COVER SHEET

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S.E.C. Registration Number

VIVANT CORPORATION AND SUBSIDIARIES

(Company's Full Name)

Unit 907-908, Ayala Life FGU Center, Cebu Business Park Cebu City

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

Ms. Maria Victoria E. Sembrano

Contact Person

(032)234-2256

Company Telephone Number

12 31

Month *Day*

AFS11

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1501

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

ViVANT
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **VIVANT CORPORATION AND SUBSIDIARIES** (the **Group**), is responsible for the preparation and fair presentation of the financial statements as at and for the years ended (**December 31, 2011 and 2010**), including the additional components attached therein, 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** reviews and approves the financial statements and submits the same to the **stockholders**.

Manabat Sanagustin & Co., CPAs, the independent auditors appointed by the **stockholders**, has audited the financial statements of the **Company** in accordance with Philippine Standards on Auditing, and in its report to the **stockholders**, has expressed its opinion on the fairness of presentation upon completion of such audit.

Dennis N.A. Garcia
Chairman

Ramontito E. Garcia
President

Gil A. Garcia II
Treasurer

Arlo A.G. Sarmiento
Chief Operation Officer/Chief Finance Officer

Signed this 13th day of April 2012 at Cebu City, Philippines

SUBSCRIBED AND SWORN TO before me this 13th day of April 2012 at Cebu City, affiants exhibiting to me their respective identification, to wit:

Name	Drivers Lic. No.	Expiry Date
Dennis N.A. Garcia	GO1-79-039669	2013-09-10
Ramontito E. Garcia	VV0203894	2012-05-04
Arlo A.G. Sarmiento	G06-93-015481	2014-12-18
Gil A. Garcia II	N09-79-021330	2012-05-28

Doc No. 130 ;
Page No 26 ;
Book No. VI ;
Series of 2012

BERNARD INOCENTES S. GARCIA
NOTARIAL COMMISSION No. 07-08
NOTARY PUBLIC
CEBU CITY
UNTIL DECEMBER 31, 2013
SUITE 902 AYALA LIFE-FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL No. 52927
PTR No. 2156313, CEBU CITY: 01/03/12
IBP No. 872157 /CEBU CITY 01/03/12

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Vivant Corporation and Subsidiaries
Unit 907-908 Ayala life FGU Center
Cebu Business Park, Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and Subsidiaries as at and for the year ended December 31, 2011, and have issued our report dated April 18, 2012.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Parent Company's management.

- Reconciliation of Retained Earnings Available for Dividend Declaration *(Annex A)*
- Schedule of Philippine Financial Reporting Standards *(Annex B)*
- Map of the Conglomerate *(Annex C)*
- Supplementary Schedules of Annex 68-E *(Annex E)*

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3174014MA
Issued January 2, 2012 at Makati City

April 18, 2012
Makati City, Metro Manila

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011, 2010 and 2009

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Vivant Corporation and Subsidiaries
Unit 907-908, Ayala Life FGU Center
Cebu Business Park, Cebu City

We have audited the accompanying consolidated financial statements of Vivant Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, 2010 and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Vivant Corporation and Subsidiaries as at December 31, 2011, 2010 and 2009, and its consolidated financial performance and its consolidated cash flows for each of the years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements which discloses that 1590 Energy Corp., a subsidiary, was incorporated and started operations on July 30, 2010. Consequently, the information on the said subsidiary presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and related notes is only for five months ended December 31, 2010.

MANABAT SANAGUSTIN & CO., CPAs

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013
Tax Identification No. 121-597-818
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Issued June 30, 2010; valid until June 29, 2013
PTR No. 3174014MA
Issued January 2, 2012 at Makati City

April 18, 2012
Makati City, Metro Manila

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2011	2010	2009
ASSETS				
Current Assets				
Cash and cash equivalents	*5*	**P587,560,911**	P601,288,197	P157,887,407
Trade and other current receivables - net	*6*	**408,550,594**	323,823,502	15,996,362
Advances to associates and stockholders	*15a*	**94,817,571**	1,015,698,006	1,017,159,706
Inventories	*7*	**163,115,366**	72,556,533	-
Prepayments and other current assets	*7*	**253,002,105**	137,540,489	21,176,164
Total Current Assets		**1,507,046,547**	2,150,906,727	1,212,219,639
Noncurrent Assets				
Available-for-sale (AFS) investments	*8*	**8,791,249**	8,395,749	8,395,749
Investments in associates	*9*	**3,963,911,741**	2,851,219,900	2,689,685,597
Property, plant and equipment - net	*10*	**2,557,060,491**	2,862,659,235	13,043,787
Investment properties	*11*	**279,275,738**	187,831,963	188,125,188
Deferred tax assets	*17*	**16,567,613**	24,118,127	20,341,654
Goodwill	*9a*	**42,559,451**	42,559,451	41,965,294
Other noncurrent assets - net	*12*	**50,003,189**	24,616,512	22,999,320
Total Noncurrent Assets		**6,918,169,472**	6,001,400,937	2,984,556,589
		P8,425,216,019	P8,152,307,664	P4,196,776,228
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other current payables	*13*	**P569,180,990**	P367,142,279	P29,734,361
Advances from related parties	*15c*	**225,769,631**	86,886,390	1,449,972
Income tax payable		**330,633**	45,458	34,327
Current portion of long-term debt	*20*	**1,238,931,074**	913,613,058	-
Current portion of notes payable	*14*	**498,809,523**	553,428,571	332,000,000
Total Current Liabilities		**2,533,021,851**	1,921,115,756	363,218,660
Noncurrent Liabilities				
Long-term debt - net of current portion	*20*	**1,307,760,578**	2,133,714,627	-
Notes payable - net of current portion	*14*	**297,476,191**	354,571,429	500,000,000
Deferred tax liabilities	*17*	**28,425,949**	1,525,958	2,031,809
Total Noncurrent Liabilities		**1,633,662,718**	2,489,812,014	502,031,809
Total Liabilities		**4,166,684,569**	4,410,927,770	865,250,469

Forward

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		December 31		
	Note	2011	2010	2009
Equity Attributable to Shareholders of the Parent Company				
Capital stock	*21*	**P1,023,456,698**	P1,023,456,698	P1,023,456,698
Additional paid-in capital		**8,339,452**	8,339,452	8,339,452
Revaluation reserve	*9*	**509,519,206**	566,287,818	625,212,508
Fair value reserve		**191,083**	(5,291)	(5,291)
Retained earnings		**2,026,922,038**	1,495,951,478	1,087,008,222
Total Equity Attributable to Shareholders of the Parent Company		**3,568,428,477**	3,094,030,155	2,744,011,589
Non-controlling Interest		**690,102,973**	647,349,739	587,514,170
Total Equity		**4,258,531,450**	3,741,379,894	3,331,525,759
		P8,425,216,019	P8,152,307,664	P4,196,776,228

See Notes to the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

			Years Ended December 31	
	Note	2011	2010	2009
REVENUES				
Energy fees	*20*	**P1,298,454,988**	P835,420,772	P -
Equity in net earnings of associates	*9*	**669,824,646**	532,602,880	271,578,586
Management fees	*15e*	**122,921,596**	104,368,231	77,922,224
Interest income	*5, 15b*	**16,726,245**	16,631,382	5,459,679
Other income	*15f, 20*	**9,300,323**	8,232,618	2,926,265
		2,117,227,798	1,497,255,883	357,886,754
GENERATION COSTS	*16*	**1,056,668,595**	658,052,109	-
OPERATING EXPENSES				
Taxes and licenses		**26,951,546**	12,275,702	1,017,187
Professional fees		**26,579,325**	203,762,231	13,794,595
Management fees	*15e*	**36,150,000**	12,800,000	-
Salaries and employee benefits	*15h*	**17,893,034**	8,527,159	10,864,824
Travel		**8,201,247**	3,255,902	1,971,005
Depreciation and amortization	*10, 11*	**4,427,771**	2,594,178	1,701,115
Impairment loss on receivables	*6*	**3,395,274**	-	-
Communication and utilities		**2,371,843**	1,070,801	708,086
Rent and association dues		**2,204,269**	510,430	230,165
Representation		**1,701,685**	5,055,143	1,290,842
Security and janitorial		**731,664**	109,911	180,000
Write-off of advances		**-**	-	86,667
Royalties		**-**	5,925,533	-
Other operating expenses	*16*	**12,710,268**	6,239,493	2,470,323
		1,199,986,521	920,178,592	34,314,809
INCOME FROM OPERATIONS		**917,241,277**	577,077,291	323,571,945
OTHER INCOME (CHARGES)				
Finance costs	*14*	**(189,845,403)**	(51,656,740)	(58,929,507)
Gain on redemption of an equity interest in an associate	*9b*	**22,755,600**	10,157,400	-
Foreign currency exchange gains (losses)		**-**	(1,636,309)	4,738,704
Fair value gain on investment properties	*11*	**91,737,000**	-	-
		(75,352,803)	(43,135,649)	(54,190,803)
INCOME BEFORE INCOME TAX		**841,888,474**	533,941,642	269,381,142
INCOME TAX EXPENSE (BENEFIT)	*17*	**48,828,009**	(784,732)	669,319
NET INCOME		**P793,060,465**	P534,726,374	P268,711,823

Forward

	Note	2011	2010	2009
				Years Ended December 31
OTHER COMPREHENSIVE INCOME				
Fair value gain on AFS investments	*8*	**P385,500**	P -	P -
Share in the revaluation increment of an associate	*9*	**-**	-	39,981,523
TOTAL OTHER COMPREHENSIVE INCOME		**385,500**	-	39,981,523
TOTAL COMPREHENSIVE INCOME		**P793,445,965**	P534,726,374	P308,693,346
NET INCOME				
Attributable to:				
Shareholders of the Parent Company		**P655,967,857**	P469,763,000	P230,792,001
Non-controlling Interest		**137,092,608**	64,963,374	37,919,822
		P793,060,465	P534,726,374	P268,711,823
OTHER COMPREHENSIVE INCOME				
Attributable to:				
Shareholders of the Parent Company		**P196,374**	P -	P29,535,286
Non-controlling Interest		**189,126**	-	10,446,237
		P385,500	P -	P39,981,523
BASIC AND DILUTED EARNINGS PER SHARE	*19*	**P0.641**	P0.459	P0.226

**1590 Energy Corp., a subsidiary, was incorporated and has started operations on July 30, 2010. Consequently, the information as presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and related notes is only for five months ended December 31, 2010.*

See Notes to the Consolidated Financial Statements.

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VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Year Ended December 31, 2011							
		Attributable to Shareholders of the Parent Company							
	Note	Capital Stock (See Note 21)	Additional Paid-in Capital	Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2011		P1,023,456,698	P8,339,452	P566,287,818	(P5,291)	P1,495,951,478	P3,094,030,155	P647,349,739	P3,741,379,894
Total comprehensive income for the year									
Net income for the year		-	-	-	-	655,967,857	655,967,857	137,092,608	793,060,465
Other comprehensive income:									
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate		-	-	(56,768,612)	-	56,768,612	-	-	-
Net fair value gain on AFS investments		-	-	-	196,374	-	196,374	189,126	385,500
		-	-	(56,768,612)	196,374	712,736,469	656,164,231	137,281,734	793,445,965
Transactions with stockholders, recorded directly in equity									
Cash dividends	18	-	-	-	-	(181,765,909)	(181,765,909)	(94,528,500)	(276,294,409)
Balance at December 31, 2011		**P1,023,456,698**	**P8,339,452**	**P509,519,206**	**P191,083**	**P2,026,922,038**	**P3,568,428,477**	**P690,102,973**	**P4,258,531,450**

See Notes to the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Year Ended December 31, 2010*							
		Attributable to Shareholders of the Parent Company							
	Note	Capital Stock (See Note 21)	Additional Paid-in Capital	Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2010		P1,023,456,698	P8,339,452	P625,212,508	(P5,291)	P1,087,008,222	P2,744,011,589	P587,514,170	P3,331,525,759
Total comprehensive income for the year									
Net income for the year		-	-	-	-	469,763,000	469,763,000	64,963,374	534,726,374
Other comprehensive income:									
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate		-	-	(58,924,690)	-	58,924,690	-	-	-
		-	-	(58,924,690)	-	528,687,690	469,763,000	64,963,374	534,726,374
Transactions with stockholders, recorded directly in equity									
Share in paid-in capital and deposits for future stock subscriptions of a new subsidiary		-	-	-	-	-	-	49,000,000	49,000,000
Cash dividends	*18*	-	-	-	-	(119,744,434)	(119,744,434)	(54,127,805)	(173,872,239)
Balance at December 31, 2010		P1,023,456,698	P8,339,452	P566,287,818	(P5,291)	P1,495,951,478	P3,094,030,155	P647,349,739	P3,741,379,894

*1590 Energy Corp., a subsidiary, was incorporated and has started operations on July 30, 2010. Consequently, the information as presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and related notes is only for five months ended December 31, 2010.

