director/s

The nomination of Independent directors shall be conducted by the Committee prior to a stockholder's meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominee.

The Nomination Committee shall pre-screen the qualification and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.

Compensation and Remuneration Committee

Pursuant to its Corporate Governance Manual, the Board created a Compensation and Remuneration Committee. The Nomination Committee shall be composed of at least (3) voting directors, one of whom shall be an independent director, and one (1) non-voting member in the person of the Human Resources Director/Manager or similar officer. The Committee shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

PART V - EXHIBITS AND SCHEDULES**Item 14. Exhibits and Reports on SEC Form 17-C**

- A. Exhibits see Index to Financial Statement and
Supplementary Schedule
- B. Report on SEC Form 17-C - Already filed with the SEC

SIGNATURES

Pursuant to the requirement of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mandaluyong on ____ April 2012.

Anglo Philippine Holdings Corporation
Issuer



Alfredo C. Ramos 3/28
Director/Chairman of the Board/CEO



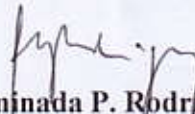
Christopher M. Gotanco
Director/President/COO



Adrian S. Arias
Executive Vice President &
Assistant Corporate Secretary



Augusto B. Sunico
Director/Treasurer



Iuminada P. Rodriguez
Vice President – Finance and Admin.
Chief Accounting Officer

APR 16 2012

SUBSCRIBED AND SWORN to before me this ____ day of April 2012, affiant exhibited to me his Community Tax Certificates, as follows:

Names	CTC No.	Date of Issue	Place of Issue
Alfredo C. Ramos	04575252	01-02-2012	Manila
Christopher M. Gotanco	09828185	01-17-2012	Mandaluyong
Augusto B. Sunico	09828907	01-17-2012	Mandaluyong
Adrian S. Arias	09800701	01-04-2012	Mandaluyong
Iuminada P. Rodriguez	09828187	01-17-2012	Mandaluyong

Doc No. 769
Page No. 7
Book No. 37
Series of 2012.

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
NOTARIAL COMMISSION NO. 066
COMMISSION EXPIRES DEC. 31, 2012
PTR NO. 6010756, 1/03/2012, Q.C.
IBP NO. 823224 DEC. 2, 2011, Q.C.
ROLL OF ATTORNEY NO. 25103,

ANGLO PHILIPPINE HOLDINGS CORPORATION

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE

SEC FORM 17-A

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Report of Independent Public Accountant	
Balance Sheets as of December 31, 2011 and 2010	
Statements of Comprehensive Income for the year ended December 31, 2011, 2010 and 2009	
Statements of Changes in Equity for the year ended December 31, 2011, 2010 and 2009	
Statements of Cash Flows for the year ended December 31, 2011, 2010 and 2009	
Notes to Financial Statements	1-47
Supplementary Schedules	
A. Financial Assets (See attached)	*
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Stockholders (Other Than Related Parties)	(n/a)
C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	(n/a)
D. Intangible Assets – Other Assets	(n/a)
E. Long Term Debt	*
F. Indebtedness to Related Parties	(n/a)
G. Guarantees of Securities of Other Issuers	(n/a)
H. Capital Stock	*
I. Other Supplementary Schedule	
a. Reconciliation of Retained Earnings Available for Dividend Declaration	*
b. Tabular Schedule of Standards and Interpretations as of Reporting Date	*
c. Map of Group of Companies	*

**See attached schedule*

FS FOR FILING WITH SEC

**AFTER THE BIR HAS DULY
STAMPED "RECEIVED."**

COVER SHEET

1 4 1 0 2

SEC Registration Number

A N G L O P H I L I P P I N E H O L D I N G S C O R P O R A
T I O N

(Company's Full Name)

6 t h F l o o r , Q u a d A l p h a C e n t r u m B u i
l d i n g , 1 2 5 P i o n e e r S t r e e t , M a n d a l
u y o n g C i t y

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

Ms. Iuminada P. Rodriguez

(Contact Person)

(02) 635-6130

(Company Telephone Number)

1 2

Month Day
(Calendar Year)

3 1

A A F S

(Form Type)

Month

Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

3,141

Total No. of Stockholders

₱100 million

Domestic

₱1,752million

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.





ANGLO PHILIPPINE HOLDINGS CORPORATION

AN INFRASTRUCTURE AND PROPERTY DEVELOPMENT COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Anglo Philippine Holdings Corporation is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein:

- a. Schedule of receipts and disbursements (n/a)
- b. Reconciliation of Retained Earnings Available for Dividend Declaration
- c. Schedule of all the effective standards and interpretations as of reporting date
- d. Supplementary schedules required by Annex 68-E
- e. Map of the relationships of the companies within the group

in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors or Trustees reviews and approves the financial statements and submits the same to the stockholders or members.

SyCip, Gorres, Velayo and Company, the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

ALFREDO C. RAMOS
Chairman of the Board/CEO

CHRISTOPHER M. GOTANCO
President/Director/COO

AUGUSTO B. SUNICO
Treasurer/Director

APR 16 2012

SUBSCRIBED AND SWORN to before me this _____ day of April 2012, affiant exhibited to me his Community Tax Certificates, as follows:

Names	CTC No.	Date of Issue	Place of Issue
Alfredo C. Ramos	04575252	01-02-2012	Manila
Christopher M. Gotanco	09828185	01-17-2012	Mandaluyong
Augusto B. Sunico	09828907	01-17-2012	Mandaluyong

Doc No.
Page No.
Book No.
Series of 2012.

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
NOTARIAL COMMISSION NO. 066
COMMISSION EXPIRES DEC. 31, 2012
PTR NO. 6010756, 1/03/2012, Q.C.
IBP NO. 823224 DEC. 2, 2011, Q.C.
ROLL OF ATTORNEY NO. 25103

"Helping Build the Filipino Future"



Anglo Philippine Holdings Corporation

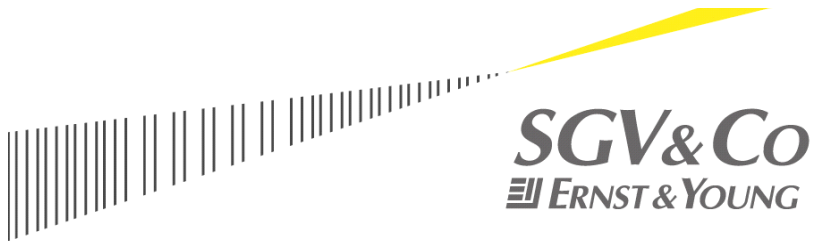
Financial Statements
As of December 31, 2011 and 2010
and for Each of the Three Years in the Period Ended
December 31, 2011

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV&Co
ERNST & YOUNG



SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines
Phone: (632) 891 0307
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www.sgv.com.ph

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Anglo Philippine Holdings Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Anglo Philippine Holdings Corporation, which comprise the balance sheets as at December 31, 2011 and 2010, and the 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 Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Anglo Philippine Holdings Corporation as at December 31, 2011 and 2010, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 25 and 26 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not required part of the basic financial statements. Such information is the responsibility of the management of Anglo Philippine Holdings Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa

Partner

CPA Certificate No. 94065

SEC Accreditation No. 0783-AR-1 (Group A),

February 9, 2012, valid until February 8, 2015

Tax Identification No. 901-617-005

BIR Accreditation No. 08-001998-76-2009,

June 1, 2009, valid until May 31, 2012

PTR No. 3174837, January 2, 2012, Makati City

March 28, 2012



ANGLO PHILIPPINE HOLDINGS CORPORATION

BALANCE SHEETS

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 22)	₱50,638,965	₱165,129,013
Financial assets at fair value through profit or loss (FVPL; Notes 5, 22 and 23)	536,646,882	466,608,314
Receivables (Notes 6, 14 and 22)	221,184,639	277,946,757
Prepaid expenses and other current assets	1,585,939	2,942,679
Total Current Assets	810,056,425	912,626,763
Noncurrent Assets		
Available-for-sale (AFS) investments (Notes 7, 22 and 23)	2,925,654,256	3,033,803,476
Investments in associates (Notes 8, 23 and 24)	925,724,437	1,051,710,422
Property and equipment (Note 9)	16,608,730	18,047,144
Deferred exploration costs (Note 10)	156,979,742	156,519,409
Retirement benefit plan asset (Note 19)	9,557,173	99,096
Total Noncurrent Assets	4,034,524,338	4,260,179,547
TOTAL ASSETS	₱4,844,580,763	₱5,172,806,310
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loan payable (Notes 11, 22 and 23)	₱50,000,000	₱125,000,000
Current portion of long-term debt (Notes 12, 22 and 23)	607,188,784	467,027,152
Accounts payable and accrued expenses (Notes 13 and 22)	216,355,214	232,674,250
Income tax payable (Note 20)	8,813,518	4,390,218
Total Current Liabilities	882,357,516	829,091,620
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12, 22 and 23)	1,067,427,667	1,554,031,303
Deferred income tax liabilities - net (Notes 20 and 23)	32,454,888	15,110,331
Total Noncurrent Liabilities	1,099,882,555	1,569,141,634
Total Liabilities	1,982,240,071	2,398,233,254
Equity (Note 15)		
Capital stock - ₱1 par value		
Authorized - 2,000,000,000 shares		
Issued - 1,170,616,970 shares	1,170,616,970	1,170,616,970
Subscribed - 7,383,030 shares (net of subscriptions receivable amounting to ₱1,367,688)	6,015,342	6,015,342
Additional paid-in capital	4,658,460	4,658,460
Net unrealized valuation gain on AFS investments (Notes 7 and 23)	852,954,759	962,683,079
Retained earnings (Note 22)	855,661,236	658,165,280
	2,889,906,767	2,802,139,131
Treasury stock - 13,000,000 shares at ₱2.12 per share	(27,566,075)	(27,566,075)
Total Equity	2,862,340,692	2,774,573,056
TOTAL LIABILITIES AND EQUITY	₱4,844,580,763	₱5,172,806,310

See accompanying Notes to Financial Statements.



ANGLO PHILIPPINE HOLDINGS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2011	2010	2009
REVENUES			
Gains on:			
Sale of investment (Notes 5 and 8)	₱144,836,162	₱11,566,735	₱–
Discount on long-term debt (Note 12)	120,292,209	28,036,227	–
Fair value changes of financial assets at FVPL (Notes 5 and 22)	34,915,718	93,783,042	210,774,740
Mark-to-market changes of derivative asset (Notes 6 and 22)	–	307,718,166	31,052,472
Other revenues (Note 16)	110,232,898	87,369,352	104,236,102
Equity in net earnings of associates (Notes 8 and 23)	30,354,785	38,199,720	2,237,326
Interest income (Note 18)	24,904,497	122,816,753	83,875,867
Foreign exchange gains - net	–	–	12,196,179
Other income (Note 19)	1,837,943	–	–
	467,374,212	689,489,995	444,372,686
COSTS AND EXPENSES			
Interest and other finance charges (Notes 11, 12, 14, 18 and 22)	98,896,966	98,600,218	97,632,227
General and administrative (Note 17)	43,285,305	25,686,713	24,017,953
Losses on:			
Impairment of receivables (Notes 6 and 22)	2,130,186	–	–
Sale of investment	–	–	10,000
Foreign exchange losses - net	116,727	387,991	–
	144,429,184	124,674,922	121,660,180
INCOME BEFORE INCOME TAX	322,945,028	564,815,073	322,712,506
PROVISION FOR (BENEFIT FROM)			
INCOME TAX (Note 20)			
Current	14,904,524	24,932,458	14,669,642
Deferred	17,344,557	(20,891,413)	13,971,721
	32,249,081	4,041,045	28,641,363
NET INCOME	290,695,947	560,774,028	294,071,143
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized valuation gain (loss) on AFS investments (Note 7)	(109,728,320)	1,015,989,900	762,300,000
TOTAL COMPREHENSIVE INCOME	₱180,967,627	₱1,576,763,928	₱1,056,371,143
Basic and Diluted Earnings Per Share (Note 21)	₱0.25	₱0.48	₱0.25

See accompanying Notes to Financial Statements.



