



WELLEX INDUSTRIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Bldg. EDSA, Greenhills
Mandaluyong City

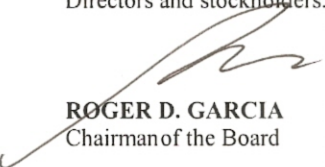
Dear Sirs:

The management of **WELLEX INDUSTRIES, INC.** is responsible for all information and representations contained in the financial statements for the years ended **December 31, 2010 and 2009**. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

DIAZ MURILLO DALUPAN AND COMAPANY, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.


ROGER D. GARCIA
Chairman of the Board


WESLIE T. GATCHALIAN
President


KENNETH T. GATCHALIAN
Corporate Treasurer

SUBSCRIBED AND SWORN to before me in _____ City/Province, Philippines on _____, affiants personally appeared before me and exhibited to me their

Name	Tax Identification Number
1. ROGER D. GARCIA	138-688-978
2. WESLIE T. GATCHALIAN	235-807-295
3. KENNETH T. GATCHALIAN	167-406-526

WITNESS MY HAND AND SEAL on the date and at the place above written.

DOC NO: 803 :
PAGE NO: 3 :
BOOK NO: III :
SERIES OF 2011 :

NOTARY PUBLIC FOR _____ City/Province
MARIEL LATORRE FRANCISCO
Notarial Commission No. _____
Commission expires on December 31, 2011
Roll of Attorney Number PTR No. 6640416 1/5/11 : IBP No. 845223 1/5/11
PTR No. _____
IBP No. _____
Office Address: _____
3104 Antel Global Corporate Center
Julla Vargas Ave., Ortigas Center, Pasig City

Diaz Murillo Dalupan and Company

Certified Public Accountants

Independent Auditors' Report

The Board of Directors and Stockholders

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES

22nd Floor, Citibank Tower, 8741 Paseo de Roxas,
Makati City

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Wellex Industries Incorporated and Subsidiaries**, which comprise the consolidated statements of financial position as at December 31, 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, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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.

Local in Touch, Global in Reach

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an independent member of  International. A worldwide organization of accounting firms and business advisers.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Wellex Industries Incorporated and Subsidiaries** as at December 31, 2010 and 2009, and of their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicate that the Group had been incurring losses in current and prior years and had accumulated a deficit of about P1.89 billion and 1.85 billion as at December 31, 2010 and 2009, respectively. Also, on October 28, 2010, PCIC subsidiaries (namely ICC, PPC and KCC) together with certain affiliates jointly filed a petition for corporate rehabilitation before the Regional Trial Court of Valenzuela City. Among the significant provisions of the Rehabilitation Plan are: the conversion of the PCIC subsidiaries' industrial real estate into commercial and residential zones to increase its value; conversion into equity of advances from its individual stockholders and affiliates to ensure that funds available for debt servicing are paid to creditor banks; capital infusion of P20 million to be used to repair and recondition the PCIC subsidiaries' machinery and equipment for start-up costs and for working capital requirements to purchase resin and other materials; and debt restructuring of the outstanding loans with creditor banks. As of April 14, 2011, the petition for rehabilitation filed before the Regional Trial Court of Valenzuela City is pending for approval. The eventual outcome of these matters cannot be determined at this time.

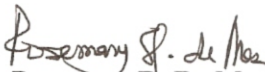
These factors, along with the other matters set forth in Note 1 to the consolidated financial statements, may cast significant doubt about the Group's ability to continue as a going concern. Consequently, the consolidated financial statements have been prepared assuming that the Group will continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the recognition and classification of liabilities that may result from the outcome of this uncertainty.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary Schedules A to I (see table of contents) of the Group as at December 31, 2010 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Diaz Murillo Dalupan and Company

By:


Rosemary D. De Mesa

Partner

CPA Certificate No. 29084

SEC Accreditation No. 1089-A, effective until February 23, 2014

Tax Identification No. 104-576-953

PTR No. 2689021, January 21, 2011, Makati City

BIR Accreditation No. 08-001911-7-2010, effective until April 13, 2013

Firm Tax Identification No. 003-294-822

Firm BOA/PRC No. 0234, effective until December 31, 2011

SEC Accreditation No. 0192-F, effective until April 6, 2013

May 3, 2011

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Financial Position

		December 31	
		2010	2009 (As restated - note 26)
ASSETS			
Current Assets			
Cash - notes 2, 4, 27 and 28	P	2,802,637	P 755,637
Trade and other receivables (net) - notes 2, 3, 5, 27 and 28		5,282,727	5,698,684
Prepayments and other current assets- notes 2 and 6		4,627,141	10,356,520
		12,712,505	16,810,841
Noncurrent Assets			
Investment properties (net) - notes 2, 3, 7 and 26		1,043,141,548	1,046,876,789
Investments in a joint venture (net) - notes 2 and 8		543,508,507	543,508,507
Property, plant and equipment (net) - notes 2, 3 and 9		216,560,104	249,355,361
Advances to affiliates and stockholders (net) - notes 2, 14, 27 and 28		130,857,005	144,957,079
Other assets		180,844	180,844
		1,934,248,008	1,984,878,580
TOTAL ASSETS	P	1,946,960,513	P 2,001,689,421
LIABILITIES AND EQUITY			
Current Liabilities			
Borrowings - notes 2, 7, 8, 10, 27 and 28	P	47,365,872	P 51,732,155
Accounts payable - notes 2, 11, 27 and 28		36,697,231	39,680,416
Accrued expenses and other current liabilities - notes 2, 12, 27 and 28		5,656,942	3,959,579
		89,720,045	95,372,150
Noncurrent Liabilities			
Retirement benefit obligation - notes 2, 3 and 19		1,614,910	1,573,210
Advances from affiliates and stockholders - notes 2, 14, 27 and 28		442,000,292	450,132,508
Advances from lessees - notes 2, 22, 27 and 28		3,203,265	2,611,652
		446,818,467	454,317,370
Equity			
Capital stock - notes 2 and 13		3,276,045,637	3,276,045,637
Additional paid-in capital - note 2		24,492,801	24,492,801
Deficit - notes 1 and 2		(1,890,106,437)	(1,848,528,537)
		1,410,432,001	1,452,009,901
Treasury stock - notes 2 and 13		(10,000)	(10,000)
		1,410,422,001	1,451,999,901
TOTAL LIABILITIES AND EQUITY	P	1,946,960,513	P 2,001,689,421

(The accompanying notes are an integral part of these financial statements)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	Years Ended December 31		
	2010	2009	2008
		(As restated - note 26)	
CAPITAL STOCK - notes 2 and 13	P 3,276,045,637	P 3,276,045,637	P 3,276,045,637
ADDITIONAL PAID-IN CAPITAL - note 2	24,492,801	24,492,801	24,492,801
DEFICIT - notes 1 and 2			
Balance at beginning of year as previously stated	(1,847,344,737)	(1,979,981,440)	(1,894,397,015)
Prior period adjustment - note 26	(1,183,800)	-	-
Balance at beginning of year as restated	(1,848,528,537)	(1,979,981,440)	(1,894,397,015)
Net loss for the year - note 26	(41,577,900)	(76,185,187)	(63,774,762)
Adjustments:			
Loss on sale of treasury shares - note 13	-	(14,494,807)	-
Other adjustments from PCIC subsidiaries - notes 13 and 26	-	222,132,897	(21,809,663)
Balance at end of year	(1,890,106,437)	(1,848,528,537)	(1,979,981,440)
TREASURY STOCK (at cost) - notes 2 and 13	(10,000)	(10,000)	(16,486,633)
TOTAL EQUITY	P 1,410,422,001	P 1,451,999,901	P 1,304,070,365