See Notes to the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Year Ended December 31, 2009							
		Attributable to Shareholders of the Parent Company							
	Note	Capital Stock (See Note 21)	Additional Paid-in Capital	Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2009		P1,023,456,698	P8,339,452	P648,282,365	(P5,291)	P902,610,074	P2,582,683,298	P601,485,711	P3,184,169,009
Total comprehensive income for the year									
Net income for the year		-	-	-	-	230,792,001	230,792,001	37,919,822	268,711,823
Other comprehensive income:									
Share in revaluation increment of an associate		-	-	29,535,286	-	-	29,535,286	10,446,237	39,981,523
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate		-	-	(52,605,143)	-	52,605,143	-	-	-
		-	-	(23,069,857)	-	283,397,144	260,327,287	48,366,059	308,693,346
Transactions with stockholders, recorded directly in equity									
Cash dividends	*18*	-	-	-	-	(98,998,996)	(98,998,996)	(62,337,600)	(161,336,596)
Balance at December 31, 2009		P1,023,456,698	P8,339,452	P625,212,508	(P5,291)	P1,087,008,222	P2,744,011,589	P587,514,170	P3,331,525,759

See Notes to the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	2011	2010	2009
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P841,888,474**	P533,941,642	P269,381,142
Adjustments for:				
Finance costs	*14*	**189,845,403**	51,656,740	58,929,507
Depreciation and amortization	*10, 11*	**327,937,754**	260,833,053	1,701,115
Unrealized foreign exchange losses (gains)			1,636,309	(4,738,704)
Interest income		**(16,726,245)**	(16,631,382)	(5,459,679)
Equity in net earnings of associates	*9*	**(669,824,646)**	(532,602,880)	(271,578,586)
Gain on redemption of an equity interest in an associate	*9b*	**(22,755,600)**	(10,157,400)	-
Impairment loss on receivables	*6*	**3,395,274**	-	-
Fair value gain on investment properties	*11*	**(91,737,000)**	-	-
Operating income before working capital changes		**562,023,414**	288,676,082	48,234,795
Decrease (increase) in:				
Trade and other current receivables		**(88,122,366)**	(309,438,584)	(29,038,652)
Inventories		**(90,558,833)**	(72,556,533)	-
Prepayments and other current assets		**(118,374,423)**	(116,363,126)	(10,403,388)
Increase (decrease) in trade and other current payables		**203,239,429**	341,586,122	5,702,358
Cash generated from operations		**468,207,221**	131,903,961	14,495,113
Interest paid		**(191,046,121)**	(55,834,944)	(58,590,534)
Income tax paid		**(11,179,522)**	(3,321,303)	(2,664,240)
Net cash provided by (used in) operating activities		**265,981,578**	72,747,714	(46,759,661)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received from associates	*9*	**485,276,344**	314,348,965	318,205,196
Interest received		**16,726,245**	16,606,515	5,451,947
Additions to property and equipment	*10*	**(22,045,785)**	(12,827,591)	(2,107,478)
Increase in other noncurrent assets		**(25,386,677)**	-	(213)
Increase in investments in associates	*9*	**(119,796,746)**	(160,548,371)	(123,495,609)
Additions to AFS		**(10,000)**	-	-
Investment and deposit of non-controlling interest		-	49,000,000	-
Proceeds from redemption of an equity interest in an associate	*9b*	**114,712,200**	114,743,450	-
Net cash provided by investing activities		**449,475,581**	321,322,968	198,053,843

Forward

	Note	2011	2010	2009
			Years Ended December 31	
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans	*14*	**P382,000,000**	P413,000,000	P332,000,000
Payment of loans	*14*	**(493,714,286)**	(337,000,000)	-
Payment of long-term debt	*20*	**(500,636,033)**	(50,000,000)	-
Collection of loan receivable	*15d*	**-**	-	18,072,504
Cash dividends paid	*18*	**(276,294,409)**	(173,872,239)	(161,336,596)
Advances from (to) associates and stockholders	*15a, 15c*	**159,460,283**	197,202,347	(533,714,357)
Net cash provided by (used in) financing activities		**(729,184,445)**	49,330,108	(344,978,449)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(13,727,286)**	443,400,790	(193,684,267)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**601,288,197**	157,887,407	351,571,674
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P587,560,911**	P601,288,197	P157,887,407

**1590 Energy Corp., a subsidiary, was incorporated and has started operations on July 30, 2010. Consequently, the information as presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and related notes is only for five months ended December 31, 2010.*

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company's shares are listed in the Philippine Stock Exchange.

The Parent Company is owned and controlled by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 84.93%. MRC and JDC are entities incorporated and domiciled in the Philippines.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

Subsidiaries and Associates

Details of the equity interest as of December 31 of the Parent Company in its subsidiaries and associates are shown below:

	Percentage of Ownership	
2011	**Direct**	**Indirect**
Subsidiaries		
Hijos De F. Escaño (HDFE)	**50.94**	-
VC Ventures Net, Inc. (VNI)	**100.00**	-
Vivant Energy Corporation (VEC)	**100.00**	-
Vivant Integrated Generation Corporation (VIGC)	-	**100.00** (a) (f)
Vics-Amlan Holdings Corporation (Vics-Amlan)	-	**60.00** (a) (g)
Vics-Bakun Holdings Corporation (Vics-Bakun)	-	**100.00** (a) (h)
1590 Energy Corp. (1590 EC)	-	**52.70** (a) (i)
Associates		
Visayan Electric Company, Inc. (VECO)	**22.00**	**12.74** (b)
Prism Energy, Inc. (PEI)	**40.00** (n)	-
Vivant Sta. Clara Northern Renewables Generation Corporation (VSNRGC) formerly Amlan Hydro Power, Inc. (AHPI)	-	**46.00** (c) (j)
Abovant Holdings, Inc. (Abovant or AHI)	-	**40.00** (d)
Cebu Private Power Corporation (CPPC)	-	**40.00** (a)
Delta P, Inc. (Delta P)	-	**35.00** (a)
ICS Renewables, Inc. (ICS)	-	**30.00** (e) (k)
Calamian Islands Power Corp. (CIPC)	-	**50.00** (a) (m)

(a) Indirect ownership through VEC
(b) Indirect ownership through HDFE
(c) Indirect ownership through Vics-Bakun
(d) Indirect ownership through VIGC
(e) Indirect ownership through Vics-Amlan
(f) Incorporated on November 5, 2008
(g) Incorporated on August 26, 2009
(h) Incorporated on January 8, 2010
(i) Incorporated on July 30, 2010
(j) Incorporated on July 9, 2009
(k) Incorporated on October 21, 2008
(l) Incorporated on July 2, 2010
(m) Incorporated on October 19, 2010
(n) Incorporated on March 24, 2009

	2010		2009	
	Percentage of Ownership		Percentage of Ownership	
	Direct	Indirect	Direct	Indirect
Subsidiaries				
HDFE	50.94	-	50.94	-
VNI	100.00	-	100.00	-
VEC	100.00	-	100.00	-
VIGC	-	100.00	-	100.00
1590EC	-	51.00	-	-
Vics-Bakun	-	100.00	-	-
Vics-Amlan	-	60.00	-	60.00
Associates				
VECO	22.00	12.74	22.00	12.72
VSNRGC	-	46.00	-	46.00
Abovant	-	40.00	-	40.00
Vivant Sta. Clara Northern Renewables Corporation (VSNRC)	-	40.00[(a) (l)]	-	-
CPPC	-	40.00	-	40.00
Delta P	-	35.00	-	35.00
ICS	-	30.00	-	-

Subsidiaries
HDFE, VNI, VEC, VIGC, Vics-Amlan, Vics-Bakun and 1590 EC qualify as subsidiaries of the Parent Company and are included in the consolidated financial statements. They are hereinafter referred to as the "Subsidiaries". The information on 1590 EC presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and related notes in 2010 is only for five months ended December 31, 2010.

The Parent Company and its Subsidiaries (the "Group") are all incorporated in the Philippines. Except for 1590 EC, all subsidiaries are also operating as holding and investing companies, primarily to entities engaged in power generation and distribution. 1590 EC is operating a diesel power plant. Described below are the subsidiaries.

HDFE
The primary purpose of HDFE is to invest in and exercise all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities. HDFE currently exists as a holding company with direct equity shareholdings in VECO of 25% as of December 31, 2011, 2010 and 2009. VECO is engaged into power distribution business.

VNI
The primary purpose of VNI is to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized.

VEC
VEC's primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public electricity as the corporation may determine.

VEC currently exists as a holding company with direct equity shareholdings in CPPC, Delta P, 1590 EC and CIPC, entities engaged in power generation. VEC also has direct equity shareholdings on holding entities, namely: Vics-Amlan, Vics-Bakun and VIGC.

VIGC

VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies.

In 2009, VEC and VIGC executed a deed of sale wherein the former sold to the latter its 100,000 common shares in Abovant representing 40% ownership. Abovant is engaged in power generation business.

Vics-Amlan

Vics-Amlan, the holding entity of ICS, was incorporated on August 26, 2009 with the primary purpose of holding investments in power generation companies.

Vics-Bakun

Vics-Bakun, the holding entity of VSNRGC, was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies.

1590 EC

1590 EC was incorporated and started its power generation operations on July 30, 2010.

Associates

VECO, CPPC, Delta P, Abovant, VSNRGC, ICS, VSNRC (only in 2010), PEI and CIPC and qualify as associates of the Group. Described below are the associates.

VECO

VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

Although the Group has majority representation in VECO's Board of Directors, it has only the ability to exercise significant influence over the financial and operating policies of VECO. VECO is co-managed by the Group and Aboitiz Power Corporation.

VSNRGC

VSNRGC, formerly known as Amlan Hydro Power, Inc., was organized and registered with SEC on July 9, 2009 primarily to engage in the general business of power generation and sale of electric power to National Power Corporation (NAPOCOR), private electric cooperatives and other entities.

In 2009, VSNRGC participated and was awarded the bid as an Independent Power Producer Administrator (IPP-A) of the contracted capacities of the Bakun and Benguet power plants. VSNRGC formally became the IPP-A of the contracted capacities of Bakun hydro power plant in February 2010 upon signing of the related documents and payment of the related consideration. Bakun hydro power plant has an installed capacity of 70MW and is located in Alilem, Ilocos Sur, while Benguet hydro power plant has an installed capacity of 30MW and is situated in Benguet, Cordillera Administrative Region.

Abovant
Abovant was registered with SEC on November 28, 2007 primarily to manage entities and to provide management, investment and technical advice for enterprises engaged in electricity generation and/or distribution.

Abovant and Global Formosa, a joint venture between Global Power and Formosa Heavy Industries, signed a shareholders' agreement to develop, construct and own a 246-megawatt (MW) coal-fired power plant in Toledo City, Cebu.

CPPC
The primary purpose of CPPC is to build, construct or own power generation plants and related facilities.

CPPC was registered with the Board of Investments on May 5, 1997 as a new operator on a preferred pioneer status of a 70-MW bunker "C" diesel-fired power generating plant under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987.

Delta P
Delta P was registered with SEC on September 20, 2002 primarily to operate and maintain a 16-MW heavy fuel oil -fired generating power station in Puerto Princesa, Palawan.

ICS
ICS was incorporated and registered with the SEC on October 21, 2008 with the primary purpose to manufacture, acquire, develop, own and operate alternative fuels. Currently, ICS is operating a 0.8-MW hydroelectric power plant in Amlan, Negros Oriental, which was purchased by ICS from the Power Sector Assets and Liabilities Management (PSALM).

VSNRC
VSNRC was also incorporated as a power generation company. It has not yet started operations as of December 31, 2010. The Group's shareholding was sold in 2011.

CIPC
CIPC was incorporated on October 19, 2010 as a power generation company in Palawan. It has not yet started commercial operations as of December 31, 2011 and 2010.

PEI
PEI was incorporated on March 24, 2009 as a power generation company. It has not yet started operations as of December 31, 2011.

Office Address
The principal place of business of the Parent Company is located at Unit 907-908, Ayala Life FGU Center, Cebu Business Park, Cebu City.

2. Basis of Preparation

Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The consolidated financial statements of the Group as of and for the years ended December 31, 2011, 2010 and 2009 were approved and authorized for issuance by the Board of Directors (BOD) on April 18, 2012.

Basis of Measurement
The consolidated financial statements have been prepared on the historical cost basis, except for financial assets classified as available-for-sale (AFS) investments and investment properties - land, which have been measured at fair value (see Note 3).

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso has been rounded to the nearest peso except when otherwise stated.

Use of Estimates and Judgments
The preparation of consolidated financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that has the most significant effect on the amounts recognized in the consolidated financial statements are discussed in Note 4 to the consolidated financial statements.

3. Summary of Significant Accounting Policies

Adoption of Revised Standards, Amendments and Improvements to Standards and Interpretations
The Financial Reporting Standards Council approved the adoption of revised standards, amendments and improvements to standards and interpretations as part of PFRSs.

Adopted Effective January 1, 2011
The Group has adopted the following PFRSs starting January 1, 2011 and accordingly, changed its accounting policies in the following areas:

- Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues*, permits rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after February 1, 2010.

- Philippine Interpretation IFRIC19, *Extinguishing Financial Liabilities with Equity Instruments*, addresses issues in respect of the accounting by the debtor in a debt for equity swap transaction. It clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a debt for equity swap are consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement* paragraph 41. The interpretation is applicable for annual periods beginning on or after July 1, 2010.

- Revised PAS 24, *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011.

- *Improvements to PFRSs 2010* contain 11 amendments to six standards and to one interpretation. The amendments are generally effective for annual periods beginning on or after January 1, 2011. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

  - PAS 27, *Consolidated and Separate Financial* Statements. The amendments clarify that the consequential amendments to PAS 21 *The Effects of Changes in Foreign Exchange Rates*, PAS 28 *Investments in Associates* and PAS 31 *Interests in Joint Ventures* resulting from PAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The amendments are effective for annual periods beginning on or after July 1, 2010.

  - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the International Accounting Standards Board (IASB) amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011.

  - PAS 1, *Presentation of Financial Statements*. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011.

  - PAS 34, *Interim Financial Reporting*. The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures. The amendments are effective for annual periods beginning on or after January 1, 2011.

The adoption of the above revised standards, amendments and improvements to standards and interpretation did not have any material effect on the consolidated financial statements.

New Standards, Amendments and Improvements to Standards and Interpretations Not yet Adopted

A number of new standards, amendments and improvements to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for PFRS 9, *Financial Instruments*, which becomes mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

The Group will adopt the following new standards, amendments and improvements to standards and interpretations in the respective effective dates.

To be Adopted on January 1, 2012

- *Disclosures - Transfers of Financial Assets* (Amendments to PFRS 7), require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Earlier application is permitted. Entities are not required to provide the disclosures for any period that begins prior to July 1, 2011.

To be Adopted on January 1, 2013

- Presentation of *Items* of Other Comprehensive Income (Amendments to PAS 1). The amendments:

    - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
    - do not change the existing option to present profit or loss and other comprehensive income in two statements; and
    - change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

  The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.

An investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; an
- there is a link between power and returns.

Control is re-assessed as facts and circumstances change.

PFRS 10 supersedes PAS 27 (2008) and Philippine Interpretation SIC-12 *Consolidation - Special Purpose Entities.*

- PFRS 11, *Joint Arrangements*

  PFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It:

  - distinguishes joint arrangements between joint operations and joint ventures; and
  - always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

  PFRS 11 supersedes PAS 31 and Philippine Interpretation SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.*

- PFRS 12, *Disclosure of Interests in Other Entities*

  PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

  - the nature of, and risks associated with, an entity's interests in other entities; and
  - the effects of those interests on the entity's financial position, financial performance and cash flows.

- PFRS 13, *Fair Value Measurement*

  PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- PAS 28, *Investments in Associates and Joint Ventures* (2011)

  PAS 28 (2011) supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments:

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and

- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

To be Adopted on January 1, 2015

- PFRS 9, *Financial Instruments*

  Standard Issued in November 2009 [PFRS 9 (2009)]
  PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply.

  Standard Issued in October 2010 [PFRS 9 (2010)]
  PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009.

  It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives.*

Under the prevailing circumstances, the adoption of the new standards, amendments and improvements to standards and interpretations is not expected to have any material effect on the Group's consolidated financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the changes in accounting policies as explained earlier.

Principles of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the subsidiaries enumerated in Note 1 to the consolidated financial statements.

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company and are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so will result in a deficit.

Accounting for Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into considerations potential voting rights that currently are exercisable.

For acquisitions on or after January 1, 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquire; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

For acquisitions between January 1, 2004 and January 1, 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), a bargain purchase gain is recognized immediately in profit or loss after reassessing the reasonableness of the measurement bases of the fair values of the identifiable assets, liabilities and of the cost of the acquisition.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

Following initial recognition, goodwill is measured at cost and subsequently reviewed for impairment at least annually or more frequently, if events or changes in circumstances indicate that its carrying value may be impaired.

Accounting for Non-controlling Interests (NCI)
NCI represents the portion of profit or loss, other comprehensive income and the net assets not held by the Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Parent Company's equity.

Acquisitions of NCI are accounted for as transaction with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to NCI, if any, are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill, if any, was recognized on the acquisition of NCI in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Loss of Control
Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an AFS financial asset depending on the level of influence retained.

Transactions Eliminated on Consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Investments in Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs and goodwill recognized on acquisition date. Goodwill is the difference between the cost of the investment and the investor's share of the fair values of the identifiable net assets acquired at acquisition date. The goodwill recognized is included in the carrying amount of the investment in associate and is not amortized nor tested for impairment. The consolidated financial statements include the Group's share of the income and expenses, other comprehensive income and other equity movements of its associate, after adjustments to align the accounting policies with that of the Group, from the date that significant influence commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments shall be made to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Segment Reporting

Operating segments provide services that are subject to risks and returns that are different from those of other operating segments. The Group's businesses are operated and organized according to the nature of business provided, with each segment representing a strategic business unit.

Operating results of the Group's operating segments are reviewed by the BOD, the chief operating decision maker (CODM) of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Prior to 2010, the Group does not present segment information because, at that time, the Group has only one segment in operation (i.e., investing in shares of stock). Management believes that segment reporting is more appropriate for enterprises offering group of products and services or operating in different geographical areas that are subject to differing rates of profitability, opportunities for growth, future prospects and risks that are relevant in assessing the risks and returns of a diversified or multinational entities.

With the inclusion in the consolidated financial statements of 1590 EC, a subsidiary engaged in power generation activity through operations of a power plant, the Group is currently organized into two operating segments: the Group's activity of investing in shares of stock and 1590 EC's power generation operation. The operating segments and their corresponding principal activities are as follows:

Investing in Shares of Stocks

As disclosed in Note 1, except 1590 EC, the Parent Company and the Subsidiaries are operating as holding and investing companies. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

Power Generation

1590 EC owned and operated a diesel power plant wherein power generated is primarily traded at Wholesale Electricity Spot Market (WESM).

The Group's only reportable geographical segment is the Philippines.

Financial Assets and Liabilities

Financial assets and financial liabilities are recognized initially at fair value. The fair values of the consideration given or received are determined in reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are further classified into the following categories: financial asset or financial liability at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The Group determines the classification at initial recognition and where allowed and appropriate, re-evaluates this designation at every reporting date.

- *Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss (FVPL)*
  A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the near future or, upon initial recognition, it is designated by management at FVPL. Derivatives are also categorized as held at FVPL, except those derivatives designated and considered as effective hedging instruments. Assets or liabilities classified under this category are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets or liabilities are accounted for in profit or loss. Financial instruments at FVPL are classified as current if they are expected to be realized within twelve (12) months from the reporting date.

  As of December 31, 2010, 2009 and 2008, the Group has no financial assets or liabilities at FVPL.

- *Loans and Receivables*
  Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable costs. Subsequent to initial recognition, loan and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are included in current assets if maturity is within twelve months of the reporting date. Otherwise, these are classified as noncurrent assets.

  The Group's cash and cash equivalents, trade and other current receivables, advances to associates and stockholders and due from RFM Corporation (presented as part of "Other noncurrent assets" account) are classified as loans and receivables.

  Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

- *Held-to-Maturity (HTM) Investments*
  HTM investments are non-derivative quoted financial assets and with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. HTM investments are carried at amortized cost in the consolidated statements of financial position. Amortization is determined by using the effective interest method. Assets under this category are classified as current assets if maturity is within twelve months from the reporting date and noncurrent assets if maturity is more than a year.

  As of December 31, 2010, 2009 and 2008, the Group has no HTM investments.

- *Available-for-Sale (AFS) Investments*
  AFS investments are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. These financial assets are classified as noncurrent assets unless there is intention to dispose such assets within twelve months from the reporting date.

  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. For AFS investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and option pricing models.

  The Group has AFS investments as of December 31, 2011, 2010 and 2009.

- *Other Financial Liabilities at Amortized Cost*
  This category pertains to financial liabilities that are not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

  The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

  Included in this category are the Group's trade and other current payables, advances from related parties, long-term debt and notes payable (see Notes 13, 14 and 15).

<u>Derecognition of Financial Assets and Liabilities</u>
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:

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

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or 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 profit or loss.

<u>Offsetting Financial Assets and Liabilities</u>
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated statements of financial position.

<u>Impairment of Financial Assets</u>
At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that it would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing the Group's receivable, the Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the debtor, their payment behavior and known market factors.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of the estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

Financial Assets at Fair Value
In case of equity securities classified as AFS securities, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the equity securities previously recognized in profit or loss - is removed from equity and recognized in profit or loss for the period. Impairment losses on equity securities are not reversed in profit or loss but recognized directly in equity as part of other comprehensive income.

In the case of debt instrument classified as AFS securities, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accruals are recognized in profit or loss as part of interest income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss for the period.

Inventories
Inventories, which consisted of fuel inventories, are measured at the lower of cost and net realizable value (NRV).

Cost is determined using the weighted average method and consists of purchase price and other directly attributable costs of bringing the inventories to its present location and condition. NRV is the current replacement cost.

Property, Plant and Equipment
Property, plant and equipment are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and amortization is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Condominium units, building and improvements	5 - 40
Plant machineries and equipment	5 - 10
Leasehold and land improvements	3 - 10
Office furniture, fixtures and equipment	3 - 10
Transportation equipment	5
Tools and other assets	5

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect to those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amounts is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment Properties

Investment properties are properties held by the Group either to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. Subsequently, investment properties, consisting of parcels of land, are measured at fair value with any change therein recognized in profit or loss following the fair value model. Investment properties other than land are subsequently carried at cost following the cost model.

The fair value of the Group's investment properties - land measured using the fair value model is based on the valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices of similar properties.

Any gain or loss resulting from either a change in the fair value or the sale of investment properties is recognized in profit or loss in the year of change or derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by start of owner-occupation or of development with a view to sell.

Impairment of Nonfinancial Assets

The Group's nonfinancial assets are subject to impairment testing. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amounts of investments in associates, property, plant and equipment, investment properties, except land, goodwill, and other noncurrent assets are reviewed for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the estimated future cash flows expected to be derived from an asset or cash-generating unit discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. However, the amount of reversal of the previously recognized impairment loss cannot exceed the carrying amount that would have been determined had no impairment losses been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity

The Group's equity consists of capital stock, additional paid-in capital, revaluation reserve, fair value reserve and retained earnings, as shown in the consolidated statements of changes in equity.

Capital stock is recognized at par value for all issued shares. Consideration received in excess of par value is recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Earnings Per Share

Basic earnings per share is determined by dividing net income for the year by the weighted average number of common shares subscribed and issued during the year, after retroactive adjustment for any stock dividend and stock splits declared during the year, if any.

Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible notes and share options granted to employees.

Related Party Relationships

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of applicable tax, discount and rebate, if any. The following specific recognition criteria must also be met before revenue is recognized:

- *Energy Fees* - revenue from sale of generated power is recognized upon invoice and transmission to the customer.

- *Equity in Net Earnings* - is recognized based on the results of operations of the associates multiplied by the Group's percentage of the ownership.

- *Management Fees* - are recognized when the right to collect is established in accordance with the terms of the agreement.

- *Interest Income* - is recognized as the interest accrues (taking into account the effective yield on the asset).

- *Other Income, such as Rental income, gain on redemption of an equity share in an associate* - is generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on redemption of an equity share in an associate is recognized as the difference between the proceeds received upon redemption and the corresponding carrying amount of the investment redeemed.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred. Finance costs are reported on an accrual basis.

Foreign Currency Transactions and Translations

Transactions in foreign currencies are translated into Philippine peso using the exchange rates prevailing at the time of such transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign exchange gains or losses resulting from the settlement of such transactions and from the restatement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under non-cancellable operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Income Taxes

Income tax comprises current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary difference related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Provisions and Contingencies

A provision is a liability of uncertain timing or amount. It is recognized when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. When the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Group. When it is not probable that an outflow of economic benefits will be required or the amount cannot be estimated reliably, contingent liability is disclosed, unless the probability of outflow of economic benefits is remote.

Contingent asset is an asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Group. This is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is virtually certain.

Events After the Reporting Date

The Group identifies post year-end events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Any post year-end events (adjusting events) that provide additional information about the Group's financial position at the reporting date are recognized in the consolidated financial statements. Events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Accounting Estimates and Judgments

The Group's consolidated financial statements prepared in accordance with PFRSs requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and related disclosures. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the reporting date. These estimates and judgments are detailed below:

Estimating Allowances for Impairment Losses on Receivables and Advances

The Group maintains an allowance for impairment losses on receivables and advances at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group based on assessment of specific accounts where the Group has information that certain counterparties are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on third party credit reports and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase the recognized operating expenses and decrease current assets.

For advances to associates and stockholders and due from RFM Corporation, the Group uses judgment based on available facts and circumstances, including but not limited to, assessment of the related parties' operating activities, business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amount.

The Group recognized allowance for impairment on the amounts due from RFM Corporation amounting to P46.08 million as of December 31, 2011, 2010 and 2009 (see Note 12). The Group also recognized an allowance for impairment loss on accounts receivable amounting to P3.40 million as of December 31, 2011.

Estimating Useful Lives of Property, Plant and Equipment
The Group estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilization and obsolescence. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

As of December 31, 2011, 2010 and 2009, the carrying amounts of property, plant and equipment amounted to P2.56 billion, P2.86 billion and P13.04 million, respectively (see Note 10).

Determining Fair Value of AFS Investments
The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As of December 31, 2011, the Company recognized a fair value gain of AFS investments totaling P0.39 million in 2011 and nil in 2010 and 2009 (see Note 8).

Estimating Impairment of AFS Investments
The Group follows the guidance of PAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. If the assumption made regarding the duration that, and extent to which, the fair value is less than its cost, the Group would suffer additional loss in its investments.

The Group recognized impairment loss on investments carried at cost amounting to P1.95 million as of December 31, 2011, 2010 and 2009 (see Note 8).

Estimating Impairment of Nonfinancial Assets
An impairment review is performed when certain impairment indicators are present. As of reporting date, based on the assessment of the Group, there are no indications of impairment relating to nonfinancial assets. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the future assessment of recoverable values and may lead to impairment charges. Management assessed that there are no impairment indicators affecting the Group's nonfinancial assets as of December 31, 2011, 2010 and 2009.

As of December 31, 2011, 2010 and 2009, the carrying amounts of the Group's non-financial assets follow:

	Note	**2011**	2010	2009
Investments in associates	*9*	**P3,963,911,741**	P2,851,219,900	P2,689,685,597
Property, plant and equipment	*10*	**2,557,060,491**	2,862,659,235	13,043,787
Investment properties	*11*	**279,275,738**	187,831,963	188,125,188
Goodwill	*9a*	**42,559,451**	42,559,451	41,965,294
Other noncurrent assets - net	*12*	**50,003,189**	24,616,512	22,999,320
		P6,892,810,610	P5,968,887,061	P2,955,819,186

Allowance for Unrecoverable Creditable Withholding Tax

Creditable withholding taxes, included under "Prepayments and other current assets" account, are recorded at face value based on the amount withheld by suppliers. The Company maintains an allowance for the portion of creditable withholding taxes held by a supplier which can no longer be applied against income tax due.

As of December 31, 2011, 2010 and 2009, no allowance for impairment was provided.

Distinction Between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generated cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in operation.

The Group classified as investment properties the properties it currently held to earn rentals and for capital appreciation (see Note 11). The Group recognized rental income from investment properties amounting to P6.51 million in 2011 and P0.60 million in 2010 and 2009 (see Notes 11 and 20).

Determining Fair Value of Investment Properties - Land

The Group has adopted the fair value approach in determining the carrying value of its investment properties - land. While the Group has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized different basis for determining fair value.