ANGLO PHILIPPINE HOLDINGS CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	Capital Stock (Note 15)			Additional Paid- in Capital	Net unrealized Valuation Gain (Loss) on AFS Investments (Note 7)	Retained Earnings	Treasury Stock (Note 15)	Total
	Issued	Subscribed	Subscriptions Receivable					
Balances at January 1, 2009	₱1,170,611,970	₱7,388,030	(₱1,367,688)	₱4,658,460	(₱815,606,821)	₱13,020,076	(₱27,566,075)	₱351,137,952
Total comprehensive income	–	–	–	–	762,300,000	294,071,143	–	1,056,371,143
Cash dividends (Note 15)	–	–	–	–	–	(174,749,973)	–	(174,749,973)
Balances at December 31, 2009	1,170,611,970	7,388,030	(1,367,688)	4,658,460	(53,306,821)	132,341,246	(27,566,075)	1,232,759,122
Issuance	5,000	(5,000)	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	1,015,989,900	560,774,028	–	1,576,763,928
Cash dividends (Note 15)	–	–	–	–	–	(34,949,994)	–	(34,949,994)
Balances at December 31, 2010	1,170,616,970	7,383,030	(1,367,688)	4,658,460	962,683,079	658,165,280	(27,566,075)	2,774,573,056
Total comprehensive income (loss)	–	–	–	–	(109,728,320)	290,695,947	–	180,967,627
Cash dividends (Note 15)	–	–	–	–	–	(93,199,991)	–	(93,199,991)
Balances at December 31, 2011	₱1,170,616,970	₱7,383,030	(₱1,367,688)	₱4,658,460	₱852,954,759	₱855,661,236	(₱27,566,075)	₱2,862,340,692

See accompanying Notes to Financial Statements.



ANGLO PHILIPPINE HOLDINGS CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱322,945,028	₱564,815,073	₱322,712,506
Adjustments for:			
Interest and other finance charges (Note 18)	98,878,974	98,588,071	97,526,939
Depreciation (Note 9)	1,480,548	1,552,698	1,507,666
Losses (gains) on:			
Impairment on receivables (Note 6)	2,130,286	–	–
Sale of investment (Notes 5 and 8)	(144,836,162)	(11,566,735)	10,000
Discount on long-term debt (Note 12)	(120,292,209)	(28,036,227)	–
Fair value changes of financial assets at FVPL (Note 5)	(34,915,718)	(93,783,042)	(210,774,740)
Mark-to-market changes in derivative asset	–	(307,718,166)	(31,052,472)
Equity in net earnings of associates (Note 8)	(30,354,785)	(38,199,720)	(2,237,326)
Interest income (Note 18)	(24,904,497)	(122,816,753)	(83,875,867)
Dividend income (Note 16)	(17,572,702)	(19,681,852)	(13,176,890)
Unrealized foreign exchange gains	(376,142)	(28,799,012)	(26,134,253)
Operating income before working capital changes	52,182,621	14,354,335	54,505,563
Decrease (increase) in:			
Financial assets at FVPL (Note 5)	(35,122,850)	(6,145,996)	(2,136,167)
Receivables (Notes 6 and 24)	(56,203,709)	13,682,014	(380,936,670)
Prepaid expenses and other current assets	1,356,740	1,489,084	(2,265,184)
Increase (decrease) in:			
Accounts payable and accrued expenses	(67,532,494)	51,313,061	(5,308,109)
Retirement benefit plan asset (Note 19)	(9,458,077)	(4,567,005)	–
Retirement benefit plan obligation	–	–	(5,230,671)
Cash generated from (used in) operations	(114,777,769)	70,125,493	(341,371,238)
Interest received	135,596,038	23,222,385	16,055,911
Dividends received (Note 8)	48,252,672	32,077,002	20,803,460
Interest paid	(48,207,100)	(27,961,349)	(33,577,484)
Income taxes paid	(10,481,224)	(22,280,259)	(32,836,079)
Net cash from investing activities	10,382,617	75,183,272	(370,925,430)
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of investments in associates (Note 8)	31,580,000	31,580,000	31,580,000
Decrease (increase) in:			
AFS investments (Notes 7 and 24)	(1,579,100)	(17,290,000)	40,000
Deferred exploration costs	(460,333)	(530,535)	(181,001)
Additions to property and equipment (Note 9)	(42,134)	(133,911)	(277,079)
Proceeds from sale of investment	–	62,935,685	–
Net cash from investing activities	29,498,433	76,561,239	31,161,920
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	50,000,000	104,179,403	677,365,918
Payments of borrowings	(111,712,691)	(137,257,500)	(104,820,000)
Cash dividends paid (Note 15)	(92,658,407)	(33,125,443)	(173,113,724)
Net cash from (used in) financing activities	(154,371,098)	(66,203,540)	399,432,194
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(114,490,048)	85,540,971	59,668,684
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	165,129,013	79,588,042	19,919,358
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱50,638,965	₱165,129,013	₱79,588,042

See accompanying Notes to Financial Statements.



ANGLO PHILIPPINE HOLDINGS CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Anglo Philippine Holdings Corporation (the Company), was incorporated with the Philippine Securities and Exchange Commission (SEC) on June 25, 1958 originally as an oil and mineral exploration company with the corporate name of “Anglo Philippine Oil Corp.” In 1996, the Company changed its primary purpose to that of an investments holding firm focused on natural resources-based companies, infrastructure and property development. The Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE).

The Company’s registered office address is 6th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

The financial statements as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, were authorized for issue by the Board of Directors (BOD) on March 28, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss (FVPL), certain available-for-sale (AFS) investments and derivative asset, which are all carried at fair value. The financial statements are presented in Philippine peso (₱), which is the Company’s functional currency. All values are rounded off to the nearest ₱ except when otherwise indicated.

Statement of Compliance

The accompanying financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretations and Improved Philippine Financial Reporting Standards (PFRS) Adopted in Calendar Year 2011

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and improved PFRS. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Company.

Amendment to PAS 24, *Related Party Transactions*

The amendment to 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 to PAS 32 alters the definition of a financial liability 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 or 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 recognised as a pension asset.

Improvements to PFRS Effective in Calendar Year 2011

The omnibus amendments to PFRS issued in May 2010 were issued primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes in accounting policies but did not have any impact on the Company's financial statements.

PFRS 3, *Business Combinations*

The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net asset in the event of liquidation should be measured at fair value or at the present ownership instruments' proportionate share in the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

The amendments are effective for annual periods beginning on or after July 1, 2011.

PFRS 7, *Financial Instruments: Disclosures*

- The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

PAS 1, *Presentation of Financial Statements*

- The amendment 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 PFRSs to the following standards did not have any material impact on the accounting policies, financial position or performance of the Company.

- **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 voluntarily replaced share-based payment awards)**
- **PAS 27, *Consolidated and Separate Financial Statements***
- **PAS 34, *Interim Financial Reporting***



The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position and performance of the Company:

- **Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (determining the fair value of award credits)***
- **Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments***

The New, Revised and Amended Standards and Interpretation Effective Subsequent to December 31, 2011

The Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new, revised and amended PFRS, PAS and Philippine Interpretations from IFRIC to have significant impact on its financial statements.

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 Company's 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 is effective for annual periods 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 mode in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

The amendment is effective for annual periods beginning on or after January 1, 2012.

Effective in 2013:

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 reporting period:

- 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 statement of financial position;
- c) The net amounts presented in the statement of financial position;
- 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.

PFRS 10, Consolidated Financial Statements

PFRS 10 replaces the portion of PAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standards Interpretation Committee (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.

This standard is effective for annual periods beginning on or after January 1, 2013.

PFRS 11, Joint Arrangements

PFRS 11 replaces PAS 31, *Interest 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 is effective for annual periods beginning on or after January 1, 2013.

PFRS 12, Disclosure of Interest 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, *Investments in Associates*. 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 is 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.

This standard is effective for annual periods beginning on or after January 1, 2013.



Amendment to PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*

The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (i.e., upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company’s financial position or performance.

The amendment is effective for annual periods beginning on or after July 1, 2012.

Amendment 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 rewording. The Company is currently assessing the full impact of the remaining amendments.

The amendment is effective for annual periods beginning on or after January 1, 2013.

Revised PAS 27, *Separate Financial Statements*

As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

The amendment is effective for annual periods beginning on or after January 1, 2013.

Revised PAS 28, *Investments in Associates and Joint Ventures*

As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the applications of the equity method to investments in joint ventures in addition to associates.

The amendment is 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 Company, 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.

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. 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.

This is effective for annual periods beginning on or after January 1, 2015.

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 the 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 the 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 Philippine SEC and the Financial Reporting Standards Council 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.

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. The following specific recognition criteria must be met before revenue is recognized:

Interest Income

Interest income from bank deposits and short-term investments are recognized as they accrue using the effective interest rate (EIR) method.

Management Fees

Management fees, which are included as part of the “Other revenues” account in the statement of comprehensive income, are recognized when services are rendered based on the contractual agreement between the parties.

Dividend Income

Dividend income, which is included as part of the “Other revenue” account in the statement of comprehensive income, is recognized when the shareholder’s right to receive 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. General and administrative expenses are generally recognized when the services are used or the expenses arise while interest expenses are



accrued in the appropriate period. Employee-related expenses are provided in the period when services are rendered.

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 and that are subject to an insignificant risk of change in value.

Financial Instruments

Date of Recognition

Financial instruments are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial instruments, recognition and derecognition, as applicable, is done using trade date accounting.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those classified as at FVPL, includes transaction cost.

The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, loans and receivables and available-for-sale (AFS) financial assets. The Company classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the financial assets were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date. As of December 31, 2011 and 2010, the Company has no HTM financial assets and financial liabilities at FVPL.

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.

Determination of Fair Value

The fair value of financial instruments traded in active market at the reporting date is based on their quoted market price or dealer market 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 observable prices exist, option pricing models and other relevant valuation models.

'Day 1' Difference

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 difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where



fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading purposes and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses are recognized in statement of comprehensive income. Interest and dividend income or expense is recognized in the statement of comprehensive income, according to the terms of the contract, or when the right to the payment has been established. Interest earned on holding financial assets at FVPL are reported as interest income using the effective interest method. Dividends earned on holding financial assets at FVPL are recognized in the statement of comprehensive income when the right of payment has been established.

Financial assets may be designated as at FVPL by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2011 and 2010, the Company’s financial assets at FVPL consist of investments in quoted equity securities.

Derivative Financial Instruments

Derivative financial instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated and are subsequently re-measured at fair value. Changes in fair value of derivative instruments not accounted for as effective hedges are recognized in the statement of comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded Derivatives

An embedded derivative is separated from hybrid or combined contract if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.



The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes a party to the contract. Reassessment is only done when there are changes in the terms of the contract that significantly modifies the contractual cash flows.

Changes in fair values of bifurcated derivatives are recognized under “Mark-to-market changes of derivative asset” account in the statement of comprehensive income.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL or designated as AFS financial asset. This accounting policy relates to the Company’s “Cash and cash equivalents” and “Receivables” accounts, which arise primarily from advances to related parties and other types of receivables.

After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less allowance for doubtful accounts. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in the “Interest income” account in the statement of comprehensive income. Losses arising from impairment of loans and receivables, if any, are reported as loss on impairment of receivables.

Loans and receivables are classified as current assets when they are expected to be realized within 12 months after the balance sheet date or within the normal operating cycle, whichever is longer. Otherwise, they are classified as noncurrent assets.

AFS Investments

AFS investments are those nonderivative financial assets designated as such or are not classified as at FVPL, HTM financial assets or loans and receivables. These are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the changes in fair values of AFS investments are excluded net of tax from reported earnings and are reported as “Net unrealized valuation gain (loss) on AFS investments” in the equity section of the balance sheet and as part of other comprehensive income in the statement of comprehensive income. When the investment is disposed of or determined to be impaired, the cumulative gains or losses previously recognized in equity is recognized as income in the statement of comprehensive income. Dividends earned on holding AFS investments are recognized when the right of payment has been established. The losses arising from impairment of such investments are recognized as provision for impairment losses in the statement of comprehensive income.