(The accompanying notes are an integral part of these financial statements)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2010	2009 (As restated - note 26)	2008
RENTAL INCOME - notes 2, 7 and 22	P 15,332,556	P 16,712,383	P 21,118,401
DIRECT COSTS AND EXPENSES - notes 2, 7 and 15	7,485,886	8,832,886	7,349,660
GROSS PROFIT	7,846,670	7,879,497	13,768,741
OPERATING EXPENSES - notes 2 and 10	3,404,320	3,772,822	3,248,579
INCOME FROM OPERATIONS	4,442,350	4,106,675	10,520,162
OTHER INCOME (CHARGES) - net - note 17	70,327	5,481	(346,824)
	4,512,677	4,112,156	10,173,338
FINANCE COSTS - notes 2 and 12	(7,654,397)	(5,188,270)	(7,295,170)
INCOME (LOSS) BEFORE TAX	(3,141,720)	(1,076,114)	2,878,168
INCOME TAX EXPENSE (current) - notes 2 and 21	(189,116)	(189,842)	(388,363)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(3,330,836)	(1,265,956)	2,489,805
LOSS FROM DISCONTINUED OPERATIONS - notes 18 and 20	(38,247,064)	(74,919,231)	(66,264,567)
NET LOSS FOR THE YEAR	(P 41,577,900)	(P 76,185,187)	(P 63,774,762)
Loss per share - notes 2 and 23	(P0.0127)	(P0.0233)	(P0.0195)

(The accompanying notes are an integral part of these financial statements)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2010	2009	2008
		(As restated - note 26)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(P 41,386,015)	(P 75,984,621)	(P 63,358,126)
Adjustments for:			
Depreciation - notes 7, 9, 15 and 18	36,602,373	39,190,291	34,153,776
Provision for retirement benefits - note 19	41,700	41,700	41,700
Provision for impairment losses on:			
receivables - notes 5, 17 and 18	1,680	44,500	-
advances to affiliate - note 18	-	30,859,027	-
investment properties - notes 7 and 18	-	-	24,000,000
Loss on:			
write-off of property and equipment - notes 9 and 18	-	3,279,132	-
sale of treasury shares - note 13	-	-	-
write-off of available for sale financial assets - note 18	-	-	375,000
write-off of other assets	-	-	4,188,798
Recovery/ reversal of:			
allowance for doubtful accounts - notes 5 and 18	(10,991)	(53,664)	-
allowance for inventory losses	-	-	(2,815,418)
Gain on disposal of machinery and equipment	-	-	(190,823)
Finance costs - note 10	7,654,397	5,188,270	7,295,170
Interest income	(4,806)	(7,698)	(211)
Operating income before working capital changes	2,898,338	2,556,937	3,689,866
Decrease (increase) in:			
Receivables - note 25	425,268	(1,347,258)	(4,610)
Inventories	-	940,970	8,646,360
Prepayments and other current assets	5,729,379	(941,401)	(1,095,317)
Increase (decrease) in:			
Accounts payable	(2,983,185)	(1,225,116)	(662,692)
Accrued expenses and other current liabilities	(12,105,591)	(751,363)	(1,560,136)
Advances from lessees	591,613	(2,250,504)	(165,010)
Net cash from (used in) operations	(5,444,178)	(3,017,735)	8,848,461
Interest received	4,806	7,698	211
Income tax paid	(191,886)	(200,566)	(416,636)
Net cash from (used in) operating activities	(5,631,258)	(3,210,603)	8,432,036

forward

continued

	Years Ended December 31		
	2010	2009	2008
		(As restated - note 26)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment - note 9	(71,875)	(41,339)	-
Additions to investment properties - note 7	-	(326,404)	(2,964,420)
Proceeds from disposal of machinery and equipment	-	-	253,519
Net cash used in investing activities	(71,875)	(367,743)	(2,710,901)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in advances from affiliates - note 25	(8,132,215)	9,587,517	15,873,160
Decrease in advances to affiliates - note 25	14,100,074	1,608,037	1,580,593
Payment of borrowings - note 25	(4,366,283)	(5,311,506)	(14,796,356)
Proceeds from disposal of treasury shares	-	1,981,826	-
Financing cost paid	6,148,557	(5,188,270)	(7,295,170)
Net cash from (used in) financing activities	7,750,133	2,677,604	(4,637,773)
NET INCREASE (DECREASE) IN CASH	2,047,000	(900,742)	1,083,362
CASH - notes 2 and 4			
At beginning of year	755,637	1,656,379	573,017
At end of year	2,802,637	P 755,637	P 1,656,379

(The accompanying notes are an integral part of these financial statements)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2010, 2009 and 2008

**1. CORPORATE INFORMATION, STATUS OF OPERATIONS
AND MANAGEMENT PLANS**

Corporate Information

Wellex Industries Incorporated (referred to as the "Company") is a company incorporated in the Philippines to engage primarily in the business of mining and oil exploration and was known as Republic Resources and Development Corporation (REDECO). Under Section 11 of the Corporation Code of the Philippines, an entity has a 50-year corporate life. The Company's corporate life officially ended on October 19, 2006. On January 19, 2006, the Company's Board of Directors (BOD) and stockholders approved the amendment of the Company's Articles of Incorporation extending the corporate life for another 50 years up to October 19, 2056. The Company's Amended Articles of Incorporation was approved by the Securities and Exchange Commission (SEC) on July 20, 2007.

The Company's shares are listed and traded in the Philippine Stock Exchange (PSE).

On January 28, 2008, the BOD approved the amendment of the Company's primary purpose from a holding company to a company engaged in the business of mining and oil exploration. The change in the primary purpose was approved by the SEC on April 3, 2009.

The Company wholly owns two companies, namely Plastic City Industrial Corporation (PCIC) and Philfoods Asia, Inc. (collectively known as the Group). Both subsidiaries have ceased operations but PCIC subsidiaries has leased out its warehouse/ building facilities.

The registered office address of the Company is located at 22nd Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City.

The accompanying consolidated financial statements of the Company and subsidiaries for year 2010 including its comparative figures for 2009 were authorized and approved for issue by the Board of Directors on May 3, 2011.

Status of Operations and Management Plans

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. The Group continues to incur losses which resulted to a deficit of P1,890,106,437, P1,848,528,537 and P1,979,981,440 as of December 31, 2010, 2009 and 2008, respectively.

In prior years, the Company's business of mining and oil exploration became secondary to real estate and energy development. On January 28, 2008, the BOD approved the amendment of the Company's primary purpose from a holding company to a company engaged in the business of mining and oil exploration.

The purpose of the amendment of the primary purpose was essentially to enable the Company to ride the crest of a resurgent mining industry including oil exploration of the country's offshore oil fields. The Company's strategy is to identify mining properties with proven mineral deposits particularly nickel, chromite, gold and copper covered by Mineral Production Sharing Agreements (MPSAs) and to negotiate for either a buy-out or enter into a viable joint venture arrangement. For its oil and mineral exploration activities, the Company has identified and conducted initial discussions with potential investors.

However, the continuing global financial crises dampened the metal and oil prices that adversely affected the investment environment of mining and oil and mineral exploration industry of the country.