The carrying amount of the Group's investment properties - land amounted to P270.10 million as of December 31, 2011 and P182.33 million as of December 31, 2010 and 2009 (see Note 11).

Determining Realizability of Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies.

The Group recognized deferred tax assets amounting to P16.57 million, P24.12 million and P20.34 million as of December 31, 2011, 2010 and 2009, respectively (see Note 17).

5. Cash and Cash Equivalents

This account consists of:

	2011	2010	2009
Cash on hand and in banks	**P456,896,619**	P440,927,035	P9,426,563
Short-term placements	**130,664,292**	160,361,162	148,460,844
	P587,560,911	P601,288,197	P157,887,407

Cash accounts with banks generally earn interest at rates based on daily bank deposit rates. Short-term placements represent time deposits with terms of not more than three months, with annual interest ranging 0.50% to 4.60% in 2011, 0.50% to 3.50% in 2010 and 2.25% to 4.05% in 2009.

6. Trade and Other Current Receivables

This account consists of:

	Note	**2011**	2010	2009
Trade receivables		**P322,290,209**	P281,660,503	P -
Accounts receivable	*15e*	**79,904,633**	38,043,636	14,434,913
Note and interest bearing receivables	*15b*	**-**	2,594,999	-
Advances to officers and employees	*15g*	**7,269,501**	225,362	374,627
Rent receivable		**983,303**	-	-
Others		**1,498,222**	1,299,002	1,186,822
		411,945,868	323,823,502	15,996,362
Less allowance for impairment loss		**(3,395,274)**	-	-
		P408,550,594	P323,823,502	P15,996,362

Trade receivables pertain to the Group's receivable from Wholesale Electricity Spot Market (WESM) on its power generation operations. These are generally collectible within 30 to 60 days.

Accounts receivable represents claims from VECO, CEDC, Delta P and TPC for management services rendered by the Group. These are non-interest bearing and collectible within 30 to 45 days (see Note 15e).

7. Inventories and Prepayments and Other Current Assets

Inventories

The following are the inventories held by 1590 EC to be used in its power plant operations which are carried at cost being lower than its NRV:

	2011	2010
Heavy fuel oil	**P127,830,431**	P63,918,846
Lube oil	**3,553,506**	4,375,414
Light fuel oil	**3,217,492**	4,262,273
Spare parts	**28,513,937**	-
	P163,115,366	P72,556,533

Prepayments and Other Current Assets

This account consists of:

	2011	2010	2009
Prepaid taxes	**P91,526,461**	P609,867	P -
Advances to supplier	**91,000,000**	91,000,000	-
Creditable withholding taxes	**34,867,575**	31,664,160	17,718,311
Input VAT	**22,006,246**	7,469,488	2,402,664
Prepaid expenses	**10,444,089**	4,911,889	-
Others	**3,157,734**	1,885,085	1,055,189
	P253,002,105	P137,540,489	P21,176,164

Advances to supplier pertains to prepayments made to a Group's financial consultant. This is the amount initially paid in consideration for the services on the on-going study of the operational, marketing and financial structure of 1590 EC in 2010. This will be applied to the billings made upon the submission by the financial consultant of all required documents as stipulated in the contract.

8. Available-for-Sale (AFS) Investments

This account is composed of investments in shares of stock of the following entities:

	2011	2010	2009
At fair value:			
Aboitiz Equity Ventures, Inc.	**P395,500**	P -	P -
Philippine Long Distance Telephone Co.	**600**	600	600
Paper Industries of the Phils.	**31**	31	31
	396,131	631	631
At cost:			
VC Exchange, Inc.	**8,345,118**	8,345,118	8,345,118
INCA Plastic Philippines	**2,000,000**	2,000,000	2,000,000
	10,345,118	10,345,118	10,345,118
Less impairment loss on investments	**(1,950,000)**	(1,950,000)	(1,950,000)
	8,395,118	8,395,118	8,395,118
	P8,791,249	P8,395,749	P8,395,749

Below is the reconciliation of investment carried at fair value:

	2011	2010	2009
Cost	**P20,940**	P10,940	P10,940
Fair value adjustment	**375,191**	(10,309)	(10,309)
	P396,131	P631	P631

Except for the investment in VC Exchange, Inc., the above investments represent the investments of HDFE in listed and non-listed equity securities that present opportunities for returns through dividend income and trading gains.

These have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices. The non-listed equity securities are stated at cost, as their fair values cannot be reliably measured, less any impairment in value.

The investment in VC Exchange, Inc. represents VNI's investment in the former's common shares of stock, representing 15% ownership as of December 31, 2011, 2010 and 2009.

In 2011, the Group invested in Aboitiz Equity Ventures, Inc. at a cost of P10,000. As of December 31, 2011, the Group recognized a fair value gain on AFS investment amounting to P385,500 presented as other comprehensive income in the consolidated statements of comprehensive income.

9. Investments in Associates

The components of the carrying amounts of investments in associates accounted for under equity method are as follows:

		For the Year Ended December 31, 2011									
	Note	VECO	CPPC	Delta P	PEI	CIPC	Abovant	VSNRGC (formerly AHPI)	ICS	VSNRC	Total
Acquisition cost:											
Beginning balance		P594,285,261	P94,750,563	P24,611,653	P -	P -	P1,165,369	P460,000	P1,425,000	P62,500	P716,760,346
Acquisitions and conversion		643,564	-	-	500,000	3,125,000	1,126,819,330	2,846,250	-	-	1,133,934,144
Disposal for the year		-	(27,507,600)	-	-	-	-	-	-	(62,500)	(27,570,100)
Ending balance		594,928,825	67,242,963	24,611,653	500,000	3,125,000	1,127,984,699	3,306,250	1,425,000	-	1,823,124,390
Deposits for future stock subscriptions	*15a*										
Beginning balance		-	-	-	-	-	112,681,933	45,540,000	-	-	158,221,933
Additions during the year		-	-	-	-	-	-	-	10,075,000	-	10,075,000
Converted to investment		-	-	-	-	-	(112,681,933)	(2,846,250)	-	-	(115,528,183)
Ending balance		-	-	-	-	-	-	42,693,750	10,075,000	-	52,768,750
Accumulated equity in net earnings (losses):											
Beginning balance		572,858,140	(70,902,887)	14,288,901	-	-	(21,433,667)	197,851,765	(294,507)	-	692,367,745
Equity in net earnings (losses)		385,651,332	89,206,765	14,215,089	-	(791,437)	232,509,990	(49,582,471)	(1,384,622)	-	669,824,646
Cash dividends		(355,598,265)	(78,000,000)	(11,908,112)	-	-	-	(39,769,967)	-	-	(485,276,344)
Disposal for the year		-	(64,449,000)	-	-	-	-	-	-	-	(64,449,000)
Share in the amount transferred from revaluation surplus representing depreciation on revaluation increment		56,768,612	-	-	-	-	-	-	-	-	56,768,612
Ending balance		659,679,819	(124,145,122)	16,595,878	-	(791,437)	211,076,323	108,499,327	(1,679,129)	-	869,235,659
Goodwill		-	292,891,286	77,505,578	-	-	-	-	-	-	370,396,864
Share in revaluation increment:											
Beginning balance		905,154,690	-	-	-	-	-	-	-	-	905,154,690
Share in the amount transferred to equity in net earnings representing depreciation on revaluation increment		(56,768,612)	-	-	-	-	-	-	-	-	(56,768,612)
Ending balance		848,386,078	-	-	-	-	-	-	-	-	848,386,078
Carrying amount		P2,102,994,722	P235,989,127	P118,713,109	P500,000	P2,333,563	P1,339,061,022	P154,499,327	P9,820,871	P -	P3,963,911,741

	Note	VECO	CPPC	Delta P	Abovant	AHPI	ICS and VSNRC	Total
		For the Year Ended December 31, 2010						
Acquisition cost:								
Beginning balance		P593,906,323	P122,258,163	P24,611,653	P1,165,369	P31,250	P -	P741,972,758
Acquisitions for the year		378,938	-	-	-	460,000	1,487,500	2,326,438
Disposal for the year		-	(27,507,600)	-	-	(31,250)	-	(27,538,850)
Ending balance		594,285,261	94,750,563	24,611,653	1,165,369	460,000	1,487,500	716,760,346
Deposits for future stock subscriptions	15a	-	-	-	112,681,933	45,540,000	-	158,221,933
Noncurrent portion of advances to associates	15a	-	-	-	7,655,288	663,035	-	8,318,323
Accumulated equity in net earnings (losses):								
Beginning balance		435,433,674	49,548,984	16,768,623	(8,820,657)	(694,285)	-	492,236,339
Equity in net earnings (losses)		286,477,359	50,626,120	9,860,868	(12,613,010)	198,546,050	(294,507)	532,602,880
Disposal for the year		-	(77,047,200)	-	-	-	-	(77,047,200)
Cash dividends		(207,977,583)	(94,030,792)	(12,340,590)	-	-	-	(314,348,965)
Share in the amount transferred from revaluation surplus representing depreciation on revaluation increment		58,924,690	-	-	-	-	-	58,924,690
Ending balance		572,858,140	(70,902,888)	14,288,901	(21,433,667)	197,851,765	(294,507)	692,367,744
Goodwill		-	292,891,286	77,505,578	-	-	-	370,396,864
Share in revaluation increment:								
Beginning balance		964,079,380	-	-	-	-	-	964,079,380
Share in the amount transferred to equity in net earnings representing depreciation on revaluation increment		(58,924,690)	-	-	-	-	-	(58,924,690)
Ending balance		905,154,690	-	-	-	-	-	905,154,690
Carrying amount		P2,072,298,091	P316,738,961	P116,406,132	P100,068,923	P244,514,800	P1,192,993	P2,851,219,900

	Note	VECO	CPPC	Delta P	Abovant	AHPI	Total
		For the Year Ended December 31, 2009					
Acquisition cost:							
Beginning balance		P591,607,589	P122,258,163	P24,611,653	P1,000,000	P -	P739,477,405
Acquisitions for the year		2,298,734	-	-	165,369	31,250	2,495,353
Ending balance		593,906,323	122,258,163	24,611,653	1,165,369	31,250	741,972,758
Noncurrent portion of advances to associates	15a	-	-	-	120,337,221	663,035	121,000,256
Accumulated equity in net earnings:							
Beginning balance		458,009,727	7,466,380	1,371,577	804,386	-	467,652,070
Equity in net earnings (losses)		148,651,630	117,849,238	15,397,046	(9,625,043)	(694,285)	271,578,586
Cash dividends		(242,438,562)	(75,766,634)	-	-	-	(318,205,196)
Share in the amount transferred from revaluation surplus representing depreciation on revaluation increment		71,210,879	-	-	-	-	71,210,879
Ending balance		435,433,674	49,548,984	16,768,623	(8,820,657)	(694,285)	492,236,339
Goodwill		-	292,891,286	77,505,578	-	-	370,396,864
Share in revaluation increment:							
Beginning balance		995,308,736	-	-	-	-	995,308,736
Revaluation increment		39,981,523	-	-	-	-	39,981,523
Share in the amount transferred to equity in net earnings representing depreciation on revaluation increment		(71,210,879)	-	-	-	-	(71,210,879)
Ending balance		964,079,380	-	-	-	-	964,079,380
Carrying amount		P1,993,419,377	P464,698,433	P118,885,854	P112,681,933	P -	P2,689,685,597

a. *VECO*

VECO's land and land rights, transmission and distribution equipment, and consumer matters and current limiters are carried at appraised values starting 2008. These were appraised by an independent firm of appraisers resulting in a revaluation increment, net of tax, of P85.1 million in 2009. Accordingly, the Group recorded its share in the revaluation increment of VECO in 2009.

The valuation, which conforms to the Internal Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

Approximately 1,273,291 common shares of VECO held by the Parent Company as part of its investments and with carrying amounts of P975.91 million and P938.47 million as of December 31, 2010 and 2009, respectively, were used as collateral for the Parent Company's loan with Metropolitan Bank and Trust Company. However, in 2011, the collateral was replaced from VECO shares to Abovant shares totaling to 36,013,637 equity shares divided into 32,411,733 preferred shares and 3,601,304 common shares of the Group with a total carrying value of P427.58 million as of December 31, 2011 (see Note 14a).

The goodwill reported in the consolidated statements of financial position represents the excess of the acquisition cost over the Group's interest in recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities at the time of acquisition of HDFE, a subsidiary. Due to the acquisition of HDFE, the Group was able to obtain majority representation in VECO's BOD and is able to exercise significant influence over the financial and operating policies of VECO with whom HDFE has direct ownership interest of 25%.

b. *CPPC*

The Group's investments in CPPC originated in 2007 resulted to the recognition of goodwill amounting to P292.89 million as of acquisition date.

On February 9, 2010, the BOD of CPPC approved the conversion of 90% of its common shares to preferred shares. Such conversion resulted to the amendment of its Articles of Incorporation which was approved by the SEC on July 29, 2010. Prior to conversion, CPPC had a total of 6.00 million common shares. In effect, 2.16 million of the Group's common shares were converted to preferred shares with a par value of P100 per share. After the conversion, the Group still maintains a 40% interest in CPPC or 240,000 common shares.

Subsequently, in December 2011 and 2010, CPPC redeemed 540,000 preferred shares held by the Group, with original acquisition cost of P27.51 million and with carrying amount as of the redemption date of P91.96 million in 2011 and P104.55 million in 2010 for total redemption price of P114.71 million in both years, which resulted to a gain on redemption amounting to P22.76 million in 2011 and P10.16 million in 2010.