The fair value of AFS investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. AFS investments whose fair value cannot be reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, are carried at cost.

The Company’s AFS investments are presented as noncurrent assets in the balance sheets (see Note 7).



Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Issued financial instruments or their components, which are not classified as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. 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.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in the “Foreign exchange gains - net” and “Foreign exchange losses - net” account in the statement of comprehensive income.

Other financial liabilities are classified as current liabilities when they are expected to be settled within twelve (12) months from the balance sheet date or the Company does not have an unconditional right to defer settlement for at least 12 months from balance sheet date. Otherwise, they are classified as noncurrent liabilities.

This accounting policy applies primarily to the Company’s “Accounts payable and accrued expenses”, “Short-term loan payable”, “Long-term debt” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as retirement benefit plan obligation and income tax payable).

Impairment of Financial Assets

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

Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.

Loans and Receivables

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or 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 a collective assessment of impairment.



If there is objective evidence that an impairment loss on loans and receivables 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 EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the reduced amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income by adjusting the allowance account..

For the purpose of a collective assessment of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, 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 group. 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 estimating future cash flows are reviewed regularly by the Company to reduce any difference between loss estimates and actual loss experience.

AFS Investments

For AFS investments, the Company assesses at each reporting date whether there is objective evidence that an AFS investment is impaired.

In the case of an AFS equity investment, this would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. If an AFS investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in net income, is transferred from other comprehensive income to income in the statement of comprehensive income.

Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

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, the amount of 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 Instruments

Financial Assets

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

1. the rights to receive cash flows from the asset have expired; or
2. the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
3. the Company 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.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. 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 Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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 statement of comprehensive income.

Offsetting Financial Instruments

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

Investments in Associates

The Company’s investments in associates are accounted for using the equity method. An associate is an entity in which the Company has significant influence. Under the equity method, the investments in associates are carried in the balance sheet at cost plus post acquisition changes in the Company’s share of net assets of the associate.

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

The share of profit of associates is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.



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

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on the Company's investment in associates. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company 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.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when 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 additional costs of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is computed using the straight-line method over the estimated useful lives of the asset or its significant components. The estimated useful lives of property and equipment are as follows:

<u>Category</u>	<u>Number of Years</u>
Condominium units and improvements	20
Office equipment	5
Furniture and fixtures	5

The assets residual values, useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until these are no longer in use.



Impairment of Property and Equipment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

Deferred Exploration Costs

Deferred exploration costs include costs incurred after the Company has obtained legal rights to explore in a specific area, including the determination of the technical feasibility and commercial viability of extracting mineral resources. Deferred exploration costs include, among others, acquisition of rights to explore, topographical and geophysical studies, exploratory drilling, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. All exploration costs and related expenses are carried as deferred exploration costs, net of impairment losses, if any.

The costs and expenses for exploration activities which do not result in the discovery of petroleum or mineral deposits that are commercially productive are recognized in the statement of comprehensive income after the project is abandoned and when management expects no further recovery. When the results of exploration costs are determined to be negative, the accumulated costs are written off. If the results are positive, the deferred exploration costs shall be capitalized and amortized based on the unit of production method from the start of commercial operations.

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. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax amount that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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



Capital Stock and Additional Paid-in Capital

The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock or options are shown in equity as a deduction, net of tax, from the proceeds. Amount of contribution in excess of par value is accounted for as an additional paid-in capital.

Where the Company purchases the Company's capital stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Company's stockholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's stockholders.

Retained Earnings

The amount included in retained earnings includes profit attributable to the Company's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are declared. Interim dividends are deducted from equity when they are paid.

Retained earnings are appropriated for the cost of treasury shares acquired. When the appropriation is no longer needed, it is reversed. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Earnings Per Share

Basic earnings per share is computed based on the weighted average number of shares outstanding and subscribed for each respective period with retroactive adjustments for stock dividends declared, if any. When shares are dilutive, the unexercised portion of stock options is included as stock equivalents in computing diluted earnings per share.

Diluted earnings per share amounts are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares.

Segment Reporting

An operating segment is a component of an entity that: (a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

The Company's segments pertain to its investments in associates. This segment is carried by North Triangle Depot Commercial Corporation (NTDCC) and United Paragon Mining Corporation (UPMC), the Company's associates. The summarized financial and other relevant information of the Company's associates are disclosed in Notes 8 and 23 to the financial statements.



Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the balance sheet date.

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that is 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 balance sheet date.

Retirement Benefit Plan

The Company has a defined retirement benefit plan which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit liability (asset) is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or



an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Operating Leases

Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessors. Lease payments under an operating lease are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at the balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited to or charged against current operations. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions.

Contingencies

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

Events After the Balance Sheet Date

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

3. Significant Accounting Judgments and Estimates

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

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



Judgments

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the ₱. The ₱ is the currency of the primary economic environment in which the Company operates.

Determining Classification of Leases

The Company has entered into various lease agreements as lessee. On certain lease commitments, the Company has determined that the lessor retains all significant risks and rewards of ownership of these properties. These lease agreements are accounted for as operating leases (see Note 17).

Determining Whether Significant Influence Exists for Purposes of Applying PAS 28, Investment in Associates

The Company evaluates various factors in determining whether significant influence exists. Under PAS 28, there is a presumption that if ownership is below 20%, significant influence does not exist unless otherwise supported. Among the factors being considered by management in the assessment are, degree of representation in the BOD of the investee, representations in management committees of the investee, corporate governance arrangements, and power to veto significant operating and financial decisions.

Under the exercise of this judgment, the Company classified its 15.79% investment in NTDCC as an investment in associate. The carrying value of this investment is ₱387,032,948 and ₱403,127,978 as of December 31, 2011 and 2010, respectively (see Note 8).

Also, the Company has investment in UPMC where ownership is 21.81% in 2011 and 25.62% in 2010. This is classified as an investment in associate. The carrying value of this investment is ₱538,691,489 and ₱648,582,444 as of December 31, 2011 and 2010, respectively (see Note 8).

Determining Whether Investments in Associates Qualify as Operating Segments for Purposes of Applying PFRS 8

The Company exercises judgment in determining whether investments in associates qualify as operating segments as prescribed by PFRS 8 although the Company does not control the investees. Management considers the following factors in its assessment: review of operating results and performance of an equity method investee for purposes of making resource allocations, evaluating financial performance or evaluating whether to retain the investor-investee relationship. Based on management judgment, the Company considers its investments in UPMC and NTDCC as operating segments. The carrying value of the Company's investments in associates amounted to ₱925,724,437 and ₱1,051,710,422 as of December 31, 2011 and 2010, respectively (see Note 8).

Estimates

Estimating Impairment of Receivables

The Company assesses at each reporting date whether there is any objective evidence that receivables are impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the affiliated companies and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of the financial asset, as well as historical loss experience. Allowance for impairment loss is provided when management believes that the receivable balance cannot be collected or realized after exhausting all efforts and courses of action.



In addition to specific allowance against individually significant loans and receivables, the Company 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 Company's assessment of the accounts since their inception. The Company's assessments take into consideration factors such as any deterioration in country risk and industry, as well as identified structural weaknesses or deterioration in cash flows.

In 2011, the Company wrote-off its receivable from Vulcan Industrial and Mining Corporation (VIMC) amounting to ₱2,130,186. No allowance for impairment losses on receivables was recognized in 2010. The receivables are carried at ₱221,184,639 and ₱277,946,757 as of December 31, 2011 and 2010, respectively (see Note 6).

Estimating Impairment of AFS Equity Investments

The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost. This determination of what is significant or prolonged requires judgment. The Company treats "significant" generally as 20% or more of the original cost of the investment, and "prolonged" as greater than 12 months. In making this judgment, the Company evaluates among other factors, the normal volatility of quoted prices, evidence of deterioration in the financial health of the investee, industry or sector performance, changes in technology and economic environment. For AFS investments carried at cost, the Company estimates the expected future cash flows from the investment and calculates the amount of impairment as the difference between the present value of expected future cash flows from the investment and its acquisition cost and recognizes the amount in the statement of comprehensive income.

AFS investments amounted to ₱2,925,654,256 and ₱3,033,803,476 as of December 31, 2011 and 2010, respectively. There are no impairment losses on AFS investments recognized in 2011 and 2010 (see Note 7).

Estimating Fair Values of Financial Assets and Financial Liabilities

Where the fair values of financial assets and liabilities recorded in the balance sheets cannot be derived from active markets, they are determined 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. The fair values of financial instruments are presented in Note 22.

Estimating Impairment of Property and Equipment

The Company assesses impairment on property and equipment and other noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company 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 recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while 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 net selling price.

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

No impairment losses were recognized in 2011 and 2010 for property and equipment. As of December 31, 2011 and 2010, the net book values of property and equipment amounted to ₱16,608,730 and ₱18,047,144, respectively (see Note 9).

Estimating Impairment of Deferred Exploration Costs

The Company assesses impairment on deferred exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Until the Company has sufficient data to determine technical feasibility and commercial viability, deferred exploration costs need not be assessed for impairment. Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The carrying value of deferred exploration costs amounted to ₱156,979,742 and ₱156,519,409 as of December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, no allowance for impairment losses on deferred exploration costs was recognized by the Company (see Note 10).

Estimating Useful Lives of Property and Equipment

The Company 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 property and 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. In addition, estimation of the useful lives is based on the collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.



As of December 31, 2011 and 2010, the net book values of property and equipment amounted to ₱16,608,730 and ₱18,047,144, respectively (see Note 9). The estimated useful lives are disclosed in Note 2 to the financial statements.

Estimating Realizability of Deferred Income Tax Assets

The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Company can generate sufficient taxable profit to allow all or part of its deferred income tax assets to be utilized.

The Company has deferred income tax assets amounting to ₱8,785,895 and ₱11,881,759 as of December 31, 2011 and 2010, respectively (see Note 20).

Estimating Retirement Benefits Expense (Income)

The determination of the Company's obligation and cost for retirement is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. These assumptions are described in Note 19 to the financial statements. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expense and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Company's retirement obligations.

As of December 31, 2011 and 2010, the retirement benefit plan asset amounted to ₱9,557,173 and ₱99,096, respectively. Net retirement benefit expense (income) for the years ended December 31, 2011, 2010 and 2009 amounted to (₱1,837,943), ₱3,053,129 and ₱2,389,463, respectively (see Note 19).

4. Cash and Cash Equivalents

	2011	2010
Cash on hand and with banks	₱7,955,254	₱3,708,565
Short-term deposits	42,683,711	161,420,448
	₱50,638,965	₱165,129,013

Cash with banks earn interest at their respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates (see Note 18).

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following as at January 1:

	2010	2009
Cash on hand and with banks	₱64,383,119	₱4,919,358
Short-term deposits	15,204,923	15,000,000
	₱79,588,042	₱19,919,358



5. Financial Assets at FVPL

This account consists of investments in shares of stock of the following companies:

	2011	2010
Shang Properties, Inc. (SPI)	₱462,554,801	₱451,847,514
The Philodrill Corporation (TPC)	63,312,081	4,838,300
VIMC	10,780,000	9,922,500
	₱536,646,882	₱466,608,314

In 2011, the Company purchased 2,692,307,692 shares of TPC from VIMC for ₱0.013 per share or an aggregate price of ₱35,122,850, including incidental cost of ₱122,850.

In 2010, the Company purchased 12,250,000 shares of VIMC for ₱0.52 per share and sold all of its shares of stock in Philippine Seven Corporation, Manila Water Company and Oriental Petroleum.

Gains on fair value changes of financial assets at FVPL recognized in 2011, 2010 and 2009 amounted to ₱34,915,718, ₱93,783,042 and ₱210,774,740, respectively. Cumulative unrealized gain on fair value changes of financial assets at FVPL amounted to ₱316,425,071 and ₱281,509,353 as of December 31, 2011 and 2010, respectively.

6. Receivables

	2011	2010
Related parties (see Note 14)	₱194,006,463	166,329,686
Others	27,178,176	111,617,071
	₱221,184,639	₱277,946,757

The following are the significant transactions entered into by the Company in relation to its receivables:

- a. On July 9, 2009, the Company extended a loan of ₱531,300,000 (\$11,500,000) to ACMDC, a publicly-listed entity under common control. The loan is collectible 365 days after July 9, 2009 and bears interest of 15% per annum, collectible semi-annually in arrears. Based on the terms of the loan agreement, the Company has the option to demand early repayment of the loan and accrued interest 180 days after July 9, 2009.