On October 28, 2010, PCIC subsidiaries (namely ICC, PPC and KCC) with certain affiliates jointly filed a petition for corporate rehabilitation before the regional trial court of Valenzuela City by authority of Section 1, Rule 4 of Rules and Procedure on Corporate Rehabilitation, in order to revive PCIC subsidiaries manufacturing operations and bring them back to profitability for the benefit of the creditors, employees and stockholders. As part of the rehabilitation plan, the following actions will be undertaken:

- a) Conversion of the PCIC subsidiaries industrial real estate into commercial and residential zones to increase its value. This project will be undertaken in a joint venture with Philippine Estate Corporation (PEC). This would have the effect of improving the salability of the properties and of bringing in additional rental income for the petitioners. Equally important, this would also improve the value of the collateral held by creditor Banks, against loan obtained by the ICC and affiliates;
- b) Conversion into equity of the advances from individual stockholders and affiliates to ensure that funds available for debt servicing are paid to creditor Banks;
- c) Capital infusion of P20 million to PCIC subsidiaries to be used to repair and recondition manufacturing equipments and machinery, for start-up costs, for working capital requirements to purchase resin and other materials;
- d) Debt restructuring of the outstanding loans with creditor banks as follows:
 - i) Proportionate recognition by PCIC subsidiaries of the outstanding loan principal with forty-five percent (45%) thereof to be recognized by PPC; twenty percent (20%) thereof to be recognized by ICC; and thirty-five percent (35%) thereof to be recognized by the KCC;
 - ii) Waiver of penalty and a portion of interest;
 - iii) Grace period of two (2) years on principal payments on restructured loans;
 - iv) Fifty percent (50%) of the recognized principal to be paid in twelve (12) equal quarterly payments starting March 2013 up to December 2015, with the remaining 50% to be paid as a balloon payment by December 2015; and
 - v) Interest at five percent (5%) per annum on the restructured loan for the duration of the rehabilitation plan payable quarterly in arrears for twenty (20) quarters, starting March 2011 up to December 2015, based on declining restructured principal balance.

PCIC subsidiaries have appointed persons, who possess all the qualifications and have no conflict of interest for the position of Rehabilitation Receiver in order to successfully implement the Rehabilitation Plan.

As of April 14, 2011, the petition for rehabilitation filed before the Regional Trial Court of Valenzuela City is pending for approval. The eventual outcome of these matters cannot be determined at this time.

Consequently, the consolidation financial statements have been prepared assuming that the Group will continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of the recorded assets or the recognition and classification of liabilities that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices that have been used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Preparation and Presentation of Consolidated Financial Statements

The Group's consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). These accounting standards were issued for adoption by the Financial Reporting Standards Council (FRSC), formerly known as the Accounting Standards Council (ASC) of the Philippines, from the pronouncements issued by the International Accounting Standards Board (IASB) and approved for adoption by the Securities and Exchange Commission (SEC). PFRSs consist of the following:

- a) PFRSs - corresponding to International Financial Reporting Standards or IFRS
- b) Philippine Accounting Standards (PASs) - corresponding to International Accounting Standards (IASs)
- c) Interpretations to existing standards issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee, of the IASB which were adopted by the FRSC of the Philippines

The consolidated financial statements have been prepared under the historical cost basis convention except for revaluation of certain assets. Measurement bases are more fully described in the accounting policies below.

These consolidated financial statements are presented in Philippine pesos, the Group's functional presentation currency, and all values represent absolute amounts except when otherwise indicated.

New Interpretations, Revisions and Amendments to PFRS

Effective in 2010 that are relevant to the Group

The following new standards, amendments and interpretations to existing standards are mandatory for the annual periods beginning on or before January 1, 2010:

- PAS 1 (amendment), *Presentation of financial statements*. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

The amendment has no impact on the Group's consolidated financial statements.

- PAS 7 (amendment), *Statement of cash flows*. The amendments to PAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

The amendment has no material effect on the Group's consolidated financial statement.

- PAS 17 (amendment), *Leases*. This deletes the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of PAS 17.

This amendment has no impact on the Company's financial statements.

- PAS 27 (revised), *Consolidation and separate financial statements*. This requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will non longer result in goodwill or gains and losses. The standard also specifies the accounting when the control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.

The amendment has no impact on the Group's consolidated financial statements.

- PAS 36 (amendment), *Impairment of assets*. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of PFRS 8, *Operating segments* (that is, before the aggregation of segments with similar economic characteristics).

The amendment has no impact on the Group's consolidated financial statement.

- PFRS 8 (amendment), *Operating segments*. The minor textual amendment to the Standard, and amendment to the Basis for Conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker.

The amendment has no impact on the Group's consolidated financial statement.

Effective in 2010 but not relevant to the Group

The following new standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group:

PFRS 1 (Amendment)	:	First-time adoption of PFRS
PFRS 2 (Amendment)	:	Group cash-settled share-based payment transactions
PAS 3 (Revised)	:	Business Combination and consequential amendments to PAS 28 Investment in associates, and PAS 31 Interest in joint ventures
PFRS 5 (Amendment)	:	Non-current assets held for sale and discontinued operations
PAS 38 (Amendment)	:	Intangible assets

Philippine Interpretations

IFRIC 9	:	Reassessment of embedded derivatives
PAS 39	:	Financial instruments: Recognition and Measurement
IFRIC 16	:	Hedges of a net investment in a foreign operation
IFRIC 17	:	Distribution of non-cash assets to owners
IFRIC 18	:	Transfer of assets from customers

Effective subsequent to 2010 that are relevant to the Group

- PFRS 7 (amendment), *Financial instruments: Disclosures*, issued in May 2010. The amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. It also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. The amendment applies to annual periods beginning on or after January 1, 2011. Earlier application is permitted.
- PFRS 9, *Financial instruments*, issued in November 2009. This introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39, *Financial Instruments: Classification and Measurement*. The approach in the new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used; replacing the many different impairment methods in PAS 39. The standard is not applicable until January 1, 2013 but is available for early adoption.

- PAS 24 (revised), *Related party disclosures*, issued in November 2009. It supersedes PAS 24, *Related party disclosures*, issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted.

The Group expects that the adoption of the foregoing will have no significant impact on the consolidated financial statements on the date of initial application. However, the disclosure required by the above new and revised standards, amendments to standards and interpretation will be included in the consolidated financial statements upon adoption.

Effective subsequent to 2010 but not relevant to the Group

The following new standards, new interpretations and amendments to the standards have been issued but are not effective for the financial year beginning January 1, 2010 and have not been early adopted by the Group:

Amendments to PFRS 1	:	Limited Exemption From Comparative PFRS 7 Disclosures for First-time Adopters (<i>Effective for annual periods beginning on or after July 1, 2010</i>)
Amendments to PAS 32	:	Classification of Rights Issues (<i>Effective for annual periods beginning on or after February 1, 2010</i>)
Amendments to IFRIC 14	:	Prepayments of a Minimum Funding Requirement (<i>Effective for annual periods beginning on or after January 1, 2011</i>)
IFRIC 19	:	Extinguishing Financial Liabilities with Equity Instruments (<i>Effective for annual periods beginning on or after July 1, 2010</i>)

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to December 31 each year. Control is achieved when the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of operations of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

All significant intercompany transactions and balances between Group are eliminated in the consolidation including the following:

- Revaluation reserves arising from the revaluation of PCIC subsidiaries real estate properties (property and equipment, investment properties and investments in a joint venture); and
- Deferred tax liabilities related to the revaluation of PCIC subsidiaries real estate properties.

The consolidated financial statements include the financial statements of the Company and the following subsidiaries, which were all incorporated in the Philippines.