After the conversion of the portion of the Group's investments to CPPC and redemption of 540,000 redeemable preferred shares, the Group's remaining balance of the cost of its investments to CPPC consists of the following as of December 31:

2011	**Acquisition Cost**	**No. of Shares**
Investments in common shares	**P12,227,763**	**240,000**
Investments in preferred shares	**55,015,200**	**1,080,000**
	P67,242,963	**1,320,000**

2010	Acquisition Cost	No. of Shares
Investments in common shares	P12,227,763	240,000
Investments in preferred shares	82,522,800	1,620,000
	P94,750,563	1,860,000

c. *Delta P*
The Group's investments in Delta P originated in 2007 resulted to the recognition of goodwill amounting to P77.51 million as of acquisition date.

d. *Abovant*
In 2010, the Group's BOD approved to subscribe in Abovant's common and preferred shares in the total amount of P112.68 million. Pending approval by the SEC on Abovant's increase in authorized capital stock, the P112.68 million subscription paid by the Group to Abovant was presented as "Deposits for future stock subscriptions", part of "Investments in associates" account.

The P112.68 million subscription made by the Group would be for the following investments in Abovant:

	Acquisition Cost	No. of Shares
Investments in common shares	P11,268,193	11,268,193
Investments in preferred shares	101,413,740	101,413,740
	P112,681,933	112,681,933

In 2011, the deposit for future stocks subscription was converted to paid-up capital and additional investment totaling to P1.014 billion was made while retaining the 40% ownership. Total additional investment cost in Abovant amounted to P1.127 billion during the year.

e. *VSNRGC*
In 2010, the Group's BOD approved to subscribe in VSNRGC's common shares in the total amount of P45.54 million. Pending approval by the SEC on VSNRGC's increase in authorized capital stock, the P45.54 million subscription paid by the Group to VSNRGC was presented as "Deposits for future stock subscriptions", part of "Investments in associates" account in 2010. Portion of the deposit for future stock subscription amounting P2.85 million consisting of 2,846,250 million common shares at P1 par value was converted to investment upon the approval by SEC of the Amended Articles of Incorporation on December 28, 2011. The Group subscribed 1,385,000 common shares at P1 par value per share

f. ICS

In December 2011, certain fixed assets of the hydro power plant of ICS were damaged by the flood due to a typhoon. These fixed assets were adequately covered with insurance and the appropriate steps have been undertaken by the insurance company in processing the claims; accordingly, the management of ICS has recorded a claims receivable from the insurance company at the carrying value of the damaged property. The management of ICS has subsequently undertaken steps to rehabilitate the hydro power plant to put it back into normal operations.

g. CIPC, PEI and VSNRC

VSNRC is non-operational as of December 31, 2010. The Group redeemed its investment in 2011.

CIPC and PEI are non-operational entities as of December 31, 2011.

The following are selected financial information of the associates as of and for the years ended December 31, 2011, 2010 and 2009:

	Assets	Liabilities	Revenues	Net Income (Loss)
VECO				
2011	**P10,877,036,997**	**P6,134,564,646**	**P16,296,842,070**	**P820,534,748**
2010	11,129,479,382	6,452,383,153	13,405,729,885	609,526,295
2009	8,953,805,990	4,445,156,496	10,830,878,822	315,081,939
CPPC				
2011	**P1,171,195,549**	**P7,542,433,240**	**P1,551,318,981**	**P223,016,913**
2010	1,393,484,778	888,027,182	2,042,949,827	126,565,300
2009	1,866,770,967	449,816,293	2,119,131,413	294,623,096
Delta P				
2011	**P615,069,252**	**P269,331,111**	**P730,673,518**	**P40,614,541**
2010	642,031,909	302,885,133	607,391,579	28,173,909
2009	434,230,710	87,999,014	603,024,138	42,568,813
Abovant				
2011	**P3,547,059,754**	**P199,820,703**	**P582,745,952**	**P581,274,975**
2010	2,765,964,206	2,535,343,627	82,108	(31,532,525)
2009	2,798,597,672	2,818,149,401	274,000	(24,062,607)
VSNRGC				
2011	**P13,931,725,676**	**P13,595,736,827**	**P998,046,160**	**(P107,787,980)**
2010	14,550,876,257	14,020,642,979	1,456,508,219	431,621,847
ICS				
2011	**P23,981,377**	**P4,485,384**	**P6,419,140**	**(P2,914,993)**
2010	21,208,277	1,406,753	4,971,155	(582,040)
CIPC				
2011	**P27,756,912**	**P23,089,410**	**P -**	**(P1,582,873)**

10. Property, Plant and Equipment

The movements in this account are as follows:

	For the Year Ended December 31, 2011						
	Condominium Units, Building and Improvements	**Plant Machineries and Equipment**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Tools and Other Assets**	**Total**
Cost:							
Beginning balance	**P150,529,447**	**P2,965,436,426**	**P1,210,693**	**P4,142,734**	**P7,962,138**	**P49,650**	**P3,129,331,088**
Additions	**8,339,754**	**233,781**	**2,061,273**	**3,347,454**	**7,913,282**	**150,241**	**22,045,785**
Disposal	-	-	-	-	**(928,571)**	-	**(928,571)**
Ending balance	**158,869,201**	**2,965,670,207**	**3,271,966**	**7,490,188**	**14,946,849**	**199,891**	**3,150,448,302**
Accumulated depreciation and amortization							
Beginning balance	**16,837,393**	**247,091,973**	**238,018**	**1,903,505**	**597,654**	**3,310**	**266,671,853**
Depreciation and amortization	**14,626,725**	**309,535,894**	**569,766**	**740,810**	**2,151,361**	**19,973**	**327,644,529**
Disposal	-	-	-	-	**(928,571)**	-	**(928,571)**
Ending balance	**31,464,118**	**556,627,867**	**807,784**	**2,644,315**	**1,820,444**	**23,283**	**593,387,811**
Carrying amount:							
Beginning balance	**P133,692,054**	**P2,718,344,453**	**P972,675**	**P2,239,229**	**P7,364,484**	**P46,340**	**P2,862,659,235**
Ending balance	**P127,405,083**	**P2,409,042,340**	**P2,464,182**	**P4,845,873**	**P13,126,405**	**P176,608**	**P2,557,060,491**

	For the Year Ended December 31, 2010						
	Condominium Units, Building and Improvements	Plant Machineries and Equipment	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Tools and Other Assets	Total
Cost:							
Beginning balance	P15,033,906	P -	P1,210,693	P2,002,641	P966,844	P -	P19,214,084
Additions	135,495,541	2,965,436,426	-	2,140,093	7,033,566	49,650	3,110,155,276
Disposal	-	-	-	-	(38,272)	-	(38,272)
Ending balance	150,529,447	2,965,436,426	1,210,693	4,142,734	7,962,138	49,650	3,129,331,088
Accumulated depreciation and amortization							
Beginning balance	4,112,693	-	8,183	1,678,325	371,096	-	6,170,297
Depreciation and amortization	12,724,700	247,091,973	229,835	225,180	264,830	3,310	260,539,828
Disposal	-	-	-	-	(38,272)	-	(38,272)
Ending balance	16,837,393	247,091,973	238,018	1,903,505	597,654	3,310	266,671,853
Carrying amount:							
Beginning balance	P10,921,213	P -	P1,202,510	P324,316	P595,748	P -	P13,043,787
Ending balance	P133,692,054	P2,718,344,453	P972,675	P2,239,229	P7,364,484	P46,340	P2,862,659,235

	For the Year Ended December 31, 2009					
	Condominium Units, Building and Improvements	Leasehold and Land Improvements	Office Furniture and Equipment	Transportation Equipment	Construction in Progress	Total
Cost:						
Beginning balance	P15,033,906	P63,183	P1,704,584	P966,844	P5,202,583	P22,971,100
Additions	-	1,147,510	298,057	-	661,911	2,107,478
Reclassifications	-	-	-	-	(5,864,494)	(5,864,494)
Ending balance	15,033,906	1,210,693	2,002,641	966,844	-	19,214,084
Accumulated depreciation and amortization						
Beginning balance	2,794,425	8,183	1,469,296	270,584	-	4,542,488
Depreciation and amortization	1,318,268	-	209,029	100,512	-	1,627,809
Ending balance	4,112,693	8,183	1,678,325	371,096	-	6,170,297
Carrying amount:						
Beginning balance	P12,239,481	P55,000	P235,288	P696,260	P5,202,583	P18,428,612
Ending balance	P10,921,213	P1,202,510	P324,316	P595,748	P -	P13,043,787

The reclassification pertains to the transfer of construction in progress in 2009 to investment properties as discussed in Note 11.

The 2010 additions to the "Property, plant and equipment" account included the following acquisition costs of the power plant acquired by 1590 EC totaling P3.10 billion (see Note 20) as broken down below:

	Non-cash Acquisition (Incurrence of Long-term Debt)	Cash Acquisition	Total Additions
Plant machineries and equipment	P2,915,805,733	P47,842,012	P2,963,647,745
Buildings	131,521,952	2,157,988	133,679,940
	P3,047,327,685	P50,000,000	P3,097,327,685

Total depreciation and amortization charged to the following accounts in the consolidated statements of comprehensive income:

	Note	**2011**	2010	2009
Generation cost	*16*	**P323,509,983**	P258,238,875	P -
Operating expenses		**4,134,546**	2,300,953	1,627,809
		P327,644,529	P260,539,828	P1,627,809

11. Investment Properties

The composition and movements in the Group's investment properties are as follows:

	For the Year Ended December 31, 2011			
	Land	**Buildings and Improvements**	**Land Improvements**	**Total**
Measurement Basis	***At Fair Value***	***At Fair Value***	***At Cost***	
Gross carrying amount:				
Beginning balance	**P182,334,000**	**P845,179**	**P6,260,852**	**P189,440,031**
Fair value adjustments	**87,769,000**	**3,968,000**	**-**	**91,737,000**
Ending balance	**270,103,000**	**4,813,179**	**6,260,852**	**281,177,031**
Accumulated depreciation and amortization:				
Beginning balance	**-**	**845,179**	**762,889**	**1,608,068**
Depreciation and amortization	**-**	**-**	**293,225**	**293,225**
Ending balance	**-**	**845,179**	**1,056,114**	**1,901,293**
Carrying value				
Beginning balance	**P182,334,000**	**P -**	**P5,497,963**	**P187,831,963**
Ending balance	**P270,103,000**	**P3,968,000**	**P5,204,738**	**P279,275,738**

	For the Year Ended December 31, 2010			
	Land	Buildings and Improvements	Land Improvements	Total
Measurement Basis	*At Fair Value*	*At Fair Value*	*At Cost*	
Gross carrying amount:				
Beginning balance	P182,334,000	P845,179	P6,260,852	P189,440,031
Ending balance	182,334,000	-	6,260,852	189,440,031
Accumulated depreciation and amortization:				
Beginning balance	-	845,179	469,664	1,314,843
Depreciation and amortization	-	845,179	293,225	293,225
Ending balance	-	-	762,889	1,608,068
Carrying value				
Beginning balance	P182,334,000	P845,179	P5,791,188	P188,125,188
Ending balance	P182,334,000	P -	P5,497,963	P187,831,963

	For the Year Ended December 31, 2009			
	Land	Buildings and Improvements	Land Improvements	Total
Measurement Basis	*At Fair Value*	*At Fair Value*	*At Cost*	
Gross carrying amount:				
Beginning balance	P182,334,000	P845,179	P396,358	P183,575,537
Reclassification	-	-	5,864,494	5,864,494
Ending balance	182,334,000	845,179	6,260,852	189,440,031
Accumulated depreciation and amortization:				
Beginning balance	-	845,179	396,358	1,241,537
Depreciation and amortization	-	-	73,306	73,306
Ending balance	-	845,179	469,664	1,314,843
Carrying value				
Beginning balance	P182,334,000	P -	P -	P182,334,000
Ending balance	P182,334,000	P -	P5,791,188	P188,125,188

Some of the Group's properties were leased out to outside parties to earn rental income (see Note 20). Total rental income amounted to P6,512,095 in 2011, P600,000 in 2010 and 2009, recorded as part of "Other income" in the consolidated statements of comprehensive income.

The fair value gain of land in 2011 was determined based on the appraisal report carried out on February 2012 by an independent appraiser. The valuation, which conforms to the International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

Real property taxes pertaining to the land amounted to P0.52 million in 2011 and 2010.

The Group reclassified construction in progress amounting to P5,864,494 in 2009 to investment properties. This asset was reclassified due to change in their respective use for lease to third parties. Prior to reclassification, this asset was presented as part of property, plant and equipment. As of the reclassification date, land improvements, building and improvements were fully depreciated.

12. Other Noncurrent Assets

This account consists of:

	2011	2010	2009
Due from RFM Corporation	**P46,078,063**	P46,078,063	P46,078,063
Advances for various projects	**49,600,189**	24,546,512	22,929,320
Others	**403,000**	70,000	70,000
	96,081,252	70,694,575	69,077,383
Less allowance for impairment losses on due from RFM Corporation	**46,078,063**	46,078,063	46,078,063
	P50,003,189	P24,616,512	P22,999,320

Due from RFM Corporation is a receivable from the Group's previous owner. Based on management's assessment of this receivable, a full allowance for impairment losses was provided as of December 31, 2011, 2010 and 2009.

Advances for various projects pertain to cash advances given to contactors and project partners that are to be used to finance the cost of project study, site development, plant rehabilitation, among others. The advances made will ultimately be capitalized as part of the projects once successfully implemented.

13. Trade and Other Current Payables

This account consists of:

	Note	2011	2010	2009
Trade payables		**P370,492,708**	P325,506,783	P -
Deferred output tax		**137,924,604**	-	-
Output VAT		**18,863,178**	17,979,436	1,541,034
Accounts payable		**6,957,209**	5,253,550	5,140,551
Accrued expenses:				
Accrued interest	*14*	**5,797,939**	6,998,657	11,176,861
Other accrued expenses		**16,837,011**	5,357,610	4,950,589
Unearned income	*15e*	**4,000,000**	4,000,000	4,480,000
Dividends payable		**1,788,027**	733,434	408,364
Advances from VC Exchange, Inc.	*15c*	**600,000**	600,000	600,000
Others		**5,920,314**	712,809	1,436,962
		P569,180,990	P367,142,279	P29,734,361

Trade payables are normally due within 30-45 days.