In addition, the Company has the option to effect payment of principal and interest through any one or combination of the following:

1. Cash payment equal to amount of loan and interest, either in \$ or ₱ or a combination of both currencies;
2. Delivery of common shares of Aquatlas, Inc. (AI), a subsidiary of ACMDC, at a conversion price which shall be mutually agreed upon by the parties; and/or
3. Delivery of common shares of ACMDC at a conversion price of ₱10 per share.



The embedded equity call option was accounted for separately since it is not closely related to the host debt contract. Derivative asset relating to the option amounted to ₱79,799,174 in 2010. The mark-to-market gain on derivative asset recognized in the statement of comprehensive income amounted to ₱307,718,166 in 2010.

As of December 31, 2010, the net movement in the discount recognized on the receivable arising from the bifurcation of the embedded equity call option is as follows:

Balance at beginning of year	₱25,374,995
Accretion of discount on receivable (see Note 18)	(25,374,995)
Balance at end of year	₱-

Interest receivable, which is presented as “Others” under the “Receivables” account in the balance sheet, amounted to ₱32,224 and ₱110,723,765 as of December 31, 2011 and 2010, respectively.

On December 29, 2010, the Company converted into shares of stock of ACMDC the entire principal of the loan amounting to \$11.5 million which the Company extended to ACMDC pursuant to the Agreement (“the Conversion”). The conversion of advances consist of entitlement to 50,450,000 shares of ACMDC at the price of ₱10.00 per share. The fair value of ACMDC’s share as of December 29, 2010 is ₱17.68 per share. Additional investment in ACMDC, classified as AFS investment, amounted to ₱891,964,840 as of December 29, 2010 (see Note 7).

- b. The Company provided advances to its related parties, namely, Alakor Corporation (Alakor) and National Bookstore (NBS). As of December 31, 2011 and 2010, these advances amounted to ₱190,658,719 and ₱164,199,500 respectively (see Note 14).
- c. In 2011, the Company wrote-off its receivable from VIMC amounting to ₱2,130,186 (see Note 14).

There were no impaired receivables as of December 31, 2010. Other than the receivable written off in 2011, all other receivables are assessed to be collectible and in good standing as of December 31, 2011 and 2010 (see Note 22).

7. AFS Investments

	2011	2010
Quoted equity shares - at fair value	₱2,887,226,420	₱2,996,959,740
Unquoted equity shares - at cost	38,427,836	36,843,736
	₱2,925,654,256	₱3,033,803,476

Quoted AFS investments represent investment in ACMDC. As discussed in Note 6, the Company converted its advances to additional shares of stock of ACMDC, on December 29, 2010. Accordingly, the Company’s ownership in ACMDC increased from 11.67% in 2009 to 14.42% in 2010.



In 2011, ACMDC increased its authorized capital stock but the Company did not subscribe to the increase. Hence, the Company's ownership decreased from 14.42% in 2010 to 9.72% in 2011.

The aggregate cost of the AFS investments amounted to ₱2,072,699,497 and ₱2,071,120,397 as of December 31, 2011 and 2010, respectively.

In 2011 and 2010, the Company advanced ₱1,579,100 and ₱17,290,000, respectively for future subscription to Rail Transit and Development, Inc. These are included under AFS investments in unquoted equity shares.

No impairment loss was recognized in 2011 and 2010 on the Company's investment in ACMDC quoted shares.

Movements in the unrealized valuation gain (loss) on AFS investments recognized as a separate component of equity are as follows:

	2011	2010
Balances at beginning of year	₱962,683,079	(₱53,306,821)
Changes in fair value of AFS investments	(109,728,320)	1,015,989,900
Balances at end of year	₱852,954,759	₱962,683,079

No AFS investments were sold in 2011 and 2010.

8. Investments in Associates

	2011	2010
Acquisition cost:		
Balances at beginning of year	₱1,036,926,080	₱1,068,506,080
Redemption*	(31,580,000)	(31,580,000)
Disposal (see Note 12)	(94,080,800)	-
Balances at end of year	911,265,280	1,036,926,080
Accumulated equity in net earnings (losses):		
Balances at beginning of year	14,784,342	(11,020,228)
Equity in net earnings during the year	30,354,785	38,199,720
Dividends received	(30,679,970)	(12,395,150)
Balances at end of year	14,459,157	14,784,342
	₱925,724,437	₱1,051,710,422

*The redemption has no impact on the % of ownership.

The carrying values of investments in associates are as follows:

	Percentage of Ownership	2011	2010
UPMC	21.81% in 2011 and 25.62% in 2010	₱538,691,489	₱648,582,444
NTDCC	15.79%	387,032,948	403,127,978
		₱925,724,437	₱1,051,710,422

The investment in NTDCC includes investment in voting and redeemable preferred shares amounting to ₱329,758,276 and ₱361,338,276 as of December 31, 2011 and 2010, respectively.



The summarized financial information of the associates as of and for the years ended December 31, 2011 and 2010 are as follows (in thousands):

UPMC

	2011	2010
Total assets	₱1,220,505	₱1,112,092
Total liabilities	769,138	599,015
Revenue	-	-
Net loss	61,710	35,502

NTDCC

	2011	2010
Total assets	₱7,241,175	₱7,350,578
Total liabilities	4,770,334	4,777,219
Revenues	1,880,791	1,782,891
Net income	292,368	215,916

Investment in UPMC

UPMC's main business is the exploration, development, exploitation, recovery and sale of gold. UPMC became an associate on August 1, 2008, with the conversion of the Company's receivable from UPMC to the latter's common shares.

On December 28, 2011, the Company sold its 9,954,873,395 shares of UPMC to EPL at ₱0.024 per share. The proceeds were settled through offsetting of accounts between the Company and EPL. Accordingly, the Company's ownership in UPMC decreased from 25.62% in 2010 to 21.81% in 2011 (see Note 12).

Investment in NTDCC

NTDCC owns and operates the Triangle North of Manila (TriNoma) Commercial Center which is built adjacent to the Metro Rail Transit (MRT) Depot. The development rights over the 8.3-hectare portion of the MRT Depot were acquired from MRTDC in 2002.

9. **Property and Equipment**

	2011			Total
	Condominium Units and Improvements	Office Equipment	Furniture and Fixtures	
Cost:				
Balances at beginning of year	₱22,091,616	₱2,102,097	₱475,229	₱24,668,942
Additions	-	42,134	-	42,134
Balances at end of year	22,091,616	2,144,231	475,229	24,711,076
Accumulated depreciation:				
Balances at beginning of year	4,634,894	1,606,720	380,184	6,621,798
Depreciation (see Note 17)	1,105,212	280,291	95,045	1,480,548
Balances at end of year	5,740,106	1,887,011	475,229	8,102,346
Net book values	₱16,351,510	₱257,220	₱-	₱16,608,730



	2010			
	Condominium Units and Improvements	Office Equipment	Furniture and Fixtures	Total
Cost:				
Balances at beginning of year	₱22,091,616	₱1,968,186	₱475,229	₱24,535,031
Additions	–	133,911	–	133,911
Balances at end of year	22,091,616	2,102,097	475,229	24,668,942
Accumulated depreciation:				
Balances at beginning of year	3,529,683	1,254,279	285,138	5,069,100
Depreciation (see Note 17)	1,105,211	352,441	95,046	1,552,698
Balances at end of year	4,634,894	1,606,720	380,184	6,621,798
Net book values	₱17,456,722	₱495,377	₱95,045	₱18,047,144

10. Deferred Exploration Costs

The Company is a participant in certain Service Contracts (SC) and Geophysical Survey and Exploration Contracts (GSEC) with the Philippine Government, through the Department of Energy (DOE), for the exploration, development and exploitation of the contract areas situated in Northwest Palawan, Sulu Sea and Mindoro Island.

The aforementioned SC and GSEC, which provide for minimum work expenditure obligations and the drilling of a specified number of wells, are covered by operating agreements which set forth the participating interests, rights, and obligations of the participants to the contracts. The deferred exploration costs represent the Company's share in the jointly controlled assets of the aforementioned SCs and GSECs. The full recovery of the deferred exploration costs incurred in connection with the Company's participation in the exploration of the contract areas is dependent upon the discovery of mineral resources from the respective contract areas and the success of the future development thereof:

The percentage of participation and the balances of the deferred exploration costs as of December 31 are as follows:

	Percentage of Participation	2011	2010
SC 6 (Offshore Northwest Palawan)	3.33		
Block A (Opton)		₱55,398,578	₱54,938,245
Saddle Rock Prospect		7,325,361	7,325,361
Esperanza Prospect		823,118	823,118
SC 41 (Sulu Sea)	1.68	47,376,414	47,376,414
SWAN Block (Northwest Palawan)	33.58		
SC 39 (Busuanga/Calautit)		15,891,445	15,891,445
GSEC 86 (Northwest Malampaya)		10,345,190	10,345,190
GSEC 83 (North Calamian Project)		533,923	533,923
SC 53 (Onshore Mindoro)	5.00	15,090,930	15,090,930
SC 14 (Northwest Palawan, Tara Block)	2.50	4,194,783	4,194,783
		₱156,979,742	₱156,519,409



SC-6 BLOCK A

In April 2011, the Company negotiated with potential farminee Pitkin Petroleum Limited (Pitkin) which offered to do a 3-phased work involving new seismic data acquisition and block evaluation for the initial phase and drilling of well/s during the subsequent phases contingent on the results from the previous phases. Pitkin's robust offer exceeded the 2-wells to earn 70% interest which was the consensus reached by the joint venture. The negotiations progressed and culminated with the signing of the farmin agreement on July 11, 2011. The DOE approved on December 6, 2011 the transfer of 70% interest of the Company and its partners to Pitkin which was appointed as the new operator. The DOE likewise approved the consortium's request to replace an earlier submitted work program with Pitkin's new 3D data acquisition. As at December 31, 2011, the new block operator was preparing the parameter design and tendering documentation for the 3D seismic survey.

SC-14

In late 2009, potential farminee VenturOil, lost its exclusive farm-in right over the area as a result of the long-drawn-out period to complete their technical due diligence. When they indicated to seek a further extension, the stakeholders in the different blocks suggested that VenturOil must first secure accreditation with the DOE as a qualified service contractor before it can negotiate with the partners. Since then, the consortium has not received any indication from VenturOil of their interest to pursue a farm-in into these areas.

As at December 31, 2011, no exploration or production activities are being carried out on these blocks.

SC-41

Efforts by block operator Tap Oil to invite new partners into the Sulu Sea Block and to secure extension of the term of SC-41 from the DOE, unfortunately, were not favorably rewarded. During a partners' meeting in July 2010, the consortium executed an Operating Committee Resolution for the surrender of the block to the DOE on August 9, 2010. The Sulu Sea block then became an open area, which the DOE included as among the areas being offered in 4th Philippine Energy Contracting Round (PECR) which opened in June 2011. The Company, together with affiliate The Philodrill Corporation, intends to participate in bidding for a new contract in the sulu sea block.

SC-53

Processing of the acquired 200-line kilometers of land seismic data commenced in early August 2010. Meanwhile, reprocessing of the approximately 200 line-kilometers of offshore seismic data by CGG in Singapore continued during the third quarter of 2010.

For the most part of 2011, block operator Pitkin Petroleum carried out the interpretation of the 200 line-kilometers acquired over southern Mindoro in November 2009 to May 2010 by BGP, Inc. Processing was undertaken by PT Horizon Indonesia, a subsidiary of Fugro. Parallel to the new data processing, Pitkin reprocessed about 200 line-kilometers of vintage seismic data in offshore Sablayan area with the Singapore-based CGGVeritas as geophysical contractor. Interpretation of these data sets was completed in mid of 2011.

On July 4, 2011, the DOE approved the transfer of 50% of Pitkin's interests in the block to RMA. Amendments to existing legal documents have been introduced to formalize the recognition of RMA as a Joint Venture party. Pitkin Petroleum remains as the block operator.