Subsidiaries	Principal Activity	Ownership	
		2010	2009
Direct Ownership			
Philfoods Asia, Incorporated (Philfoods)	Manufacturing	100%	100%
Plastic City Industrial Corporation (PCIC)	Manufacturing	100%	100%
Indirect Ownership (Subsidiaries of PCIC)			
Inland Container Corporation (ICC)	Manufacturing	100%	100%
Kennex Container Corporation (KCC)	Manufacturing	100%	100%
MPC Plastic Corporation (MPC)	Manufacturing	100%	100%
Pacific Plastic Corporation (PPC)	Manufacturing	100%	100%
Rexlon Industrial Corporation (RIC)	Manufacturing	100%	100%
Weltex Industries Corporation (WIC)	Manufacturing	100%	100%

Philfoods Asia, Incorporated

Philfoods started commercial operations in 2000 and was suspended in 2002. Management is looking for possible partners to operate its facilities.

In 2003, Philfoods also reviewed the recoverability of its property, plant and equipment, and recognized in its statement of comprehensive income an impairment loss amounting to P13,907,709, which was included in the consolidated accumulated impairment loss of P136,088,452 (see Note 9).

PCIC and Subsidiaries

PCIC and its subsidiaries have ceased operations but have leased out their warehouse facilities. The intention of the Group is to continue its operation by focusing on "injection molding" due to its very encouraging prospect and which has shown to have a high viability rating that will contribute highly towards the Group's maximum operation and financial position. Management is continuously in search for a reliable joint venture partners who have the means to continue its operations.

On October 28, 2010, PCIC subsidiaries (namely ICC, PPC and KCC) with certain affiliates jointly filed a petition for corporate rehabilitation in order to revive its manufacturing operations. Details of the rehabilitation were fully disclosed in Note 1.

Certain real estate properties were mortgaged by certain PCIC subsidiaries in support of bank loan obligations (see Note 10).

Revenue and Expense Recognition

Revenues are measured at the fair value of the consideration received or receivable and are recognized when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Rental income from operating lease is recognized on straight-line basis over the term of the lease contracts. Rental received in advance is treated as advances from lessees and recognized as income when actually earned.

Sales of goods are recognized when there is a transfer of risks and rewards of ownership, which coincides with the transfer of the legal title or the passing of possession to the buyer.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

Cost and expenses are recognized in the consolidated statements of comprehensive income upon utilization of the service or at the date they are incurred. All finance costs are reported in the statement of comprehensive income, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, on an accrual basis.

Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated statement of comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when: (i) there is a legally enforceable right to offset the recognized amounts and (ii) there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Except for loans and receivables, the Group did not hold financial assets under other categories as of December 31, 2010 and 2009.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, in which case, these are classified as non-current assets. The Group's loans and receivables comprise of trade and other receivables.

Loans and receivables are subsequently measured at amortized costs using the effective interest method, less any impairment losses. Any change in their value is recognized in consolidated statement of comprehensive income. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets carrying amount and the present value of estimated cash flows.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include significant financial difficulty of the issuer or obligor, a breach of contract such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for that financial asset because of financial difficulties, among others.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

Claims for input value added tax (VAT) and prepaid taxes

Claims for input VAT and prepaid taxes are stated at face value less provision for impairment, if any. Allowance for unrecoverable input VAT and prepaid taxes, if any, is maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claims. The Group, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Property and Equipment

Property and equipment are carried at cost, except for certain property, plant and equipment of PCIC subsidiaries which are carried at appraised value as determined by an independent firm of appraisers, less accumulated depreciation and any impairment in value. Subsequent additions are carried at cost.

The net appraisal increment resulting from the revaluation of PCIC subsidiaries property and equipment is adjusted in the consolidated financial statements through the deficit account including the amount of appraisal increase absorbed through depreciation. The movements on appraisal increment of PCIC subsidiaries are fully discussed in Note 13.

The buildings and machinery and equipment of PCIC subsidiaries were re-appraised by an independent firm of appraisers on April 8, 2009. The results of the re-appraisal are fully discussed in Note 9.

The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized 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 of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Any increase in the carrying amount arising on the revaluation of assets is recognized in other comprehensive income and accumulated in equity under the heading revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as expense, in which case the increase is recognized as income. The decrease in carrying amount is recognized in other comprehensive income reduces the amount accumulated in equity under the heading revaluation surplus.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

	<u>In Years</u>
Buildings	50
Leasehold improvements	5 to 10
Machinery and equipment	4 to 32
Tools and transportation equipment	5 to 10
Office furniture, fixtures and equipment	3 to 10
Laboratory equipment	5
Computer software	4

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties (except land) are stated at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. The costs of the assets represent the revalued amounts determined by independent firm of appraisers. The revalued amounts recorded under previous GAAP are comparable to the fair value of the land and depreciated cost on buildings and improvements.

Land and buildings and improvements which are held to earn rental and for capital appreciation are measured at cost less accumulated depreciation and impairment losses for buildings and improvements. The costs of the assets represent the revalued amounts as determined by an independent firm of appraisers.

The investment properties were re-appraised by an independent firm of appraisers on April 8, 2009. The results of the re-appraisal are fully discussed in Note 7.

Depreciation on buildings and improvements is computed on the straight-line method based on the estimated average useful lives of 50 years.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Investments in a Joint Venture

Joint ventures are entities whose economic activities are controlled jointly by the Company and by other venturers independent of the Company. Joint ventures are accounted for using the proportionate consolidation whereby the Company's share of the assets, liabilities, income and expenses is included line by line in the financial statements.

The Group's interests in the joint venture are recognized in the consolidated financial statements for the assets that it controls or contributed and the liabilities that it incurs, and the related income and expenses from the sale and development of the assets.

The assets, liabilities, income and expenses of the joint venture are recognized in the financial statements of the venturer and therefore no other adjustment or consolidation procedures are required.

Impairment of Assets

At each consolidated statements of financial position date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation increase.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial Liabilities

The Group classifies its financial liabilities in the following categories: (a) at fair value through profit or loss; and (b) other financial liabilities.

Financial liabilities are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of all financial liabilities not carried at fair value through profit or loss. Fair value is defined in terms of a price agreed by a willing buyer and a willing seller in an arm's length transaction.

The fair values of financial liabilities that are actively traded in an organized financial market is determined by reference to quoted market bid prices for a financial liability to be issued and based on the asking price for a financial liability held at the close of business on the statement of financial position date. Where there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, or other valuation models.

Financial liabilities arising from operations and borrowings are derecognized when the obligation under the liability is paid or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Other financial liabilities pertain to issued financial instruments that are not classified or designated at fair value through profit or loss and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. Other financial liabilities include certain accounts within trade and other payable and payable to related parties.

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

As of December 31, 2010 and 2009, the Group only has financial liabilities classified as other financial liabilities.

Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets and liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

Equity instruments

Capital stock is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at cost of reacquiring such shares.

Deficit includes all current and prior period results as disclosed in the consolidated statements of comprehensive income.

Leases

The Group accounts for its leases as follows:

Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statements of financial position at amounts equal at the inception of the lease to the fair value of the leased property, or if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the consolidated statement of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating lease. Lease income from operating lease is recognized in consolidated statement of comprehensive income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

PCIC subsidiaries leased out (as an operating lease) buildings that it owns. The asset is included in the consolidated statement of financial position as an investment property.

Related Parties and Related Party Transactions

Parties are considered related if one party has control, joint or significant influence over the party in making financial and operating decisions. The key management personnel of the Group are also considered to be related parties.

Individuals, associates or companies that directly or indirectly control or are controlled by or are under common control are also considered related parties.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Income Taxes

Tax expense recognized in the consolidated statement of comprehensive income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity.

Retirement Benefit Cost

Pension benefits are provided to employees based on the amounts required by law.

The Company and PCIC has not yet established a formal retirement plan but accrues the estimated cost of retirement benefits required by the provisions of RA No. 7641 (Retirement Law). Under RA 7641, the Company and PCIC are required to provide minimum retirement benefits to qualified employees. The retirement cost accrued includes normal cost and estimated past service cost.