Deferred output tax is related to the recognition of the Group's revenue from WESM and its corresponding receivable. The deferred output tax is eventually closed to output VAT upon collection of the related receivable.

Unearned income pertains to advance payments received by the Group from CPPC representing management fees (see Note 15e).

Accrued expenses mainly consist of accruals of salaries and employee benefits, utilities expenses, statutory payables, outside services and communication expenses, among others.

14. Notes Payable

This consists of loans from the following banks:

	2011	2010	2009
Metropolitan Banking and Trust Company (Metrobank)	**P674,285,714**	P608,000,000	P742,000,000
Bank of the Philippine Islands (BPI)	**20,000,000**	100,000,000	50,000,000
Rizal Commercial Banking Corporation (RCBC)	**87,000,000**	100,000,000	40,000,000
China Banking Corporation (Chinabank)	**15,000,000**	100,000,000	-
	P796,285,714	P908,000,000	P832,000,000

This is presented in the consolidated statements of financial position as follows:

	2011	2010	2009
Current portion of notes payable	**P498,809,523**	P553,428,571	P332,000,000
Notes payable - net of current portion	**297,476,191**	354,571,429	500,000,000
	P796,285,714	P908,000,000	P832,000,000

Described below are the details of each loan.

a. *Metrobank*

In January 2008, the Parent Company obtained a P500 million loan from Metrobank to finance its operations as a holding company. The loan is covered by eleven (11) promissory notes with interest rate based on the 10-year PDST-F plus a fixed spread for the entire term of 10 years maturing on 2018. The loan was secured with approximately 1,273,291 common shares of VECO which are held by the Parent Company as part of its investments and with carrying amounts of P975.91 million and P938.47 million in 2010 and 2009, respectively. In 2011, the VECO share collateral was replaced by the Group's equity shares in Abovant equivalent to 36.01 million shares with a carrying value of P427.58 million as of December 31, 2011 (see Note 9a). The release of the collateral is subject to the terms and conditions stipulated in the loan agreement. Also, the Parent Company is required to maintain a net debt to equity ratio of at most 2:1 (see Note 21). Quarterly amortization of the principal have commenced on April 9, 2011.

In 2009, the Group obtained an additional P242 million loan from Metrobank. This loan was covered by two (2) notes. One is for P100 million and the other is for P142 million. The P100 million loan bears interest at the prevailing market rate and has a maturity of one year from drawdown date, subject to renewal. The P142 million bears monthly interest rate of 4.50%. These were paid in full in 2010.

In 2010, the Group obtained a P150 million unsecured loan covering two (2) promissory notes with interest rates of P1.5% and 4.25% per annum. This loan matures on January 5, 2011 and was paid on the same date.

Additional loan was obtained during the year totaling to P295 million. This loan is unsecured covering two (2) promissory notes with interest rates of 1.50% and 4.5% per annum with maturity on January 5, 2012 and subsequently paid on the same date.

b. *BPI*

In 2009, a P50 million loan from BPI was obtained. The loan from BPI is covered by three (3) promissory notes with interest rate of 6.75% per annum and payable in lump sum at maturities amounting to P13 million, P27 million and P10 million loan on April 19, 2010, April 23, 2010 and May 3, 2010, respectively. Only the P13 million loan was paid in 2010 and the remaining P37 million loan was paid in 2011.

In 2010, a P63 million additional loan from BPI was granted. This is covered by two loan agreements. One amounted to P20 million 7-day payable on January 5, 2011, with an interest rate of 4.40% per annum and the other amounted to P43 million payable on April 22, 2011 with an interest rate of 5.00% per annum. During the year, the P43 million loan was paid in full.

c. *RCBC*

In 2009, a P40 million loan from RCBC was obtained. This loan was covered by two (2) promissory notes amounting to P13 million and P27 million with an interest rate of 7.25% per annum and each paid in lump sum at maturity on April 19, 2010 and May 3, 2010, respectively. Both were paid on maturity dates.

In 2010, a P100 million loan was obtained. This is a 7-day contracts payable to RCBC on January 5, 2011 with an interest rate of 4.75% per annum. This was subsequently paid on the same date.

In 2011, the Group obtained an unsecured loans amounting to P87 million covering four (4) loans and bearing interests ranging from 3.75% to 4.25% per annum.

d. *Chinabank*

In 2010, the Group obtained a P100 million contracts payable to Chinabank that covered two loan agreements. The first is a 7-day note that amounted to P70 million with an interest rate of 4.50% per annum payable on January 5, 2011. The second note amounted to P30 million payable on April 22, 2011 with an interest rate of 5.25% per annum. Only P85 million was paid in 2011.

Except for the P500 million loan from Metrobank which was previously secured with the common shares of VECO and currently secured with the common shares of Abovant held by the Group as part of its investments, all other loans are unsecured.

Total interest expense related to notes payable for 2011, 2010 and 2009 amounted to P32,682,783, P51,267,752 and P58,329,550, respectively, shown as part of "Finance costs" in the consolidated statements of comprehensive income, and the related accrued interest expense as of December 31, 2011, 2010 and 2009 amounted to P5,716,146, P6,998,657 and P11,176,861, respectively, shown as part of "Trade and other current payables" account in the consolidated statements of financial position, respectively (see Note 13).

15. Related Party Transactions

Identity of Related Parties
The Group has related party relationships with its associates as enumerated in Note 1, affiliates, stockholders and with the members of the BOD and other key management personnel.

Significant Transactions and Balances with Related Parties
In the normal course of business, the Group transacts with companies who are considered related parties under PAS 24, *Related Party Disclosures*.

These transactions consist of the following:

a. Non-interest bearing cash advances to associates and stockholders. Also, the Group advances funds for certain expenses of associates.

Outstanding advances are as follows:

	2011	2010	2009
Associates			
Abovant	**P79,927,875**	P1,014,137,398	P1,126,819,331
CIPC	**11,472,168**	-	-
ICS	**1,811,306**	6,735,318	-
PEI	**1,532,401**	-	-
VSNRGC	**-**	663,035	8,546,617
Delta P	**-**	-	2,748,774
	94,743,750	1,021,535,751	1,138,114,722
Non-controlling stockholder	**73,821**	2,480,578	
Stockholders:			
JDC	**-**	-	24,536
MRC	**-**	-	20,704
	73,821	2,480,578	45,240
Gross advances	**94,817,571**	1,024,016,329	1,138,159,962
Noncurrent portion (presented as part of "Investments in associates" account - see Note 9)	**-**	(8,318,323)	(121,000,256)
Current portion	**P94,817,571**	P1,015,698,006	P1,017,159,706

The outstanding current portion of the advances, presented as "Advances to associates and stockholders" account in the consolidated statements of financial position, are non-interest bearing and due on demand. The amount of advances that were approved by the Group's BOD for conversion to equity is presented as part of "Investments in associates" account (see Note 9).

In 2010, the Group's BOD approved to subscribe in Abovant's common and preferred shares in the total amount of P112.68 million to be deducted from the long-term advances extended to Abovant. As of December 31, 2010, the P112.68 million subscription by the Group to Abovant was presented as "Deposits for future stock subscriptions", part of "Investments in associates" account, as the approval by the SEC on Abovant's increase in authorized capital stock is still pending. In 2011, this was subsequently converted to equity (see Note 9).

b. Notes receivables and interest-bearing cash advances to an associate.

Note receivable amounting to P0.82 million pertains to the unsecured short-term note with an interest rate of 14.46% per annum extended by the Group to ICS. Also, the Group extended interest-bearing cash advances to ICS amounting to P1.75 million. These advances bear annual interest rate of 10% and are due within one (1) year. The outstanding balance of note receivable and interest-bearing advances is presented as part of "Trade and other current receivables" account, under "Note and interest-bearing receivables." This was subsequently collected in 2011 (see Note 6).

Interest income recognized amounted to P0.13 million and is presented part of "Interest income" account in the consolidated statements of comprehensive income. Outstanding interest receivable is presented as part of "Trade and other current receivables" account (see Note 6).

c. Non-interest bearing cash advances from associates and stockholders recorded as part of the "Advances from related parties" account in the consolidated statements of financial position.

	2011	2010	2009
Associates:			
Delta P	**P66,800,245**	P68,784,053	P -
VSNRGC	**64,604,468**	-	-
	131,404,713	68,784,053	-
Non-controlling stockholders	**94,364,918**	18,102,337	-
Stockholders	**-**	-	1,449,972
	P225,769,631	P86,886,390	P1,449,972

All of the outstanding advances are unsecured, non-interest bearing and are due on demand.

Advances from "non-controlling stockholders" pertain to cash advances provided by certain non-controlling stockholders of 1590 EC to augment the latter's working capital requirement.

Also, "Trade and other current payables" account includes advances from VC Exchange, Inc., an affiliate of VNI. These are noninterest bearing advances and are due on demand (see Note 13).

d. In 2007, US dollar-denominated trade and loan receivable from Delta P presented as part of "Trade and other current receivables" account and as "Loan receivable" account in the consolidated statements of financial position amounting to P2.3 million and P22.2 million, respectively. The trade and loan receivable were part of the net assets acquired by GPI and the Group when it purchased Delta P from its previous owner. As per GPI and the Group's agreement, no interest will be charged to Delta P. The Group received payments for the loans receivable amounting to P7.0 million in 2008.

As of December 31, 2008, the receivables from Delta P are as follows:

	Note	2008
Accounts receivables	*6*	P2,386,198
Loan receivable		18,072,504
		P20,458,702

In 2009, the Group received the full payment amounting to P20.46 million.

e. Management fees from the Group's associates and affiliates (CEDC and TPC) consist of:

	2011	2010	2009
Cebu Energy Development Corporation (CEDC)	**P70,200,000**	P21,200,000	P -
VECO	**37,540,400**	29,840,000	33,306,389
CPPC	**12,000,000**	12,000,000	12,000,000
Delta P	**1,860,000**	1,800,000	1,350,000
Toledo Power Corporation (TPC)	**721,196**	25,228,231	31,265,835
VSNRGC	**600,000**	14,300,000	-
	P122,921,596	P104,368,231	P77,922,224

Management fees represent the compensation for the services rendered by the Parent Company to and the use of its facilities by the associates. These are governed by management consultancy contracts executed by the Parent Company and its associates. These are recognized as "Management fees" presented as part of the Group's revenue in the consolidated statements of comprehensive income.

Unearned income arising from advance payment of management fees from CPPC amounted to P4.00 million in 2011 and 2010 and P4.48 million in 2009 and was presented as part of "Trade and other current payables" account (see Note 13).

Outstanding receivables for management fees presented as part of "Accounts receivable" under "Trade and other current receivables" account in the consolidated statements of financial position (see Note 6) as of December 31, follows:

	2011	2010	2009
CEDC	**P74,189,496**	P22,124,000	P -
TPC	**3,062,242**	11,879,932	4,827,543
VECO	**2,652,895**	426,141	8,257,370
Delta P	-	-	1,350,000
	79,904,633	34,430,073	14,434,913
Less allowance for impairment loss	**3,395,274**	-	-
	P76,509,359	P34,430,073	P14,434,913

The Group also entered into a consultancy and management service agreement with its stockholders to perform management consultancy services in lieu of the services rendered by the Group wherein "Management fee" income is recognized.

Management fee recognized as part of "Operating expense" in the statements of comprehensive income includes the following:

	2011	2010	2009
GPI	**P27,000,000**	P11,250,000	P -
MRC	**5,400,000**	-	-
JEG	**3,600,000**	-	-
Non-controlling stockholders	**150,000**	1,000,000	-
VECO	-	550,000	-
	P36,150,000	P12,800,000	P -

f. The Group has a lease agreement with VECO (see Note 20). VECO leased an office space owned by the Group to be utilized as their Customer Care Office. The monthly rental is P208,725 in 2011 and P172,400 in 2010 and 2009, exclusive of value added tax (VAT) and withholding tax, subject to an annual increase of 10%.

   The Group recognized, as part of "Other income" account in the consolidated statements of comprehensive income, the amount of P2.50 million in 2011 and P2.07 million in 2010 and 2009 representing rent income received from VECO.

g. The Group has non-interest bearing, short-term receivables from its officers and employees in the amount of P7.27 million, P0.23 million and P0.37 million in 2011, 2010 and 2009, respectively (see Note 6).

h. Compensation of key management personnel, which consists of allowances, salaries and other short-term benefits, amounted to P7,138,724, P3,735,119 and P7,642,376 in 2011, 2010 and 2009, respectively. This is included as part of "Salaries and employee benefits" in the consolidated statements of comprehensive income.

16. Generation Cost and Other Operating Expenses

Generation Cost

Generation cost incurred by 1590 EC for the year ended December 31, 2011 and for the periods from July 30, 2010 to December 31, 2010 follows:

	Note	**2011**	2010
Fuel		**P492,257,154**	P323,978,478
Depreciation and amortization	*10*	**323,509,983**	258,238,875
Materials and supplies		**66,726,978**	23,979,704
Salaries, wages and employee benefits		**34,319,555**	9,364,465
Insurance		**25,786,734**	3,531,402
Repairs and maintenance		**24,157,376**	911,198
Professional fees		**20,279,425**	14,057,339
Rent		**18,734,064**	-
Backup power		**18,485,047**	5,791,058
Supply and metering charges	*20*	**14,981,256**	13,305,427
Contractual and outside services		**13,664,442**	3,884,977
Miscellaneous		**3,766,581**	1,009,186
		P1,056,668,595	P658,052,109

Operating Expenses

This account consists of:

	2011	2010	2009
Office supplies	**P1,921,493**	P1,823,408	P314,486
Repairs and maintenance	**1,388,718**	918,926	451,090
Regulatory expenses	**3,013,091**	608,889	412,883
Stockholders' meeting expenses	**360,614**	271,260	199,079
Miscellaneous expenses	**6,026,352**	2,617,010	1,092,785
	P12,710,268	P6,239,493	P2,470,323

Regulatory expenses represent payments of various charges imposed by the Philippine Stocks Exchange and SEC.