During the November 2011 partners meeting, Pitkin recommended that the joint venture enter the Sub-Phase 2 of the contract which carries a minimum work program obligation of two (2) wells. The operator likewise proposed a work program for the joint venture for 2012 which consists of drilling the Progreso-2 well, the acquisition of an airborne gradiometry survey and other field programs and studies designed to further evaluate the block and enhance its prospectivity.

SWAN BLOCK

In November 2009, PNOG-EC advised the consortium that their technical and legal groups continue to evaluate the relevant data that the consortium had provided PNOG-EC to assess the block's potential and the merit of the consortium's proposed participation in SC-57 and SC-58 blocks.

For 2011, the consortium continued to wait for PNOG-EC's evaluation of the merits of the offer to swap a portion of the consortium's interest in some of the blocks in exchange for interests in SC-57 and SC-58.

11. Short-term Loan Payable

Short-term loan payable represents loan obtained from LBP amounting to ₱50,000,000 and ₱125,000,000 as of December 31, 2011 and 2010, respectively. These are short-term revolving bank loans which mature every six months and bear interest of 8.25% in 2011 and 2010. The loan is guaranteed by a stockholder. Payments made by the Company amounted to ₱75,000,000 and ₱50,000,000 in 2011 and 2010, respectively. The loan was paid in full on January 6, 2012.

Interest expense relating to the above loans amounted to ₱6,712,292, ₱11,901,771 and ₱16,113,549 for the years ended December 31, 2011, 2010 and 2009, respectively (see Note 18).

12. Long-term Debt

The long-term debt of the Company pertains to loans availed from EPL and TPC which are summarized as follows:

	2011	2010
EPL loans, net of discount of ₱127,592,435 in 2011 and ₱61,075,521 in 2010	₱1,624,616,451	₱2,021,058,455
TPC	50,000,000	-
	1,674,616,451	2,021,058,455
Less current portion - EPL	607,188,784	467,027,152
Noncurrent portion - EPL	₱1,067,427,667	₱1,554,031,303

Related interest expense on EPL loan amounted to ₱32,698,253, ₱33,283,076 and ₱34,157,959, for the years ended December 31, 2011, 2010 and 2009, respectively (see Note 18).

- a. In 2007, EPL granted the Company a loan amounting to ₱846,105,746 which bears interest of 1% payable quarterly and is scheduled to mature on October 23, 2012. The unamortized discount on the said loan amounted to ₱11,049,496 and ₱24,373,733 as of December 31, 2011 and, respectively (see Note 22).



On various dates in 2007 and 2008, EPL granted various loans to the Company with maturity dates in 2008. These loans bear interest of 1% every year.

On June 27, 2008, EPL and the Company entered into a loan restructuring and conversion agreement. All restructured loans bear interest of 1.5% per annum and may be prepaid anytime without penalty. Accordingly, these loans were reclassified as long-term debt. The restructured loans have maturity dates from 2010 and 2011.

The substantial modifications of terms of the existing loans were accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. In 2009, the Company recognized a gain on debt restructuring as a result of the derecognition of a portion of EPL loan and to recognize the day 1 difference arising from the off-market interest rate of the EPL loan (see Note 22).

- b. In 2009, EPL extended loans to the Company with an aggregate amount of ₱900,900,000 (\$19,500,000). As mentioned in Note 6 to the financial statements, the Company assigned its receivables from ETCI on December 16, 2009 amounting to ₱277,529,288 to EPL, wherein ₱268,589,082 was applied against the advances from EPL and the remaining ₱8,940,205 represented interest and finance charges incurred by the Company. As a result of the assignment, PN 09-01 was issued by the Company to EPL on the same date for the remaining amount of ₱632,310,918 (\$13,686,383), which is scheduled to mature on December 31, 2013 and is subject to interest of 1.5% per annum.
- c. In 2010, the original EPL loan amounting to ₱169,452,079 matured. Upon maturity, the loan was extended for another 5 years. The new loan bears interest of 1.5% per annum, subject to adjustment upon mutual agreement of both parties (same as original loan).

The old loan was derecognized as it already matured, and a new loan was recognized at its present value having 10.23% as effective interest rate. This resulted in a Day 1 difference of ₱28,036,227. Accretion of Day 1 difference for 2011 and 2010 amounted to ₱9,632,328 and ₱6,122,111, respectively. The effective interest rate applied on the original loan was 7.70%. The unamortized discount on the said loan amounted to ₱12,281,788 and ₱21,914,166 as of December 31, 2011 and 2010, respectively.

- d. In 2011, the original EPL loan amounting to ₱488,786,542 (including accumulated interest) matured. Upon maturity, the loan was extended for another 5 years. The new loan bears interest of 1.5% per annum, subject to adjustment upon mutual agreement of both parties (same as original loan).

The old loan was derecognized as it already matured, and a new loan was recognized at its present value using 10.58 % as effective interest rate. This resulted in a Day 1 difference of ₱120,292,209. Accretion of Day 1 difference for 2011 amounted to ₱16,031,057. The effective interest rate applied on the original loan was 8.55%. The unamortized discount on the said loan amounted to ₱104,261,152 as of December 31, 2011.

- e. On December 28, 2011, the Company made partial payment to EPL amounting to ₱238,916,962 through disposal of UPMC shares (see Note 8).
- f. On June 30, 2011, TPC granted the Company with a loan amounting to ₱50,000,000 which bears interest of 8% per annum and is scheduled to mature on June 30, 2013. The loan was used to partially pay the LBP loan. Related interest expense amounted to ₱2,044,444 for the year ended December 31, 2011 (see Note 18). Unpaid interest related to this loan, which is



presented under “Accounts payable and accrued expenses” account in the balance sheet, amounted to ₱1,022,222 as of December 31, 2011 (see Note 13).

13. Accounts Payable and Accrued Expenses

	2011	2010
Accrued interest (see Notes 11 and 12)	₱91,061,495	₱94,203,406
Deposit	89,419,081	89,419,081
Accrued guarantee fee (see Note 14)	19,318,035	16,154,146
Dividends payable	7,054,439	6,512,855
Accrued taxes	3,794,516	20,700,362
Others	5,707,648	5,684,400
	₱216,355,214	₱232,674,250

“Deposit” pertains to advances received from Metro Pacific Investments Corporation (MPIC) in relation to the potential acquisition by MPIC of the shares owned by the Company in Metro Rail Transit Holdings, Inc. (MRTHI), subject to the completion of certain closing requirements.

14. Related Party Transactions

In addition to those mentioned in Notes 5, 6, 7 and 8 to the financial statements, the Company has the following related party transactions in the normal course of business:

- a. The Company grants interest-bearing and noninterest-bearing advances to its related parties with less than one year credit term. The following are the amounts of due from related parties, which are included as part of the “Receivables” account in the balance sheets (see Note 6):

	2011	2010
Entities under common control:		
Alakor	₱112,631,424	₱94,985,314
NBS	78,027,295	69,214,186
UPMC	3,347,744	-
VIMC	-	2,130,186
	₱194,006,463	₱166,329,686

- i. Advances to Alakor have various terms of not more than one year. If the related party is not able to settle at maturity date, the outstanding balance is subjected to 12% and 15% interest per annum.
- ii. The Company also provided advances to Alakor and UPMC amounting to ₱8,347,744 and ₱7,000,000 in 2011 and 2010, respectively.
- iii. In prior years, the Company made advances to NBS which is still outstanding as of December 31, 2011, subject to 12% interest per annum.
- iv. Advances to VIMC amounting to ₱2,130,186 was written-off in 2011 (see Note 6).
- b. On January 1, 2002, the Company entered into a Guarantee Agreement with Alakor to have the latter’s Chairman of the BOD as a guarantor of the Company’s long-term debt. The



guarantee fee is equivalent to 4% and 5% per annum of the amount guaranteed without collateral and amount guaranteed with real estate or other types of collateral, respectively.

Accrued guarantee fee amounted to ₱19,318,035 and ₱16,154,146 as of December 31, 2011 and 2010, respectively (see Note 13). Guarantee fees, which are recognized as part of “Interest and other finance charges” account in the statements of comprehensive income, amounted to ₱3,163,889, ₱5,861,110 and ₱7,741,667, in 2011, 2010 and 2009, respectively (see Note 18).

- c. Compensation of key management personnel are as follows:

	2011	2010	2009
Short-term employee benefits	₱8,837,061	₱6,949,654	₱6,510,290
Post employment benefits	6,025,579	3,789,573	2,236,005
	₱14,862,640	₱10,739,227	₱8,746,295

15. Equity

Dividends

- a. On September 28, 2011, the Company’s BOD approved the declaration of cash dividends amounting to ₱34,950,000 at ₱0.03 per share to stockholders of record as October 12, 2011. The cash dividends were paid on November 8, 2011.
- b. On March 25, 2011, the Company’s BOD approved the declaration of cash dividends amounting to ₱58,249,991 at ₱0.05 per share to stockholders of record as of April 8, 2011. The cash dividends were paid on April 29, 2011.
- c. On April 12, 2010, the Company’s BOD approved the declaration of cash dividends amounting to ₱34,949,994 at ₱0.03 per share to stockholders of record as of April 30, 2010. The cash dividends were paid on May 24, 2010.

Capital Stock

- a. The movements in capital stock of the Company are as follows:

	2011	2010
Issued and outstanding:		
Balances at beginning of year	₱1,170,616,970	₱1,170,611,970
Issuance	-	5,000
Balances at end of year	₱1,170,616,970	₱1,170,616,970
Subscribed:		
Balances at beginning of year	₱7,383,030	₱7,388,030
Issuance	-	(5,000)
Balances at end of year	7,383,030	7,383,030
Subscriptions receivable:		
Balances at beginning and end of year	(1,367,688)	(1,367,688)
	₱6,015,342	₱6,015,342

The par value of the shares of stock is ₱1.



Below is the Company's track record of registration of securities under the Securities Regulation Code of the SEC:

Date of Registration (SEC Approval)	Description	Number of shares registered	Par value per share	Total amount
June 25, 1958	Initial Capital	50,000,000	₱0.01	₱500,000
November 5, 1958	Increase in authorized capital stock	1,000,000,000	0.01	10,000,000
		1,050,000,000		10,500,000
February 26, 1970	Increase in authorized capital stock	1,000,000,000	0.01	10,000,000
		2,050,000,000		20,500,000
March 22, 1979	Increase in authorized capital stock	8,000,000,000	0.01	80,000,000
		10,050,000,000		100,500,000
September 14, 1990	Increase in authorized capital stock	19,950,000,000	0.01	199,500,000
		30,000,000,000		300,000,000
March 13, 1996	Change of par value from ₱0.01 to ₱1.00	300,000,000	1.00	300,000,000
March 13, 1996	Increase in authorized capital stock	1,700,000,000	1.00	1,700,000,000
	Total Authorized Capital	2,000,000,000		₱2,000,000,000

As of December 31, 2011 and 2010, there were no movements in the Company's registered securities. There are 3,141 shareholders who hold 1,165,000,000 shares as of December 31, 2011.

16. Other Revenues

	2011	2010	2009
Management fees	₱92,660,196	₱67,687,500	₱91,059,212
Dividend income	17,572,702	19,681,852	13,176,890
	₱110,232,898	₱87,369,352	₱104,236,102

The Company signed an agreement with EPL whereby the Company provides general administration and risk management services to the latter for the efficient management and supervision of EPL's Philippine investment operations. In consideration for such services, the Company is paid a monthly management fee for a period of 3.5 years from July 2007 to December 2010, subject to renewal thereafter as may be mutually agreed upon by the parties.

In 2011, the Company renewed its contract with EPL for another 5 years from January 1, 2011 to December 31, 2015. The service fee increased from \$150,000 per month to \$200,000 per month effective July 1, 2011.

Dividend income pertains to dividends received from SPI, TPC and Manila Water Company (see Note 5).