Segment Reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Group is organized into two business segments. Such segments are the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 20.

Earnings (Loss) Per Share

Earnings (loss) per share (EPS) are determined by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Events after Reporting Period

The Group identifies events after the reporting period as events that occurred after the consolidated statement of financial position date but before the date of consolidated financial statements were authorized for issue. Any events after the reporting period that provide additional information about the Group's consolidated financial position at the consolidated statements of financial position date are reflected in the consolidated financial statements. Non-adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following represent a summary of these significant judgments and estimates and related impact and associated risks in the consolidated financial statements.

Judgments

Management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a) Functional currency

The Group has determined that its functional currency is the Philippine peso, which is the currency of the primary environment in which the Group operates.

b) Operating and finance lease

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

c) Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2 and fully described in Note 24.

Estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

a) Valuation of financial assets

Allowance is made for specific group of accounts where objective evidence of impairment exists. The factors considered by management in the review of the current status of its receivables are (1) length and nature of their relationship and its past collection experience, (2) financial and cash flow position and (3) other market conditions as at consolidated statement of financial position date. Management reviews the allowance on a continuous basis.

Trade and other receivables, net of allowance for doubtful accounts as of December 31, 2010 and 2009 amounted to P5,282,727 and P5,698,684, respectively (see Note 5).

b) Estimated useful lives of assets

The Group estimates the useful lives of its investment properties and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear. The estimation of the useful lives of the property and equipment is based on a collective assessment of industry practice and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase recorded operating expenses and decrease non-current assets.

The carrying value of the Group's investment properties (except land) and property, plant and equipment as of December 31, 2010 and 2009 are as follows:

	2010	2009
Investment properties (see Note 7)	P 124,573,663	P 128,308,904
Property and equipment (see Note 9)	216,560,104	249,355,361
	P 341,133,767	P 377,664,265

c) Asset impairment

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group assesses annually whether there is any indication that an asset is impaired. If any such indication exists, the Group estimates the recoverable amount of the asset in accordance with the accounting policy (see Note 2). Though the Group believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the financial condition and results of operations.

d) Retirement

The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by management in calculating such amounts. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation. Additional information is disclosed in Note 19.

e) Deferred tax assets

The Group reviews its deferred tax assets at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Due to the cessation of its subsidiaries operation, management expects that the Group will continue to incur losses and the related deferred tax assets will not be utilized in the near future.

The Group's deferred tax assets with full valuation allowance are fully discussed in Note 21.

4. CASH

This account consists of the following:

		2010		2009
Cash in bank	P	2,782,637	P	735,637
Cash on hand		20,000		20,000
	P	2,802,637	P	755,637

Cash in banks earn interest at the respective bank deposit rates.

5. TRADE AND OTHER RECEIVABLES - net

This account consists of the following:

		2010		2009
Trade	P	2,558,900	P	2,969,811
Receivable from affiliates:				
Concept Moulding Corporation		3,471,546		3,877,583
Genwire Manufacturing Corporation		203,061		136,065
Others		387,081		62,398
		6,620,588		7,045,857
Allowance for doubtful accounts				
Trade	(	1,295,343)	(	1,304,655)
Others	(	42,518)	(	42,518)
	(	1,337,861)	(	1,347,173)
	P	5,282,727	P	5,698,684

Trade receivables include rental receivables of PCIC subsidiaries amounting to P906,159 and P574,246 as of December 31, 2010 and 2009, respectively. Rental receivables are collectible monthly based on terms of the contract.

Other receivables include advances to employees and reimbursable utilities expenses from PCIC subsidiaries tenants.

The movement of the allowance for doubtful accounts is as follows:

	2010	2009
Balance at beginning of year	P 1,347,173	P 1,356,337
Provision (see Note 17)	1,680	44,500
Reversals (see Note 18)	(10,992)	(53,664)
Balance at end of year	P 1,337,861	P 1,347,173

6. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of the following:

	2010	2009
Creditable withholding tax	P 4,587,149	P 4,776,731
Creditable input tax	39,992	5,579,789
	P 4,627,141	P 10,356,520

The carrying amounts of the creditable withholding and input taxes are reduced to the extent that they are no longer probable that sufficient income tax due and revenue subject to VAT, respectively, will be available to allow all or part of the creditable withholding and input taxes to be utilized.

As of December 31, 2010 and 2009, respectively, no provision for impairment has been recorded since management believes that the accounts are fully realizable.

7. INVESTMENT PROPERTIES - net

Investment properties, which consist of land and buildings and improvements held primarily to earn rentals and for capital appreciation, are carried at deemed costs as allowed under PFRS 1 and opted to recognize the appraised amounts as the deemed costs and adopted the revaluation model under PAS 40 as its accounting policy.

The carrying amounts of investment properties (net of accumulated depreciation and impairment loss) are shown below:

December 31, 2010

	Land	Land improvements	Buildings and improvements	Total
Net carrying amounts, January 1, 2010	P 918,567,885	P 2,632,658	P 125,676,246	P1,046,876,789
Depreciation (see Note 15)	-	(658,166)	(3,077,075)	(3,735,241)
Net carrying amounts, December 31, 2010	P 918,567,885	P 1,974,492	P 122,599,171	P1,043,141,548

December 31, 2010	Land	Land improvements	Buildings and improvements	Total
Cost or Valuation	P1,103,292,035	P 3,290,824	P 360,764,700	P1,467,347,559
Accumulated depreciation	-	(1,316,332)	(65,803,903)	(67,120,235)
Accumulated impairment loss	(184,724,150)	-	(172,361,626)	(357,085,776)
Net carrying amounts, December 31, 2010	P 918,567,885	P 1,974,492	P 122,599,171	P1,043,141,548
December 31, 2009				
	Land	Land improvements	Buildings and improvements	Total
Net carrying amounts, January 1, 2009	P1,008,867,535	P 2,964,420	P 127,458,654	P1,139,290,609
Additions	-	326,404	-	326,404
Recovery of prior year impairment loss	14,760,350	-	1,290,347	16,050,697
Other movement	(105,060,000)	-	-	(105,060,000)
Depreciation (see Note 15)	-	(658,166)	(3,072,755)	(3,730,921)
Net carrying amounts, December 31, 2009	P 918,567,885	P 2,632,658	P 125,676,246	P1,046,876,789
Cost or Valuation	P1,103,292,035	P 3,290,824	P 360,764,700	P1,467,347,559
Accumulated depreciation	-	(658,166)	(62,726,828)	(63,384,994)
Accumulated impairment loss	(184,724,150)	-	(172,361,626)	(357,085,776)
Net carrying amounts, December 31, 2009	P 918,567,885	P 2,632,658	P 125,676,246	P1,046,876,789

Rental income earned amounted to P15.3 million in 2010, P16.7 million in 2009 and P21.1 million in 2008 (see Note 22). Direct operating expenses incurred such as depreciation, repairs and maintenance, security and property taxes amounted to P7,485,886 in 2010, P8,832,886 in 2009 and P7,349,660 in 2008.

Depreciation on appraisal increase amounted to P1,609,083 in 2010, P1,604,237 in 2009 and P1,578,112 in 2008.

PCIC subsidiaries land and buildings which are situated in Valenzuela, Metro Manila, were appraised on April 8, 2009 by an independent firm of appraisers. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at valuation date.

For the purpose of determining the fair market value of the properties the following appraisal techniques were used by the appraisers:

- a) *Cost approach.* Cost approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative.

- b) *Market data (or direct sales comparison) approach.* Market data approach is an appraisal technique in which the market value estimate is predicted based upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing market (pricewise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market.