17. Income Taxes

The components of income tax (benefit) are as follows:

	2011	2010	2009
Current tax expense:			
Corporate income tax (at statutory rate)	**P11,464,697**	P135,353	P134,327
Final tax on interest income (at 20%)	**2,755,887**	3,352,134	1,091,936
MCIT	**132,610**	10,105	1,472,304
	14,353,194	3,497,592	2,698,567
Deferred tax expense (benefit)	**34,474,815**	(4,282,324)	(2,029,248)
	P48,828,009	(P784,732)	P669,319

The reconciliation of income tax expense (benefit) computed at the applicable statutory rates to tax expense is as follows:

	2011	2010	2009
Income before income tax	**P841,888,474**	P533,941,642	P269,381,142
Tax calculated at a tax rate of 30% in 2010, 30% in 2009 and 35% in 2008	**P252,566,542**	P160,182,493	P80,814,342
Tax effects of:			
Non-deductible expenses	**3,598,048**	3,536,926	149,039
Derecognition of Deferred Tax Asset (DTA)	**1,791,212**	-	-
Nondeductible interest	**1,534,257**	-	-
Unrecognized NOLCO and derecognition of expired NOLCO	**699,305**	-	1,725,482
Equity in net earnings of associates	**(200,947,394)**	(159,780,864)	(81,473,576)
Gain on redemption of an equity interest subjected to final tax	**(6,826,680)**	(3,047,220)	-
Interest income subject to final tax	**(2,233,281)**	(1,676,067)	(545,968)
Realization of previously unrecognized DTA	**(1,354,000)**	-	-
	P48,828,009	(P784,732)	P669,319

The components of the DTA of the Group are as follows:

	2011	2010	2009
Allowance for impairment losses	**P14,842,002**	P13,823,419	P13,823,419
NOLCO	**1,523,809**	8,494,291	4,053,318
MCIT	**167,025**	99,322	2,464,917
Unrealized foreign currency loss	**34,777**	1,701,095	-
	P16,567,613	P24,118,127	P20,341,654

The components of the deferred tax liabilities of the Group are as follows:

	2011	2010	2009
Unrealized fair value gain on investment property	**P27,521,100**	P -	P -
Capitalized issue cost on capital increase	**901,647**	-	-
Accrued rent	**3,202**	-	7,500
Unrealized foreign exchange gain	**-**	1,525,958	2,024,309
	P28,425,949	P1,525,958	P2,031,809

The details of the outstanding MCIT as of December 31, 2011 that can be claimed as deduction from future taxable income are shown below:

Year	Valid Until	Original Amount	Applied Prior Years	Applied Current Year	Expired	Remaining Amount
2011	December 31, 2014	P132,610	P -	P -	P -	P132,610
2010	December 31, 2013	22,415	-	-	-	22,415
2009	December 31, 2012	1,484,304	(1,383,087)	(89,217)	-	12,000
2008	December 31, 2011	991,414	(991,414)	-	-	-
		P2,630,743	(P2,374,501)	(P89,217)	P -	P167,025

The details of the outstanding NOLCO as of December 31, 2011 that can be claimed as deduction from future taxable income are shown below:

Year	Valid Until	Original Amount	Applied Prior Years	Applied Current Year	Expired	Remaining Amount
2011	December 31, 2014	P5,211,012	P -	P -	P -	P5,211,012
2010	December 31, 2013	29,745,830	-	(27,359,978)	-	2,385,852
2009	December 31, 2012	14,804,155	(10,906,147)	(1,318,011)	-	2,579,997
2008	December 31, 2011	2,492,456	(489,200)	(2,003,256)	-	-
						10,176,861
Less unrecognized NOLCO						5,097,498
						P5,079,363

The components of unrecognized NOLCO are shown below:

Year Incurred	Valid Until	2011	2010
2011	December 31, 2014	**P2,278,038**	P -
2010	December 31, 2013	**2,355,176**	3,547,241
2009	December 31, 2012	**464,284**	1,782,295
2008	December 31, 2011	-	2,003,256
		P5,097,498	P7,332,792

No DTA was recognized for the following as of December 31:

	2011	2010
NOLCO	**P5,097,497**	P7,332,792
Allowance for impairment losses	**1,950,000**	1,950,000
	P7,047,497	P9,282,792

18. Dividends

The BOD of the Parent Company approved resolutions to declare cash dividends to its stockholders as follows:

	2011	2010	2009
Date of declaration	**June 23, 2011**	June 24, 2010	June 19, 2009
Date of record	**July 7, 2011**	July 12, 2010	July 3, 2009
Date of payment	**August 2, 2011**	August 5, 2010	July 29, 2009
Dividends declared	**P181,765,909**	P119,744,434	P98,998,996
Dividends per share	**P0.178**	P0.117	P0.097

19. Earnings Per Share (EPS)

The amounts of earnings per share are computed as follows:

	2011	2010	2009
Net income attributable to shareholders of the Parent Company	**P655,967,857**	P469,763,000	P230,792,001
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted EPS	**P0.641**	P0.459	P0.226

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

20. Contracts and Commitments

Operating Leases - Group as Lessor
The Group entered into a lease agreement with third parties to lease out its land and building classified under "Investment properties" in the consolidated statements of financial position (see Note 11).

The Group also leased out an office space to VECO (see Note 15f). The lease agreement has no lease term and can be terminated upon mutual agreement of parties and upon 30 days prior written notice.

Participation in WESM
The energy fees recognized by 1590 EC amounting to P835.42 million were generated from its participation in the trading of electricity at WESM. Related to this participation, 1590 EC paid to WESM P0.91 million as market fees in 2010 and is presented as part of "Supply and metering charges" under "Generation cost" account in the consolidated statements of comprehensive income (see Note 16).

Contract to Sell Involving a Power Plant
On November 11, 2010, a Contract to Sell (CTS) was executed in favor of 1590 EC to purchase the diesel power plant owned by Provincial Government of La Union (PGLU). 1590 EC recognized a long-term debt equivalent to the purchase price of the power plant in the amount of P3.097 billion subject to a total down payment of P559.47 million divided into P146.49 million payable on January 26, 2011 and P412.98 million payable on July 26, 2011 plus 6% interest rate per annum. The balance of P2.487 billion (after deducting the consideration from the interim agreement of P50 million) plus 6% interest rate per annum is payable in thirty-six (36) equal monthly installments commencing on August 26, 2011. Upon full payment, PGLU shall execute a Deed of Absolute Sale transferring the legal ownership to the Company. Under the CTS, 1590 EC was given full control and possession of and will manage and operate the power plant.

Prior to the formal agreement and the execution of the CTS, an interim agreement was executed wherein under the agreement, 1590 EC has given the exclusive right to purchase, the right to an interim management of and to operate the power plant. In consideration of the interim agreement, 1590 EC paid P50 million which is deductible from the total purchase price of the power plant. Accordingly, the P50 million payment formed part of the acquisition cost of the power plant. The interim agreement was effectively terminated on November 11, 2010 due to the execution of the CTS.

On July 23, 2011, an amendment to the CTS was made moving the deadline for payment of the P412.98 million plus 6% interest per annum from July 26, 2011 to January 26, 2012. As a result of the deferral of the second down payment, incremental monthly interest payments shall be made every 26th day of each month commencing on August 26, 2011 until the second down payment is due on January 26, 2012 for a total amount of P12.49 million. All other payments indicated in the CTS and the schedule of payments remained the same.

As of December 31, 2011, 1590 EC paid a total of P550.64 million as first down payment and monthly amortization inclusive of the consideration for the extension of the exclusive right to purchase and the right to an interim management and operation of the power plant under the Interim Agreement and the finance cost amounting to P157.08 million.

The PGLU remains to be the owner of the property until full payment by 1590 EC of the purchase price. In the event that 1590 EC will discontinue its payments to PGLU, the payments already made shall be forfeited in favor of the latter and 1590 EC shall transfer possession of the properties to PGLU without need of demand.

The future minimum payments relating to long-term debt follows:

2011	**Present Value of Future Payments**	**Interest Expense**	**Total**
Within one year	**P1,238,931,074**	**P107,713,460**	**P1,346,644,534**
Less than five years	**1,307,760,578**	**65,329,571**	**1,373,090,149**
	P2,546,691,652	**P173,043,031**	**P2,719,734,683**

2010	Present Value of Future Payments	Interest Expense	Total
Within one year	P913,613,058	P144,892,706	P1,058,505,764
Less than five years	2,133,714,627	170,938,545	2,304,653,172
	P3,047,327,685	P315,831,251	P3,363,158,936

21. Financial Instruments and Financial Risk Management

The Group is exposed to a variety of financial risks which results from its investing activities. The Group's risk management is coordinated in close cooperation with the BOD of the Parent Company, and focuses on actively securing the Group's short-to-medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below:

Credit Risk

Credit risk represents the risk of loss the Group would incur if counterparties fail to perform their contractual obligations. The Group's credit risk arises principally from the Group's receivables and advances with maximum credit risk exposure equal to the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position and as summarized below:

	Note	**2011**	2010	2009
Cash and cash equivalents	*5*	**P587,560,911**	P601,288,197	P157,887,407
Trade and other current receivables - net	*6*	**408,550,594**	323,823,502	15,996,362
Advances to associates and stockholders	*15a*	**94,817,517**	1,015,698,006	1,017,159,706
Due from RFM - net (presented as part of "Other noncurrent assets" account)	*12*	**-**	-	-
		P1,090,929,022	P1,940,809,705	P1,191,043,475

The Group's receivables are actively monitored to avoid significant concentrations of credit risk.

Except for Due from RFM which is fully provided with allowance for impairment and portion of the receivables provided with allowance amounting to P3.40 million, management evaluated that the Group's financial assets as summarized above are of high grade and of good credit quality. High grade and low risk financial assets are neither past due nor impaired which have good collection status. High grade receivables are those which have high probability of collection, as evidenced by counterparties having ability to satisfy their obligations.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained from related party advances and short-term loans when necessary.

The following table summarizes the maturity profile of the Group's financial liabilities (in thousands) as of December 31, based on contractual undiscounted payments:

2011	**Total Carrying Amount**	**Contractual Undiscounted Payments**				
		Total	**On Demand**	**Less than 1 Year**	**1 to 5 Years**	**More than 5 Years**
Trade and other current payables*	**P401,922**	**P401,922**	**P401,922**	**P -**	**P -**	**P -**
Notes payable	**796,285**	**831,525**	**-**	**442,934**	**388,591**	
Long-term debt	**2,546,691**	**2,719,735**	**-**	**1,346,645**	**1,373,090**	**-**
Advances from related parties	**225,770**	**225,770**	**225,770**	**-**	**-**	**-**
	P3,970,668	**P4,178,952**	**P627,692**	**P1,789,579**	**P1,761,681**	**P -**

**Excluding statutory payables, unearned income and dividends payable*

2010	Total Carrying Amount	Contractual Undiscounted Payments				
		Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Trade and other current payables*	P339,072	P339,072	P339,072	P -	P -	P -
Notes payable	908,000	959,057	-	562,883	396,174	-
Long-term debt	3,047,328	3,363,159	-	1,058,506	2,304,653	-
Advances from related parties	86,886	86,886	86,886	-	-	-
	P4,381,286	P4,748,174	P425,958	P1,621,389	P2,700,827	P -

**Excluding statutory payables, unearned income and dividends payable*

2009	Total Carrying Amount	Contractual Undiscounted Payments				
		Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Trade and other current payables*	P18,354	P18,354	P -	P18,354	P -	P -
Notes payable	832,000	1,116,951	-	343,177	411,139	362,635
Advances from related parties	1,450	1,450	1,450	-	-	-
	P851,804	P1,136,755	P1,450	P361,531	P411,139	P362,635

**Excluding statutory payables, unearned income and dividends payable*

Fair Value of Financial Assets and Liabilities

Fair values of financial assets and liabilities are categorized into the following 3 levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Below is the Group's fair value hierarchy:

2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:				
AFS investments	**P396,131**	**-**	**P8,395,118**	**P8,791,249**

2010	Level 1	Level 2	Level 3	Total
Financial Assets:				
AFS investments	P631	-	P8,395,118	P8,395,749

2009	Level 1	Level 2	Level 3	Total
Financial Assets:				
AFS investments	P631	-	P8,395,118	P8,395,749

AFS investments classified under level 1 are investments in equity securities which are publicly listed and traded in the Philippine Stock Exchange. Fair values adjustments on these investments are recognized in other comprehensive income. While AFS investments classified under level 3 are investments in equity securities whose fair value approximates their carrying amount. There were no charges to profit or loss nor to other comprehensive income for these investments.

There were no transfers among the different levels of the fair value hierarchy for these investments.

Equity

Capital Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and maintain a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes in 2011, 2010 and 2009.

The Group's equity consists of capital stock, additional paid-in capital, revaluation reserve, fair value reserve and retained earnings, as shown in the consolidated statements of financial position.

The Parent Company is required to maintain a net debt to equity capital ratio of at most 2:1 in accordance with its loan agreement with Metrobank (see Note 14).

The Parent Company's net debt to equity capital ratio as of December 31 based in the separate financial statements is as follows:

	2011	2010	2009
Total liabilities	**P818,099,809**	P1,069,505,245	P713,278,525
Less: cash and cash equivalents	**108,795,895**	323,649,076	150,678,392
Net debt	**709,303,914**	745,856,169	562,600,133
Total equity	**1,959,229,382**	1,849,858,756	1,793,391,336
Net debt to equity capital ratio	**0.36:1.00**	0.40:1.00	0.31:1.00

As of December 31, 2011, 2010 and 2009, the Parent Company is in compliance with the required net debt to equity capital ratio.

Paid-in Capital

The Parent Company's capital stock consists only of common shares with no special rights and preferences and with par value per share of P1.