17. General and Administrative Expenses

	2011	2010	2009
Salaries, wages and employee benefits	₱13,653,072	₱10,792,947	₱11,112,646
Taxes and licenses	12,697,479	823,221	862,303
Outside services	4,006,129	1,949,978	960,720
Rent	2,743,662	2,272,108	2,048,622
Depreciation (see Note 9)	1,480,548	1,552,698	1,507,666
Communication, light and water	1,231,429	1,218,549	1,251,742
Insurance	1,225,640	1,071,754	1,058,303
Office supplies	743,287	382,690	454,974
Repairs and maintenance	521,960	515,623	202,242
Representation and entertainment	438,969	281,572	213,156
Transportation and travel	166,152	200,845	332,393
Pension (see Note 19)	–	3,053,129	2,389,463
Others	4,376,978	1,571,599	1,623,723
	₱43,285,305	₱25,686,713	₱24,017,953

“Others” consist mainly of membership fees and gas and oil expenses, among others.

18. Interest Income, Interest Expense and Other Finance Charges

Interest income consists of:

	2011	2010	2009
Interest income on bank deposits and receivables	₱24,904,497	₱97,441,758	₱60,504,161
Accretion of discount on receivables (see Note 6)	–	25,374,995	23,371,706
	₱24,904,497	₱122,816,753	₱83,875,867

The breakdown of interest income on bank deposits and receivables follow:

	2011	2010	2009
Cash in banks	₱3,445,277	₱976,883	₱1,837,133
Due from related parties	21,459,220	96,464,875	58,667,028
	₱24,904,497	₱97,441,758	₱60,504,161

Interest and other finance charges consist of:

	2011	2010	2009
Amortization of discount on long-term debt (see Notes 12 and 22)	₱53,831,777	₱48,267,526	₱39,513,764
Interest expense (see Notes 11 and 12)	41,883,308	44,459,435	50,271,508
Guarantee fee (see Notes 12, 13 and 14)	3,163,889	5,861,110	7,741,667
Bank charges and others	17,992	12,147	105,288
	₱98,896,966	₱98,600,218	₱97,632,227

Interest expense consists mainly of interest on due to related parties.



19. Pension Benefits Costs

The Company has a funded, noncontributory defined pension plan covering all its regular employees. The retirement benefit plan obligation is determined using the projected unit credit method. There was no plan of termination or curtailment for the years ended December 31, 2011, 2010 and 2009.

The following tables summarize the funded status and the amounts recognized in the balance sheets, the components of net retirement benefit expense (income) recognized in the statements of comprehensive income and the changes in the present value of the defined benefit obligation and the fair value of plan assets.

Retirement Benefit Plan Asset

	2011	2010
Present value of defined benefit obligation	₱22,506,462	₱44,010,909
Fair value of plan assets	43,296,712	52,793,224
Funded status	(20,790,250)	(8,782,315)
Unrecognized actuarial gains	11,233,077	8,683,219
Retirement benefit plan asset	₱9,557,173	₱99,096

Components of Net Retirement Benefit Expense (Income)

	2011	2010	2009
Current service cost	₱929,227	₱1,568,489	₱1,424,604
Interest cost	4,445,102	3,893,446	3,251,024
Expected return on plan assets	(2,354,915)	(2,151,100)	(1,855,116)
Net actuarial gain recognized	(2,532,957)	(257,706)	(431,049)
Effect of settlement/curtailment gain	(2,324,400)	-	-
Net retirement benefit expense (income)	(₱1,837,943)	₱3,053,129	₱2,389,463
Actual return on plan assets	₱1,893,354	₱2,151,100	₱2,109,600

Movements in the Retirement Benefit Plan Asset Recognized in the Balance Sheets

	2011	2010
Balances at beginning of year	(₱99,096)	₱4,467,909
Net retirement benefit expense (income)	(1,837,943)	3,053,129
Contributions paid	(7,620,134)	(7,620,134)
Balances at end of year	(₱9,557,173)	(₱99,096)



Changes in the Present Value of the Defined Benefit Obligation

	2011	2010
Balances at beginning of year	₱44,010,909	₱38,548,974
Current service cost	929,227	1,568,489
Interest cost	4,445,102	3,893,446
Settlement/Curtailment loss	1,496,216	-
Actuarial gain	(9,364,992)	-
Benefits paid	(19,010,000)	-
Balances at end of year	₱22,506,462	₱44,010,909

Changes in the Fair Value of Plan Assets

	2011	2010
Balances at beginning of year	₱52,793,224	₱43,021,990
Contributions paid	7,620,134	7,620,134
Expected return on plan assets	2,354,915	2,151,100
Actuarial gains	(461,561)	-
Benefits paid	(19,010,000)	-
Balances at end of year	₱43,296,712	₱52,793,224

The net retirement benefit income in 2011 is presented as other income in the statement of comprehensive income.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2011	2010	2009
Government securities	97.0%	97.0%	97.0%
Others	3.0%	3.0%	3.0%

The principal assumptions used to determine retirement benefit plan obligation are as follows:

	2011	2010	2009
Discount rates	6.75%	10.10%	10.10%
Expected return on plan assets	4.00%	5.00%	5.00%
Wage and salary increases	5.00%	5.00%	5.00%
Average expected future service years of active plan members	16.0	16.5	17.5

Amounts for the current and previous four years are as follows:

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	₱22,506,462	₱44,010,909	₱38,548,974	₱31,471,674	₱38,350,057
Fair value of plan assets	43,296,712	52,793,224	43,021,990	33,292,255	15,151,443
Unfunded (funded) status	(20,790,250)	(8,782,315)	(4,473,016)	(1,820,581)	23,198,614
Experience adjustments on plan liabilities	(9,364,992)	-	2,401,672	(11,225,113)	4,034,068
Experience adjustments on plan assets	(461,561)	-	254,484	294,048	-



20. Income Taxes

The provision for current income tax in 2011, 2010 and 2009 represents the regular corporate income tax.

The components of the Company's net deferred income tax liabilities are as follows:

	2011	2010
Deferred income tax assets:		
Unamortized past service cost	₱8,785,895	₱8,173,441
Nondeductible accrued expenses	-	3,708,318
	8,785,895	11,881,759
Deferred income tax liabilities:		
Unamortized discount of long-term debt	33,272,051	9,336,650
Day one difference	4,988,737	8,986,007
Retirement benefit plan asset	2,867,152	29,729
Unrealized foreign exchange gains	112,843	8,639,704
	41,240,783	26,992,090
	₱32,454,888	₱15,110,331

The reconciliation of income tax computed at statutory tax rate to provision for income tax follows:

	2011	2010	2009
Income tax at statutory rate	₱96,883,508	₱169,444,522	₱96,813,752
Additions to (reductions in)			
income tax resulting from:			
Nondeductible expenses	4,702,966	114,195	235,438
Income subjected to transfer tax	(43,450,848)	(3,470,020)	-
Fair value changes of financial assets at FVPL	(10,474,716)	(28,134,913)	(63,232,422)
Equity in net earnings of associates	(9,106,435)	(11,459,916)	(671,198)
Dividend income subject to zero-rated income tax	(5,271,811)	(5,904,556)	(3,953,067)
Interest income subjected to final tax and others	(1,033,583)	(293,065)	(551,140)
Mark-to-market changes in derivative asset relating to receivable converted to equity	-	(116,255,202)	-
	₱32,249,081	₱4,041,045	₱28,641,363

In accordance with RA No. 9337, the statutory income tax rate and unallowable interest expense rate are reduced from 35% to 30% and 42% to 33%, respectively, beginning January 1, 2009.



21. Basic and Diluted EPS

Basic and diluted earnings per share are computed as follows:

	2011	2010	2009
Net income for the year	₱290,695,947	₱560,774,028	₱294,071,143
Divided by weighted average number of common shares	1,165,000,000	1,165,000,000	1,165,000,000
Basic and diluted earnings per share	₱0.25	₱0.48	₱0.25

The resulting per share amounts are the same for both basic and diluted earnings per share in 2011, 2010 and 2009 since the Company does not have any debt or equity securities that will potentially cause an earnings per share dilution.

22. Financial Risk Management and Capital Management

The main purpose of the Company's financial liabilities is to finance the Company's operations and capital expenditures. The Company has various financial assets such as cash and cash equivalents, receivables and financial assets at FVPL and AFS investments which arise directly from its operations.

The BOD has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company'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 Company's activities.

The Company has exposure to credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk from the use of its financial instruments. The Board reviews and approves the policies for managing each of these risks and they are summarized below.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash with banks, short term deposits and receivables.

The Company ensures that its financial assets are considered high grade by transacting only with top banks in the Philippines and maintaining good relationships with related parties, key employees and debtors who are highly reputable and with good credit standing.

The Company has assessed the credit quality of the following financial assets:

1. Cash and cash equivalents and short-term deposits are classified as high grade since these are deposited with reputable counterparties.
2. Receivables are classified standard grade since these are receivables from related parties which were transacted on an arm's length basis taking into account the related parties' financial standing and ability to pay. Other than receivable which was written off during the year, there were no history of default on the outstanding receivables as of December 31, 2011 and 2010.



Cash with banks are deposits made with reputable banks duly approved by the BOD.

Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to credit risk is not significant. In 2011, the Company wrote-off its receivable from VIMC amounting to ₱2,130,186 (see Note 6). There were no impaired receivables as of December 31, 2010. The remaining receivables are not past due and are assessed to be collectible and in good standing as of December 31, 2011 and 2010.

The Company's maximum exposure to credit risk is equal to the aggregate carrying amount of its financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The Company's financial assets used for liquidity management are its cash and cash equivalents, financial assets at FVPL, receivables and AFS investments.

As of December 31, 2011 and 2010, the Company's cash and cash equivalents may be withdrawn anytime, while its financial assets at FVPL and AFS investments are traded in the stock exchange and may be converted to cash by selling them during the normal trading hours on any business day.

The maturity profile of the Company's financial assets used for liquidity management based on their maturities are as follows:

	2011				
	Within 6 months	6 to 12 months	1 to 2 years	2 to 4 years	Total
Cash and cash equivalents	₱50,638,965	₱-	₱-	₱-	₱50,638,965
Financial assets at FVPL*	-	536,646,882	-	-	536,646,882
Receivables	27,178,176	3,347,744	190,658,719	-	221,184,639
AFS investments*	-	-	-	2,925,654,256	2,925,654,256
	₱77,817,141	₱539,994,626	₱190,658,719	₱2,925,654,256	₱3,734,124,742

*Based on expected date of disposal.

	2010				
	Within 6 months	6 to 12 months	1 to 2 years	2 to 4 years	Total
Cash and cash equivalents	₱165,129,013	₱-	₱-	₱-	₱165,129,013
Financial assets at FVPL	-	466,608,314	-	-	466,608,314
Receivables	113,747,257	-	164,199,500	-	277,946,757
AFS investments	-	-	-	3,033,803,476	3,033,803,476
	₱278,876,270	₱466,608,314	₱164,199,500	₱3,033,803,476	₱3,943,487,560



The Company's financial liabilities based on contractual undiscounted payments are as follows:.

	2011				
	Within 6 months	6 to 12 months	1 to 2 years	2 to 4 years	Total
Accounts payable and accrued expenses	₱7,077,686	₱108,737,116	₱96,745,896	₱-	₱212,560,698
Short-term loan payable:					
Principal	50,000,000	-	-	-	50,000,000
Future interest	500,000	-	-	-	500,000
Long-term debt:					
Principal	-	607,188,784	50,000,000	1,145,020,102	1,802,208,886
Future interest	8,597,693	15,428,567	17,195,386	24,995,575	66,217,221
	₱66,175,379	₱731,354,467	₱163,941,282	₱1,170,015,677	₱2,131,486,805

	2010				
	Within 6 months	6 to 12 months	1 to 2 years	2 to 4 years	Total
Accounts payable and accrued expenses	₱26,084,878	₱105,573,227	₱99,887,804	₱-	₱231,545,909
Short-term loan payable:					
Principal	125,000,000	-	-	-	125,000,000
Future interest	5,156,250	-	-	-	5,156,250
Long-term debt:					
Principal	467,027,152	-	846,105,746	769,001,078	2,082,133,976
Future interest	15,616,005	12,113,301	35,761,619	5,069,701	68,560,626
	₱638,884,285	₱117,686,528	₱981,755,169	₱774,070,779	₱2,512,396,761

Market Risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and other market variables which will adversely affect the Company's total comprehensive income or value of its financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters. The exposures to specific market risks are as follows:

Interest Rate Risk

The Company's exposure to interest rate risk pertains to its short-term and long-term debt obligations. Floating rate instruments expose the Company to cash flow interest rate risk, whereas, fixed interest rate instruments expose the Company to fair value risk. The Company regularly monitors the market interest rate movements and manages its interest rate risks by using a mix of fixed and variable rates.