The results of the appraisal of PCIC subsidiaries' land and building improvements and the Company's year-end impairment review of its land held for future appreciation are as follows:

- a) Recognition of recovery of prior year recognized impairment loss amounting to P16,050,697 in 2009 which was credited to deficit as part of other adjustments from PCIC subsidiaries (see Note 13).
- b) The Company recognized an impairment loss of P24,000,000 in 2008 on its land located at Pasig City to write-down to its recoverable amount following the decline in the prevailing market value/current selling price of properties where the investment property is situated.

The impairment loss was charged to operations (see Note 18).

On November 24, 2009, Philippine Veterans Bank foreclosed land to secure payment of loan of an affiliate amounting to P88.8 million by virtue of the real estate mortgage, executed by the Parent Company. The property was sold at an auction to the highest bidder Philippine Veterans Bank which tendered an amount of P71.326 million. The Group recognized advances to Metro Alliance Holdings and Equities Corp. of P105.06 million for the value of the land foreclosed to settle the affiliate loan with the bank (see Note 14).

On September 7, 1999, the Board of Directors approved the execution of a third-party real estate mortgage on the Group's properties located in Quezon City with an actual area of 6,678 square meters to secure the loan of Waterfront Philippines, Incorporated, an affiliate, with the Social Security System (SSS) amounting to P375 million. In 2003, SSS foreclosed the asset mortgaged in the amount of P198,639,000.

The Group filed a civil case against SSS on the foreclosed property claiming for sum of money and damages in the amount of P500 million. The case is pending before the Regional Trial Court of Quezon City. All the other real estate properties are not subject to any liens or encumbrances.

The carrying amounts of investment properties measured at their original costs follow:

December 31, 2010

	Land	Land improvements	Building and improvements	Total
Cost	P297,231,550	P 3,290,824	P 86,859,550	P 387,381,924
Accumulated depreciation	-	(1,316,332)	(19,612,150)	(20,928,482)
	P297,231,550	P 1,974,492	P 67,247,400	P 366,453,442

December 31, 2009

December 31, 2009	Land	Land improvements	Building and improvements	Total
Cost	P297,231,550	P 3,290,824	P 86,859,550	P 387,381,924
Accumulated depreciation	-	(658,166)	(18,114,158)	(18,772,324)
	P297,231,550	P 2,632,658	P 68,745,392	P 368,609,600

Portion of the real estate properties of PCIC subsidiaries with an aggregate carrying amount of P665,800,773 and P666,826,186 as of December 31, 2010 and 2009, respectively, are mortgaged to two universal banks to secure the loans obtained by Inland Container Corporation (ICC) and other affiliated companies.

Due to the inability of the affiliates to pay the loan obtained from Philippine National Bank, the mortgaged properties were subjected to foreclosure proceedings on November 5, 2010. However, the PCIC subsidiaries filed a petition for Corporate Rehabilitation on October 28, 2010 (see Note 1).

8. INVESTMENTS IN A JOINT VENTURE

In July 1997, PCIC subsidiaries (Inland Container Corporation, Rexlon Industrial Corporation and Kennex Container Corporation) entered into a Joint Venture Agreement (the "Agreement") with Philippine Estates Corporation (PEC), as Developer and PCIC subsidiaries and other affiliates as co-landowners, whereby PEC will develop into industrial estate the parcels of land situated at Canumay, Valenzuela, Metro Manila owned by the Group and its co-landowners. For these jointly-controlled assets, PCIC subsidiaries contributed a total of 192,484 square meters of raw land. As part of the Agreement, the developer is entitled to a certain percentage of the net sales proceeds after deduction of all relevant taxes and marketing and administrative expenses. All other matters relating to the contributed parcels of land by the co-landowners, including the release of the title of the developed saleable lots is subject to the terms and conditions as set out in the Agreement.

PCIC subsidiaries real estate properties were carried at revalued amounts under previous GAAP and management believes that the revalued amounts are comparable to their fair values. As such, the Group measured the transfer applying the deemed cost model as provided for under PFRS 1 and adopted PAS 40, revaluation model.

PCIC subsidiaries investment in real estate properties were revalued on April 8, 2009 by an independent firm of appraisers. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at valuation date.

For the purpose of determining the fair market value of the properties the following appraisal techniques were used by the appraisers:

- c) *Cost approach.* Cost approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative.

- d) *Market data (or direct sales comparison) approach.* Market data approach is an appraisal technique in which the market value estimate is predicted based upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing market (pricewise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market.

The results of the appraisal of PCIC subsidiaries' investment in real estate properties shows an appraisal increase amounting to P173,540,307 in 2009. The appraisal increase recognized is accounted as additional share on PCIC subsidiaries' appraisal capital and credited directly to deficit (see Note 13).

The carrying amount of investments in a joint venture is as follows:

	2010	2009
Net carrying amount at beginning of year	P 543,508,507	P 369,968,200
Appraisal increase	-	173,540,307
Net carrying amount at end of year	P 543,508,507	P 543,508,507

Net carrying amount consists of:

	2010	2009
Cost	P 102,092,864	P 102,092,864
Appraisal increase	498,315,248	498,315,248
Accumulated impairment losses	(56,899,605)	(56,899,605)
Net carrying amount at end of year	P 543,508,507	P 543,508,507

Portion of the real estate properties of PCIC subsidiaries with an aggregate carrying amount of P512,348,300 as of December 31, 2010 and 2009, respectively, were mortgaged with BDO to secure the loans obtained by Inland Container Corporation (ICC) (see Note 10).

9. **PROPERTY, PLANT AND EQUIPMENT** - net

The details of the Group's property, plant and equipment are as follows:

December 31, 2010

	Buildings and leasehold improvements	Machinery and equipment	Tools and transportation equipment	Furniture, fixtures and equipment	Total
Net carrying amounts, January 1, 2010	P 4,932,190	P244,381,832	P -	P 41,339 71,875	P 249,355,361 71,875
Additions	-	-	-	-	-
Depreciation (see Note 18)	(144,060)	(32,711,212)	-	(11,860)	(32,867,132)
Net carrying amounts, December 31, 2010	P 4,788,130	P211,670,620	P -	P 101,354	P 216,560,104

	Buildings and leasehold improvements	Machinery and equipment	Tools and transportation equipment	Furniture, fixtures and equipment	Total
Cost or Valuation	P 18,898,995	P 883,287,076	P14,176,584	P10,327,519	P 926,690,174
Accumulated depreciation	(7,040,907)	(542,700,124)	(14,176,584)	(10,124,003)	(574,041,618)
Accumulated impairment loss	(7,069,958)	(128,916,332)	-	(102,162)	(136,088,452)
Net carrying amounts, December 31, 2010	P 4,788,130	P211,670,620	P -	P 101,354	P 216,560,104
<u>December 31, 2009</u>					
	Buildings and leasehold improvements	Machinery and equipment	Tools and transportation equipment	Furniture, fixtures and equipment	Total
December 31, 2009					
Net carrying amounts, January 1, 2009	P 4,219,032	P251,291,599	P -	P -	P 255,510,631
Additions	-	-	-	41,339	41,339
Appraisal increase	857,218	32,802,329	-	-	33,659,547
Write-off	-	(4,396,786)	-	-	(4,396,786)
Depreciation (see Note 18)	(144,060)	(35,315,310)	-	-	(35,459,370)
Net carrying amounts, December 31, 2009	P 4,932,190	P244,381,832	P -	P 41,339	P249,355,361
Cost or Valuation	P 18,898,995	P 883,287,076	P14,176,584	P 10,255,644	P 926,618,299
Accumulated depreciation	(6,896,847)	(509,988,912)	(14,176,584)	(10,112,143)	(541,174,486)
Accumulated impairment loss	(7,069,958)	(128,916,332)	-	(102,162)	(136,088,452)
Net carrying amounts, December 31, 2009	P 4,932,190	P 244,381,832	P -	P 41,339	P 249,355,361

In 2009, the Group had written off machinery and equipment with a net carrying value of P4.3 million due to damage sustained from the typhoon. Consequently, the related appraisal of the machinery of P1,117,654 was charged directly to deficit (see Note 13) and recognized loss from the write-off amounting to P3,279,132 (see Note 18).