The information on the number of authorized and issued shares as of December 31, 2011, 2010 and 2009 follows:

	Shares
Authorized	2,000,000,000
Issued and outstanding	1,023,456,698

22. Operating Segment Information

Prior to 2010, the Group does not present segment information because, at that time, the Group has only one segment in operation (i.e., investing in shares of stock). Management believes that segment reporting is more appropriate for enterprises offering group of products and services or operating in different geographical areas that are subject to differing rates of profitability, opportunities for growth, future prospects and risks that are relevant in assessing the risks and returns of a diversified or multinational entities.

With the inclusion in the consolidated financial statements of 1590 EC, a subsidiary engaged in power generation activity through operations of a power plant, the Group is currently organized into two operating segments: the Group's activity of investing in shares of stock and 1590 EC's power generation operation.

The operating segments and their corresponding principal activities are as follows:

Investing in Shares of Stocks
As disclosed in Note 1, except 1590 EC, the Parent Company and the Subsidiaries are operating as holding and investing companies. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

Power Generation
1590 EC owned and operated a diesel power plant wherein power generated is primarily traded at WESM.

The segment results for the year ended December 31, 2011 and for the period ended December 31, 2010 are as follow:

2011	Power Generation	Investing in Shares of Stocks	Consolidated
Revenues	**P1,298,454,988**	**P840,712,810**	**P2,139,167,798**
Inter-segment revenues	**-**	**(21,940,000)**	**(21,940,000)**
	1,298,454,988	**818,772,810**	**2,117,227,798**
Income from operations	**184,477,843**	**732,763,434**	**917,241,277**
Finance cost	**(157,080,827)**	**(32,764,576)**	**(189,845,403)**
Other income - net	**1,264,040**	**113,228,560**	**114,492,600**
Income before income tax	**28,661,056**	**813,227,418**	**841,888,474**
Income tax benefit (expense)	**8,375,529**	**40,452,480**	**48,828,009**
Net income for the period	**P20,285,527**	**P772,774,938**	**P793,060,465**

2010	Power Generation (Five Months)	Investing in Shares of Stocks (One Year)	Consolidated
Revenues	P835,420,772	P665,464,111	P1,500,884,883
Inter-segment revenues	-	(3,629,000)	(3,629,000)
	835,420,772	661,835,111	1,497,255,883
Income (loss) from operations	(25,744,542)	602,821,833	577,077,291
Finance cost	(550,418)	(51,106,322)	(51,656,740)
Other income - net	205,676	8,315,415	8,521,091
Income (loss) before income tax	(26,089,284)	560,030,926	533,941,642
Income tax benefit (expense)	7,850,374	(7,065,642)	784,732
Net income (loss) for the period	(P18,238,910)	P552,965,284	P534,726,374

Other segment information included in the consolidated statements of financial position as of December 31, 2011 and 2010 is as follows:

2011	**Power Generation**	**Investing in Shares of Stocks**	**Consolidated**
Assets	**P3,320,462,410**	**P5,104,753,609**	**P8,425,216,019**
Liabilities	**3,218,415,793**	**948,268,776**	**4,166,684,569**
Capital expenditures	**5,772,208**	**16,273,577**	**22,045,785**

2010	Power Generation	Investing in Shares of Stocks	Consolidated
Assets	P3,486,021,180	P4,666,286,484	P8,152,307,664
Liabilities	3,391,760,090	1,019,167,680	4,410,927,770
Capital expenditures	3,102,618,796	7,536,480	3,110,155,276

Other segment information included in the consolidated statements of comprehensive income for the year ended December 31, 2011 and for the period ended December 31, 2010 is as follows:

2011	**Power Generation**	**Investing in Shares of Stocks**	**Consolidated**
Depreciation and amortization	**P325,017,864**	**P2,626,665**	**P327,644,529**

2010	Power Generation (Five Months)	Investing in Shares of Stocks (One Year)	Consolidated
Depreciation and amortization	P258,411,690	P2,421,363	P260,833,053

Of the Group's total revenues, about 61% and 56% pertains to energy fees of 1590 EC in 2011 and 2010, respectively. Energy fees mainly derived from trading at WESM of the electricity generated.

ANNEX A

VIVANT CORPORATION
Unit 907-908 Ayala Life FGU Center
Cebu Business Park, Cebu City

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2011

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		**P818,062,606**
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	**P289,610,577**	
Less: Non-actual/unrealized income net of tax	-	
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net(except those attributable to Cash and Cash Equivalent)	-	
Unrealized actuarial gain	-	
Fair value adjustments to Investment Property and M2M resulting to gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Subtotal	-	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Loss on fair value adjustment on Investment Property (after tax)	-	
Subtotal	-	
Net income actually earned during the period		**289,610,577**
Add (Less):	-	
Dividend declarations during the period	**(181,765,909)**	
Appropriations of Retained Earnings during the period	-	
Reversal of appropriation	-	
Effects of prior period adjustments	-	
Treasury shares	-	
Subtotal	**(181,765,909)**	**(181,765,909)**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DISTRIBUTION		**P925,907,274**

Figures based on functional currency audited separate financial statements

Note

The Company plans to declare cash dividends in 2012 to dispose the excess unappropriated retained earnings in compliance with the SEC Memo Circular No. 11 Series of 2008 on the Excess Retained Earnings over Paid-in Capital.

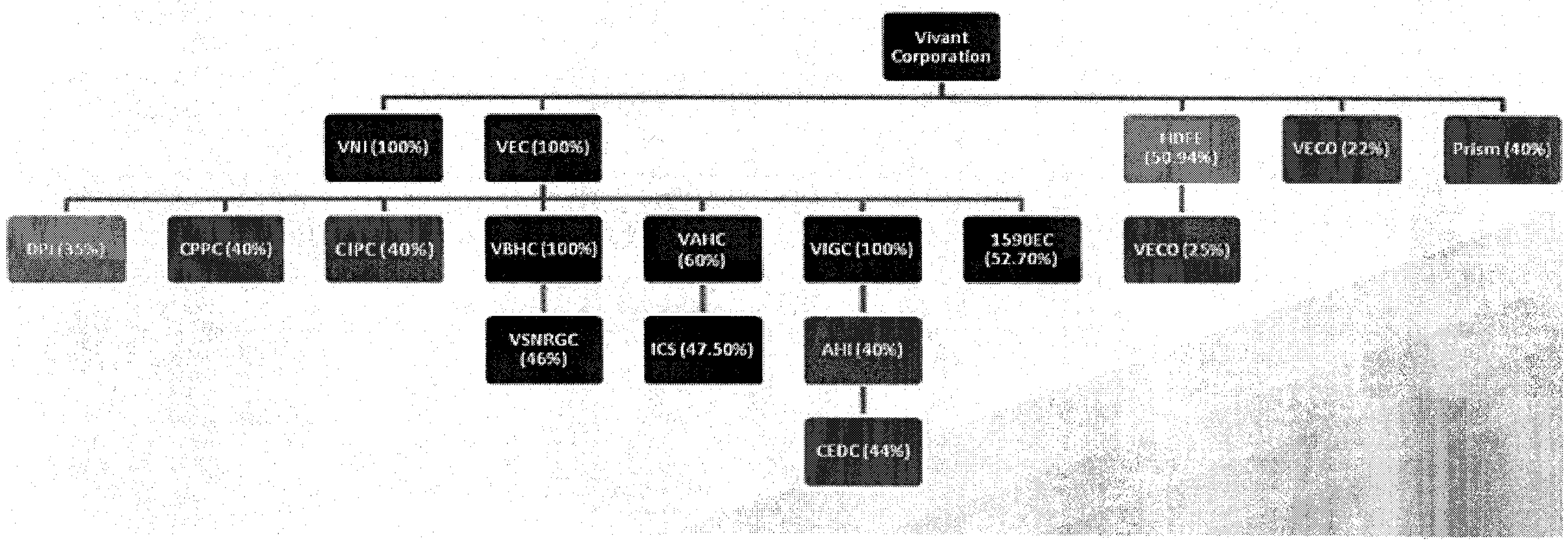
Consolidated Financial Statements of Vivant Corporation and Subsidiaries
As of and For the Year Ended December 31, 2011

ANNEX B

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

ANNEX C

Vivant Corporation and Subsidiaries
As of and For the Year Ended December 31, 2011



Legends:

VNI – VC Ventures Net, Inc.
VEC – Vivant Energy Corporation
HDFE – Hijos De F. Escaño, Inc.
VECO – Visayan Electric Company, Inc.
Prism – Prism Energy, Inc.
DPI – Delta P., Inc.
CPPC – Cebu Private Power Corporation
CIPC – Calamian Islands Power Corp.
VBHC – Vics-Bakun Holdings Corporation
VAHC – Vics-Amlan Holdings Corp.
VIGC – Vivant Integrated Generation Corporation
1590EC – 1590 Energy Corp.
VSNRGC – Vivant Sta. Clara Northern Renewables Generation Corporation
AHI – Abovant Holdings, Inc.
CEDC –Cebu Energy Development Corporation

VIVANT CORPORATION AND SUBSIDIARIES

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Supplementary Schedules
Required by the Securities and Exchange Commission
As of December 31, 2011 and for the Year Then Ended

NA: **Not applicable**

SEC/PSE ANNUAL FILING REQUIREMENT CHECKLIST
PUBLIC COMPANIES
FORM AND CONTENT OF SCHEDULES

Schedule A. FINANCIAL ASSETS

Name of Issuing entity and association of each issue (1)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (2)	Valued based on market quotation at balance sheet date (3)	Income received and accrued
Aboitiz Equity Ventures, Inc.		P395,500*	P395,500	
Philippine Long Distance Telephone Co.		600*	600	
Paper Industries of the Phils.		31*	31	
VC Exchange, Inc.		8,345,118**	-	
INCA Plastic Philippines - net		50,000**	-	
Carried at Fair Market Value				
***Carried at Cost*				

Refer to Note 8 of the Consolidated Financial Statements

1) Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.

(2) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.

(3) This column may be omitted if all amounts that would be shown are the same as those in the immediately preceding column.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor (1)	Balance at beginning of period	Additions	Amounts collected (2)	Amounts written off (3)	Current	Not Current	Balance at end of period
Abovant Holdings, Inc.	1,014,137,398	-	934,209,523	-	79,927,875	-	79,927,875
Calamian Islands Power Corp.	-	11,472,168	-	-	11,472,168	-	11,472,168
ICS Renewables, Inc.	6,735,318	-	4,924,012	-	1,811,306	-	1,811,306
Prism Energy, Inc	-	1,532,401	-	-	1,532,401	-	1,532,401
Vivant Sta. Clara Northern Renewables Generation Corporation	663,035	-	663,035	-	-	-	-
Non-controlling stockholder	2,480,578	-	2,406,757	-	73,821	-	73,821
Advances to officers and employees	225,362	7,044,139			7,269,501		72,69501

Refer to Note 6 and Note 15a of the Consolidated Financial Statements

1) Show separately accounts receivables and notes receivable. In case of notes receivable, indicate pertinent information such as the due date, interest rate, terms of repayment and collateral, if any.
2) If collection was other than in cash, explain.
3) Give reasons for write off.

Schedule C. Amounts Receivable (Payable) from Related Parties which are Eliminated During the Consolidation of Financial Statements

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (1)	Amounts written off (2)	Current	Not Current	Balance at end of period
Vics-Amlan	8,185,598	2,086,711	-	-	10,272,309	-	10,272,309
Vics-Bakun	31,250	-	-	-	31,250	-	31,250
1590 EC	34,303,880	46,317,978	-	-	80,621,858	-	80,621,858
VIGC	15,434,344	79,727,814	-	-	95,162,158	-	95,162,158
VNI	7,539,735	-	-	-	7,539,735	-	7,539,735
HDFE	101,885	-	101,885	-	-	-	-
VEC	142,661,624	47,060,180	142,661,624	-	47,060,180	-	47,060,180

1) If collection was other than in cash, explain.
2) Give reasons for write off.

Schedule D. Intangible Assets – Other Assets

Description (1)	Beginning balance	Additions at cost (2)	Charged to cost and expenses	Charged to other accounts	Other charges, additions (deductions) (3)	Ending Balance
Goodwill	42,559,451	-	-	-	-	42,559,451

Refer to Note 9a of the Consolidated Financial Statements

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1) The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet.

2) For each change representing anything other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.

3) If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

Schedule E. Long Term Debt

Title of Issue and type of obligation(1)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (2)	Amount shown under caption "Long-Term Debt" in related balance sheet (3)
Promissory notes	796,285,714	498,809,523	297,476,191
	Refer to Note 14 of the Consolidated Financial Statements		
Long term debt (Contract to sell)	2,546,691,652	1,238,931,074	1,307,760,578
	Refer to Note 20 of the Consolidated Financial Statements		

1) Include in this column each type of obligation authorized.

2) This column is to be totaled to correspond to the related balance sheet caption.

3) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity dates.

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of Affiliates (1)	Balance at beginning of period	Balance at end of period (2)
Delta P, Inc.	68,784,053	66,800,245
Vivant Sta. Clara Northern Renewables Generation Corporation	-	64,604,468
Gigawatt Power, Inc.	8,675,097	40,861,014
EUVHCI	8,197,600	33,040,000
Non-controlling stockholders	1,229,640	20,463,904

Refer to Note 15c of the Consolidated Financial Statements

1) The related parties named shall be grouped as in Schedule D. The information called for shall be stated separately for any persons whose investments were shown separately in such related schedule.

2) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

Schedule G. Guarantees of Securities of Other Issuers (1)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (2)	Amount owned by person for which statement is filed	Nature of guarantee (3)
		Not Applicable		

1) Indicate in a note any significant changes since the date of the last balance sheet filed. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.

2) There need be made only a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

Schedule H. Capital Stock (1)

Title of Issue (2)	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 affiliates (3)	Directors, officers and employees	Others
Common stock	2,000,000,000	1,023,456,698		980,686,647	31,498,225	11,271,826

Refer to Note 21 of the Consolidated Financial Statements

1) Indicate in a note any significant changes since the date of the last balance sheet filed.

2) Include in this column each type of issue authorized.

3) Affiliates referred to include affiliates for which separate financial statements are filed and those included in consolidated financial statements, other than the issuer of the particular security.