The following tables set out the carrying amounts, by maturity, of the Company's short-term and long-term debt obligations:

Floating rate short-term loan payable with LBP (subject to monthly repricing):

	Coupon rate %	Within 6 months	6 to 12 months	1 to 2 years	2 to 4 years	Total
2011	8.25%	₱50,000,000	₱-	₱-	₱-	₱50,000,000
2010	8.25%	125,000,000	-	-	-	125,000,000



Fixed rate long-term debt with EPL and TPC:

	Coupon rate %	Within 6 months	6 to 12 months	1 to 2 years	2 to 4 years	Total
2011	1.50% and 8%	₱607,188,784	₱-	₱50,000,000	₱1,145,020,102	₱1,802,208,886
2010	1.50%	467,027,152	-	-	1,615,106,824	2,082,133,976

The table below demonstrates the sensitivity to a reasonably possible change in prevailing interest rates, with all variables held constant, of the Company's income before income tax (through the impact on floating-rate borrowings with LBP). There is no other impact on the Company's equity other than those already affecting the statement of comprehensive income.

	+100 basis points	-100 basis points
Increase (decrease) in income before income tax and in equity		
2011	(₱20,625)	₱20,625
2010	(103,125)	103,125

Foreign Exchange Risk

The Company uses the Philippine peso as its functional currency and is therefore exposed to foreign exchange movements, primarily in U.S. dollar currency. The Company follows a policy to manage its foreign exchange risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-peso currencies.

Information on the Company's \$-denominated monetary assets and liabilities and their ₱ equivalent are as follows:

	2011		2010	
	\$	₱	\$	₱
Financial Assets:				
Cash and cash equivalents	645,451	28,296,572	1,192,079	52,260,743
Receivables	600,000	26,304,000	2,525,633	110,723,751
	1,245,451	54,600,572	3,717,712	162,984,494
Financial Liabilities:				
Long-term debt	13,115,926	575,002,196	13,904,405	609,569,115
Net foreign currency-denominated assets (liabilities)	(11,870,475)	(520,401,624)	(10,186,693)	(446,584,621)

As of December 31, 2011 and 2010, the exchange rate of the Philippine peso to the USD is ₱43.84.

The following table demonstrates the sensitivity to a reasonably possible change in Philippine ₱/\$, with all other variables held constant, of the Company's income before income tax.



There is no other impact on the Company's equity other than those affecting the statements of comprehensive income.

	Change in ₱/\$ exchange rate	
	\$ strengthens by 5%	\$ weakens by 5%
Increase (decrease) in income before income tax and inequity		
2011	(₱26,020,081)	₱26,020,081
2010	(22,329,231)	22,329,231
2009	176,724	(176,724)

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of the listed shares. The equity price risk exposure arises from the Company's investment in financial assets at FVPL and quoted AFS investments.

The effects on equity and income before income tax, (as a result of a change in the fair value of AFS equity investments and financial assets at FVPL, respectively, at December 31, 2011, 2010 and 2009 due to a reasonably possible change in bid market prices, with all other variables held constant), are as follows:

Financial Assets at FVPL

	Change in fair market value	
	Increase in market indices by 5%	Decrease in market indices by 5%
Increase (decrease) in income before income tax and in equity		
2011	₱8,290,506	(₱8,290,506)
2010	10,271,590	(10,271,590)
2009	11,725,409	(11,725,409)

AFS Investments

	Change in fair market value	
	Increase in market indices by 5%	Decrease in market indices by 5%
Increase (decrease) in other comprehensive income and in equity		
2011	₱144,361,321	(₱144,361,321)
2010	149,847,987	(149,847,987)
2009	54,450,000	(54,450,000)

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

Fair Values of Financial Instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.



The table below presents a comparison by category and by class of carrying amounts and estimated fair values of the Company's financial assets and liabilities as of December 31, 2011 and 2010:

	2011		2010	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets at FVPL:				
Quoted equity securities	₱536,646,882	₱536,646,882	₱466,608,314	₱466,608,314
AFS investments				
Quoted securities	₱2,887,226,420	₱2,887,226,420	₱2,996,959,740	₱2,996,959,740
Unquoted securities	38,427,836	38,427,836	36,843,736	36,843,736
	₱2,925,654,256	₱2,925,654,256	₱3,033,803,476	₱3,033,803,476
Loans and receivables:				
Cash and cash equivalents	₱50,638,965	₱50,638,965	₱165,129,013	₱165,129,013
Receivables	221,184,639	221,184,639	277,946,757	277,946,757
	₱271,823,604	₱271,823,604	₱443,075,770	₱443,075,770
Other financial liabilities:				
Accounts payable and accrued expense	₱212,560,697	₱212,560,697	₱231,545,909	₱231,545,909
Short-term loan payable	50,000,000	50,000,000	125,000,000	125,000,000
Long-term debt	1,674,616,451	1,747,057,623	2,021,058,455	2,033,715,887
	₱1,937,177,148	₱2,009,618,320	₱2,377,604,364	₱2,390,261,796

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, Receivables, Accounts Payable and Accrued Expenses and Short-term Loan Payable

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses and short-term loan payable approximate their fair values due to their short-term maturities.

Financial Assets at FVPL and AFS Investments

The fair values of publicly traded instruments and similar investments are determined based on quoted bid market prices at the balance sheet date. For unquoted AFS equity securities for which no reliable basis of fair value measurement is available, these are carried at cost, less impairment loss.

Long-term Debt

The fair value of the long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans ranging from 5.90% to 9.08% in 2011 and 6.69% to 9.22% in 2010.



Fair Value Hierarchy

The Company uses the following hierarchy in determining the fair value of financial instruments by valuation technique:

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

	2011		
	Level 1	Level 2	Level 3
Financial Assets			
Financial assets at FVPL	P536,646,882	P-	P-
AFS investments - quoted equity securities	2,887,226,420	-	-
	P3,423,873,302	P-	P-
	2010		
	Level 1	Level 2	Level 3
Financial Assets			
Financial assets at FVPL	P466,608,314	P-	P-
AFS investments - quoted equity securities	2,996,959,740	-	-
	P3,463,568,054	P-	P-

For the years ended December 31, 2011 and 2010 there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of the level 3 measurements.

Derivative Asset

The Company has bifurcated the embedded equity call option on the loan extended to ACMDC in 2009 (see Note 6). Fair value changes of the derivative asset in 2010 and 2009, which are presented in the statement of comprehensive income as “Mark-to-market changes of derivative asset”, amounted to P307,718,166 and P31,052,472, respectively.

Capital Management

The Company’s objectives when managing capital is to maintain a capital structure that provides a balance between the risk associated with higher level of borrowings and the advantages and security of a sound capital position.

The BOD has overall responsibility in monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company’s external environment and the risks underlying the Company’s business operations and industry.

The Company monitors capital on the basis of the debt-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to accounts payable and accrued expenses, income tax payable, short-term loan payable, long-term debt, pension liability and deferred income tax liability. Total equity comprises all components of equity including capital stock, additional paid-in capital, unrealized valuation gains (losses) on AFS investments, retained earnings, reduced by treasury shares.



There were no changes in the Company's approach to capital management during the year. The Company is also not subject to any externally-imposed capital requirements.

The debt-to-equity ratio as of December 31, 2011 and 2010 is as follows:

	2011	2010
Total liabilities	₱1,982,240,071	₱2,398,233,254
Total equity	2,862,340,692	2,774,573,056
Debt-to-equity ratio	0.69	0.86

The following table pertains to the accounts and balances the Company considers as its core capital:

	2011	2010
Capital stock	₱1,176,632,312	₱1,176,632,312
Additional paid-in capital	4,658,460	4,658,460
Retained earnings	855,661,236	658,165,280
Treasury stock	(27,566,075)	(27,566,075)
	₱2,009,385,933	₱1,811,889,977

23. Segment Reporting

As discussed in Note 2 the financial statements, the Company has adopted PFRS 8 with effect from January 1, 2009. PFRS 8 requires operating segments to be identified on the basis of internal reports, which is similar to management basis, about components of the Company that are regularly reviewed by the chief operating decision maker.

For management purposes, the Company's operating segments pertain to its investments in NTDCC and UPMC, associates. Investments in associates amounted to ₱925,724,437 and ₱1,051,710,422 as of December 31, 2011 and 2010, respectively. NTDCC owns and operates the Trinoma Commercial Center, while UPMC's main business is the exploration, development, exploitation, recovery and sales of gold.

Management monitors the operating results of its investments in associates separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on total revenues.

(in thousands)

	NTDCC			UPMC		
	2011	2010	2009	2011	2010	2009
Revenue						
External customers	₱1,691,296	₱1,607,807	₱1,459,677	₱-	₱-	₱-
Foreign exchange gain	-	-	-	-	7,020	3,012
Interest income	82,179	78,555	71,207	755	-	-
Other income	107,316	96,529	95,357	1,217	1,457	3,127
Total revenue	1,880,791	1,782,891	1,626,241	1,972	8,477	6,139

(Forward)



	NTDCC			UPMC		
	2011	2010	2009	2011	2010	2009
Costs and Expenses						
Direct operating	898,445	841,971	783,475	–	–	–
Depreciation	348,044	345,437	340,466	–	–	–
Interest expense	179,365	244,415	320,563	41,518	29,675	24,859
General and administrative	37,265	42,618	57,073	20,579	14,263	11,771
Foreign exchange	–	–	–	1,554	–	–
Total costs and expenses	1,463,119	1,474,441	1,501,577	63,651	43,938	36,630
Income (loss) before income tax	417,672	308,450	124,664	(61,679)	(35,461)	(30,491)
Provision for income tax	(125,303)	(92,534)	(37,397)	(31)	(40)	(63)
Net income (loss)	₱292,369	₱215,916	₱87,267	(₱61,710)	(₱35,501)	(₱30,554)
Operating assets	₱7,235,669	₱7,350,575	7,665,524	₱1,220	₱1,112,092	₱1,112,244
Operating liabilities	₱4,764,245	₱4,777,219	5,029,584	₱769,138	₱599,015	₱563,664
Other disclosure:						
Capital expenditures	₱1,376	₱1,079	₱10,212	₱156	₱16	₱167

Capital expenditures consist of additions to property and equipment.

Other required information for both segments are disclosed in Note 8 to the financial statements.

24. Note to Statements of Cash Flows

Noncash Operating and Investing Activities:

2011

Sale of UPMC shares to EPL amounting to ₱238,916,961 (see Notes 8 and 12).

2010

Conversion of advances to ACMDC to AFS investment amounting to ₱504,447,500 (see Notes 6 and 7).

25. Supplementary Tax Information Required Under Revenue Regulations (RR) No. 19-2011

Other Taxable Income

Management fees	₱92,660,196
Realized foreign exchange gains	28,306,147
Interest income	21,459,219
	<u>₱142,425,562</u>



Itemized Deductions

Interest expense	₱43,649,968
Salaries, wages and employee benefits	19,231,694
Taxes and licenses	17,216,042
Outside services	4,006,129
Rent	2,743,662
Depreciation	1,480,548
Communication, light and water	1,231,429
Insurance	1,225,640
Office supplies	743,287
Repairs and maintenance	521,960
Representation and entertainment	438,969
Transportation and travel	166,152
Others	88,334
	<u>₱92,743,814</u>

26. Supplementary Tax Information Required Under RR No. 15-2010

RR No. 15-2010 amends certain provisions of RR No. 21-2002, as amended, authorizing the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns.