Depreciation on appraisal increase amounted to P20,239,857, P18,589,687 and P12,795,897 in 2010, 2009 and 2008, respectively.

PCIC subsidiaries' buildings and machinery and equipment were revalued on April 8, 2009 by an independent firm of appraisers. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at valuation date.

For the purpose of determining the fair market value of the properties the following appraisal techniques were used by the appraisers:

- e) *Cost approach.* Cost approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative.

- f) *Market data (or direct sales comparison) approach.* Market data approach is an appraisal technique in which the market value estimate is predicted based upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing market (pricewise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market.

As a result of the appraisal conducted on April 8, 2009, PCIC subsidiaries recognized an appraisal increase amounting to P33,659,547. The appraisal increase recognized is accounted for as additional share on PCIC subsidiaries' appraisal capital and credited directly to deficit (see Note 13).

10. BORROWINGS

This account represents restructured loan obtained from Banco de Oro by ICC, with outstanding balance of P47,365,872 and P51,732,155 as of December 31, 2010 and 2009, respectively. The Company entered into a second restructuring of the loan in 2007. Under the restructuring agreement, the loan shall be payable from July 5, 2007 to August 8, 2010, with interest of 10.5% per annum. The loan is collateralized by certain real estate properties owned by PPC, RIC, ICC, KCC and MPC as discussed in notes 7 and 8. As of December 31, 2010, the Company is under negotiation with the Bank for the third restructuring of the loan (see Note 1).

Partial payment of borrowings was advanced from an affiliate (see Notes 14 and 25).

Total finance costs charged to operations amounted to P7,654,397 in 2010, P5,188,270 in 2009, and P7,295,170 in 2008.

11. ACCOUNTS PAYABLE

Accounts payable is broken down into:

	2010	2009
Trade	P 17,373,258	P 19,677,314
Payable to affiliates:		
International Polymer Corporation	19,211,115	20,003,102
Plastic City Corporation	112,858	-
	P 36,697,231	P 39,680,416

The carrying amounts of accounts payable, which are expected to be settled within the next twelve months from reporting period, is a reasonable approximation of its fair value.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The details of this account are broken down into:

	2010	2009
Deferred rental	P 2,150,671	P 1,996,766
Interest payable	1,505,840	-
Value added tax and other taxes payable	1,251,032	1,130,222
Others	749,399	832,591
	P 5,656,942	P 3,959,579

Other liabilities represent SSS, Pag-ibig and Philhealth contributions payable.

The carrying amounts of accrued expenses and other current liabilities, which are expected to be settled within the next twelve months from reporting period, is a reasonable approximation of its fair value.

13. CAPITAL STOCK AND RELATED TRANSACTIONS

The details of the capital stock account are as follows:

	2010	2009	2008
Common stock – P1 par value per share			
Authorized - 3.5 billion shares	P 3,500,000,000	P 3,500,000,000	P 3,500,000,000
Issued – 3,276,045,637 shares	P3,276,045,637	P3,276,045,637	P3,276,045,637
Treasury shares (at cost) – 10,000 shares in 2010 and 2009 and 16,486,633 shares in 2008	(10,000)	(10,000)	(16,486,633)
	P 3,276,035,637	P 3,276,035,637	P 3,259,559,004

In 2009 the Group sold its 16,476,633 treasury shares to a third party. Total loss recognized from the sale amounted to P14,494,807 which was shown as adjustment to deficit.

The Group has one class of common shares which carry no right to fixed income.

Consolidation adjustments

The following accounts under PCIC subsidiaries financial statements were eliminated in the process of preparing the consolidated financial statements and credited directly to the Company's investment in PCIC:

	2010	2009
Net appraisal increment on the following:		
Investment properties	P 720,502,032	P 722,146,006
Property and equipment	101,273,228	121,407,169
Investments in a joint venture	444,043,966	444,043,966
	1,265,819,226	1,287,597,141
Less: deferred tax liabilities		
Investment properties	57,582,547	58,097,048
Property and equipment	30,358,846	36,399,028
Investments in a joint venture	133,213,190	133,213,190
	221,154,583	227,709,266
Net revaluation reserves:		
Investment properties	662,919,485	664,048,958
Property and equipment	70,914,382	85,008,141
Investments in a joint venture	310,830,776	310,830,776
	P1,044,664,643	P1,059,887,875

The significant movements in the deficit account mainly attributed to transactions of PCIC subsidiaries arising from the increase (decrease) in appraisal capital due to the following:

	2010	2009
Additional appraisal increment on:		
Property and equipment (see Note 9)	P -	P 33,659,547
Real estate properties contributed to the joint venture (see Note 8)	-	173,540,307
Recovery of prior year recognized impairment loss on investment properties (see Note 7)	-	16,050,697
Write-off of property and equipment (see Note 9)	-	(1,117,654)
	P -	P 222,132,897

14. RELATED PARTY TRANSACTIONS

Related party transactions consist of advances to and from affiliated companies and stockholders to meet the operational needs of the Group. Related party transactions are non-interest bearing, unsecured and with no definite repayment period. In the consolidated financial statements, the details of the advances are shown below.

Details of advances to affiliates and stockholders are as follows:

Related parties	Relationship	Nature of transaction	2010	2009
Metro Alliance Holdings and Equities Corp. (MAHEC)	Affiliate – under common control	Receivable for the value of foreclosed property (see Note 7)	P 105,060,000	P 105,060,000
The Wellex Group, Inc.	Stockholder	Cash advances	79,476,702	93,576,776
Wellex Petroleum, Inc.	Affiliate – under common control	Cash advances	2,297,090	2,297,090
Water front Philippines, Inc.	Stockholder	Cash advances	436,473	436,473
			187,270,265	201,370,339
Allowance for doubtful accounts			(56,413,260)	(56,413,260)
			P 130,857,005	P 144,957,079

Advances to The Wellex Group, Inc. and Wellex Petroleum, Inc. is covered by allowance for doubtful accounts amounting to P56,413,260 as of December 31, 2010 and 2009, respectively.

Details of advances from affiliates and stockholders are as follows:

Related parties	Relationship	Nature of transaction	2010	2009
Individuals	Stockholders	Advances	P 150,921,937	P 168,638,185
Diamond Stainless Corp.	Under common control	Advances	132,858,010	132,858,010
Plastic City Corp.	Under common control	Advances for payment of borrowings and land improvements (see Note 10)	33,500,369	22,801,648
Kenstar Industrial Corp.	Under common control	Purchases from prior years	26,146,064	26,146,064
Philippine Estate Corp.	Joint Venture	Expenses for joint venture	23,200,971	24,035,861
Rexlon Realty Corp.	Under common control	Advances	23,187,370	23,187,370
Pacific Rehouse Corp.	Stockholder	Advances	15,540,753	15,540,753
International Polymer Corp.	Under common control	Purchases from prior years	11,691,554	11,691,554
Asia Pacific Corp.	Under common control	Advances	4,046,257	4,108,514
Ropeman International Corp.	Under common control	Advances	3,202,528	3,202,528
Others	Various	Advances	17,704,479	17,922,021
			P 442,000,292	P 450,132,508

Assignments of intercompany receivables/payables and advances to/from affiliates was made as part of the Groups plan of integrating intercompany account balances to facilitate the preparation of intercompany reconciliation, billing and collection and payment processes among the Group (see Note 27).