The Company's reported and/or paid the following types of taxes in 2011:

Value-added Tax (VAT)

- The Company has zero-rated/exempt sales on services amounting to ₱91,620,000 pursuant to the provisions of Section 108 (B) of the National Internal Revenue Code.
- The Company declared output VAT amounting to ₱14,211,832.
- The amount of input VAT claimed are broken down as follows:

Balance at beginning of year	₱1,332,901
Goods other than resale or manufacture	31,671
Serviced lodged under other accounts	642,270
Balance at end of year	<u>₱2,006,842</u>

Withholding Taxes

The below summarizes the total withholding taxes paid or accrued by the Company:

Final withholding taxes	₱3,796,348
Withholding taxes on compensation and benefits	2,749,342
Expanded withholding taxes	1,176,994
	<u>₱7,722,684</u>



Other Taxes and Licenses

Taxes and licenses, local and national, include real property taxes, licenses and permit fees as follows:

Documentary stamp taxes	₱3,063,581
Stock transaction tax	2,033,206
Real property taxes	43,241
Business permits and others	104,464
	<hr/>
	₱5,244,492
	<hr/> <hr/>

The Company paid deficiency VAT/withholding tax amounting to ₱7,452,986, inclusive of penalties, covering the taxable years 2009 and 2010.



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors
Anglo Philippine Holdings Corporation
6th Floor, Quad Alpha Centrum Building
125 Pioneer Street, Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Anglo Philippine Holdings Corporation as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated March 28, 2012. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 0783-A (Group A),
February 9, 2012, valid until February 8, 2015
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174837, January 2, 2012, Makati City

March 28, 2012



ANGLO PHILIPPINE HOLDINGS CORPORATION

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SEC FORM 17-A

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Notes to Financial Statements	1-47
Supplementary Schedules	
A. Financial Assets (See attached)	*
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Stockholders (Other Than Related Parties)	(n/a)
C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	(n/a)
D. Intangible Assets – Other Assets	(n/a)
E. Long Term Debt	*
F. Indebtedness to Related Parties	(n/a)
G. Guarantees of Securities of Other Issuers	(n/a)
H. Capital Stock	*
I. Other Supplementary Schedule	
a. Reconciliation of Retained Earnings Available for Dividend Declaration	*
b. Tabular Schedule of Standards and Interpretations as of Reporting Date	*
c. Map of Group of Companies	*

**See attached schedule*

ANGLO PHILIPPINE HOLDINGS CORPORATION
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2011

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (in Peso)	Valued based on market quotation end of reporting period (in Peso)	Income received and accrued (in Peso)
Shang Properties, Inc.	214,145,742	462,554,801	462,554,801	15,743,995
The Philodrill Corporation	3,228,478,022	63,312,081	63,312,081	1,828,707
Vulcan Industrial Mining Corporation	12,250,000	10,780,000.00	10,780,000	-

ANGLO PHILIPPINE HOLDINGS CORPORATION
SCHEDULE E - LONG TERM DEBT
December 31, 2011

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Long Term Debt-EPL	n/a	P607,188,784	P1,145,020,102*
Long Term Debt-Philodrill	n/a	-	P50,000,000**

* Interest rate is at 1.5% p.a., maturity are as follows:

1. P100,006,025 - June 30, 2015
2. P488,786,542 - June 30, 2016
3. P556,227,535 - Dec. 31, 2013

** Interest rate is at P8% p.a., maturity is on June 30, 2013

ANGLO PHILIPPINE HOLDINGS CORPORATION
SCHEDULE H - CAPITAL STOCK
December 31, 2011

Title of issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors officers and employees	Others
Common shares	2,000,000,000	1,178,000,000*	-	650,644,931.00	67,360,097	-

* Including 13,000,000 shares in Treasury Stock

ANGLO PHILIPPINE HOLDINGS CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2011

Retained earnings available for dividend declaration as of December 31, 2010, as adjusted		₱140,339,455
Net income for the year		290,695,947
Cash dividends declared		(93,199,991)
Add (deduct):		
Amortization of discount on long-term debt	₱53,831,777	
Dividends received from associate	30,679,970	
Equity in net earnings of associates	(30,354,785)	
Discount on long-term debt	(120,292,209)	
Gain on fair value changes of financial assets at FVPL	(34,915,718)	(101,050,965)
Retained earnings available for dividend declaration as of December 31, 2011		₱236,784,446



ANGLO PHILIPPINE HOLDINGS CORPORATION

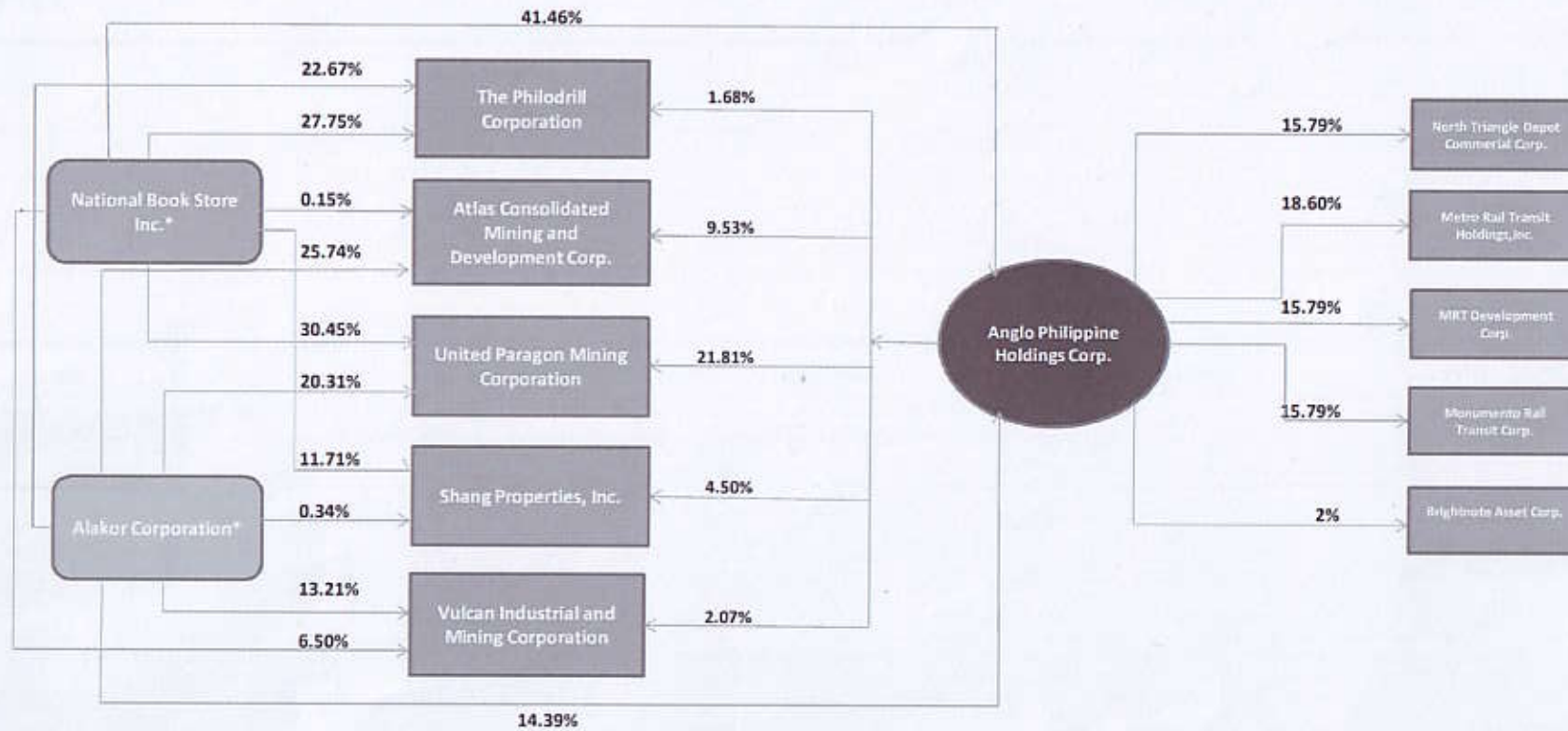
List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2011:

PFRSs and PIC Q&As	Adopted/Not adopted/Not applicable
PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i>	Not Applicable
PFRS 2, <i>Share-based Payment</i>	Not Applicable
PFRS 3, <i>Business Combinations</i>	Not Applicable
PFRS 4, <i>Insurance Contracts</i>	Not Applicable
PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Not Applicable
PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Not Applicable
PFRS 7, <i>Financial Instruments: Disclosures</i>	Adopted
PFRS 8, <i>Operating Segments</i>	Adopted
PAS 1, <i>Presentation of Financial Statements</i>	Adopted
PAS 2, <i>Inventories</i>	Not Applicable
PAS 7, <i>Statement of Cash Flows</i>	Adopted
PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Not Applicable
PAS 10, <i>Events after the Reporting Period</i>	Applicable
PAS 11, <i>Construction Contracts</i>	Not Applicable
PAS 12, <i>Income Taxes</i>	Adopted
PAS 16, <i>Property, Plant and Equipment</i>	Adopted
PAS 17, <i>Leases</i>	Adopted
PAS 18, <i>Revenue</i>	Adopted
PAS 19, <i>Employee Benefits</i>	Adopted
PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Not Applicable
PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>	Adopted
PAS 23, <i>Borrowing Costs</i>	Adopted
PAS 24, <i>Related Party Disclosures</i>	Adopted
PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i>	Not Applicable
PAS 27, <i>Consolidated and Separate Financial Statements</i>	Not Applicable
PAS 28, <i>Investments in Associates</i>	Adopted
PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
PAS 31, <i>Interests in Joint Ventures</i>	Not Applicable
PAS 32, <i>Financial Instruments: Presentation</i>	Adopted
PAS 33, <i>Earnings per Share</i>	Adopted
PAS 34, <i>Interim Financial Reporting</i>	Not Applicable
PAS 36, <i>Impairment of Assets</i>	Adopted
PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Adopted
PAS 38, <i>Intangible Assets</i>	Not Applicable
PAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Adopted
PAS 40, <i>Investment Property</i>	Adopted
PAS 41, <i>Agriculture</i>	Not Applicable

PFRSs and PIC Q&As	Adopted/Not adopted/Not applicable
Philippine Interpretation IFRIC 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Not Applicable
Philippine Interpretation IFRIC 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Not Applicable
Philippine Interpretation IFRIC 4, <i>Determining whether an Arrangement contains a Lease</i>	Not Applicable
Philippine Interpretation IFRIC 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Not Applicable
Philippine Interpretation IFRIC 6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	Not Applicable
Philippine Interpretation IFRIC 7, <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
Philippine Interpretation IFRIC 9, <i>Reassessment of Embedded Derivatives</i>	Not Applicable
Philippine Interpretation IFRIC 10, <i>Interim Financial Reporting and Impairment</i>	Not Applicable
Philippine Interpretation IFRIC 12, <i>Service Concession Arrangements</i>	Not Applicable
Philippine Interpretation IFRIC 13, <i>Customer Loyalty Programmes</i>	Not Applicable
Philippine Interpretation IFRIC 14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Not Applicable
Philippine Interpretation IFRIC 16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Not Applicable
Philippine Interpretation IFRIC 17, <i>Distributions of Non-cash Assets to Owners</i>	Not Applicable
Philippine Interpretation IFRIC 18, <i>Transfers of Assets from Customers</i>	Not Applicable
Philippine Interpretation IFRIC 19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Not Applicable
Philippine Interpretation SIC 7, <i>Introduction of the Euro</i>	Not Applicable
Philippine Interpretation SIC 10, <i>Government Assistance - No Specific Relation to Operating Activities</i>	Not Applicable
Philippine Interpretation SIC 12, <i>Consolidation - Special Purpose Entities</i>	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, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	Not Applicable
Philippine Interpretation SIC 27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	Not Applicable
Philippine Interpretation SIC 29, <i>Service Concession Arrangements: Disclosures</i>	Not Applicable
Philippine Interpretation SIC 31, <i>Revenue - Barter Transactions Involving Advertising Services</i>	Not Applicable

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

**Anglo Philippine Holdings Corporation
Map of Group of Companies
As of December 31, 2011**



* Not SGV Audit Client