Compensation of key management personnel

With the cessation of the subsidiaries commercial operations in prior years, the Group's primary source of revenue is limited to the lease rental of its building and warehouse facilities to sustain its day to day operating costs and expenses. In view of the Group's tight cash position, management decided to suspend any form of compensation to all executive officers effective in 2004.

15. DIRECT COSTS AND EXPENSES

This account consists of the following:

	2010	2009	2008
Depreciation (see Note 7)	P 3,735,241	P 3,730,921	P 3,046,626
Security services	3,224,999	3,226,151	3,532,805
Repairs and maintenance	347,694	1,306,615	474,211
Property taxes	177,952	556,058	282,876
Insurance	-	13,141	13,142
	P 7,485,886	P 8,832,886	P 7,349,660

16. OPERATING EXPENSES

This account consists of the following:

	2010	2009	2008
Salaries and wages	P 1,808,873	P 1,769,955	P 1,615,482
Commission	616,248	656,292	585,737
Taxes and licenses	527,439	599,225	530,798
Professional fees	306,275	421,893	312,000
SSS, Medicare and EC contributions	121,032	122,146	115,826
Insurance	-	59,324	59,324
Others	24,453	143,987	29,412
	P 3,404,320	P 3,772,822	P 3,248,579

17. OTHER INCOME (CHARGES) - net

This account consists of the following:

	2010	2009	2008
Miscellaneous income	P 281,642	P -	P -
Provision for doubtful accounts (see Note 5)	(1,680)	-	-
Loss on disposal of investment in a joint venture	-	-	(338,145)
Others	(209,635)	5,481	(8,679)
	P 70,327	P 5,481	(P 346,824)

18. DISCONTINUED OPERATIONS

Philfoods Asia, Inc. ceased its operations in 2002. PCIC and subsidiaries ceased manufacturing operations in 2001 and prior years and leased out their warehouse/ building facilities. The intention of the Group is disclosed in Note 1.

In compliance with PFRS 5, the results of discontinued operations for the years ended December 31, 2010, 2009 and 2008 follow:

	2010		2009		2008
Sales	P -	P	639,830	P	3,190,596
Cost of goods sold	31,939,798		38,606,386		35,719,054
Gross loss	(31,939,798)	(	37,966,556)	(	32,528,458)
Operating expenses	6,463,794		6,507,625		5,948,898
Loss from operations	(38,403,592)	(	44,474,181)	(	38,477,356)
Other income (charges) – net	159,298	(	30,434,326)	(	27,758,938)
Loss before tax	(38,244,294)	(	74,908,507)	(	66,236,294)
Income tax expense (see Note 21)	(2,770)	(	10,724)	(	28,273)
Loss from discontinued operations	(P 38,247,064)	(P	74,919,231)	(P	66,264,567)

Cost of goods sold consists of:

	2010		2009		2008
Depreciation (see Note 9)	P 31,939,798	P	34,370,386	P	31,074,125
Loss on write off of machinery and equipment (see Note 9)	-		3,279,132		-
Inventory movements	-		940,970		8,686,505
Maintenance and factory supplies	-		15,898		5,069
obsolescence – net	-		-		(4,046,645)
	P 31,939,798	P	38,606,386	P	35,719,054

Operating expenses consists of:

	2010		2009		2008
Salaries, wages and benefits	P 1,798,649	P	2,249,427	P	2,187,513
Light and water	1,305,686		681,831		840,355
Professional fees	1,087,330		1,024,500		1,238,183
Depreciation (see Note 9)	927,334		1,088,984		32,500
Listing and maintenance fees	274,677		432,126		426,045
Taxes and licenses	49,842		279,348		43,751
Repairs and maintenance	-		29,809		43,876
Insurance	-		4,279		4,429
Rental	-		-		326,400
Advertising	-		-		154,440
Others	1,020,276		717,321		651,406
	P 6,463,794	P	6,507,625	P	5,948,898

Others represent transportation, bank charges and postage.

Other income (charges) consists of:

	2010	2009	2008
Gain on sale of machinery and equipment	P -	P -	P 190,823
Loss on write-off and disposal of:			
Available for sale financial assets	-	-	(375,000)
Other assets	-	-	(4,191,197)
Recovery from (provision for) impairment loss on:			
Trade and other receivables – note 5	-	(44,500)	-
Allowance for doubtful accounts – note 5	10,992	53,664	-
Advances to affiliates – note 14	-	(30,859,027)	-
Investment properties – note 7	-	-	(24,000,000)
Machinery and equipment	-	-	23,583
Other income	148,305	415,537	592,853
	P 159,297	(P 30,434,326)	(P27,758,938)

The following table shows the Groups asset and liabilities from discontinued operations:

	2010	2009
Assets	P 216,560,104	P 249,355,361
Liabilities	-	-
	P 216,560,104	P 249,355,361

Assets attributable to discontinued operations consist of PCIC subsidiaries' machinery and equipment used for the manufacturing of various plastic products before the subsidiaries ceased commercial operations in 2002 and prior years.

19. RETIREMENT BENEFITS OBLIGATION

The Company and PCIC adopted Republic Act No. 7641 as its arrangement to provide retirement benefits to all its regular employees. In case of retirement, employees shall be entitled to receive such retirement benefits as may have been earned under the existing laws.

The movements in the defined benefit obligation recognized and presented as accrued retirement benefit obligation in the consolidated statement of financial position are as follows:

	2010	2009	2008
Balance at beginning of year	P 1,573,210	P 1,531,510	P 1,489,810
Retirement provision	41,700	41,700	41,700
Balance at end of year	P 1,614,910	P 1,573,210	P 1,531,510

The provision for retirement benefits in 2010, 2009 and 2008 were included under salaries, wages and employees benefit in the consolidated statements of comprehensive income. Management believes that the defined benefit obligation computed using the provisions of R.A 7641 is not materially different with the amount computed using the projected unit credit method as required under PAS 19, Employee Benefits.

20. BUSINESS SEGMENT INFORMATION

The Group's operating business segments are organized and managed separately according to business activities. The Group's management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing which includes finance cost, impairment of assets and income taxes are managed on a group basis and are not allocated to operating segments.

The Group has no geographical segment for segment reporting format as the Group's risks and rates of return are in the same economic and political environment with the Group is incorporated and operating in the Philippines.

The Group has the following reportable operating segments:

Investment Holding

Wellex Industries, Inc. (WIN) is engaged in investment holding activities of shares of stocks and other financial instruments.

Manufacturing

PCIC and Subsidiaries and Philfoods Asia, Inc. are engaged in manufacturing. PCIC subsidiaries have ceased operations but have leased out their warehouse facilities.

Transfer prices between operating segments are conducted in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Financial information about the operations of business segment is summarized as follows:

December 31, 2010

	Holding	Manufacturing	Elimination	Consolidated
Revenues				
Rental	P -	P15,332,556	P -	P15,332,556
Others	5,000	420,142	-	425,142
	5,000	15,752,698	-	15,757,698
Expenses				
Cost of goods sold	-	39,425,684	-	39,425,684
Direct costs and expenses	-	8,295,338	-	8,295,338
Equity in net loss of subsidiaries	40,010,499	-	(40,010,499)	-
Other operating expenses	1,572,776	211,315	-	1,784,091
	41,583,275	47,932,337	(40,010,499)	49,505,113
Segment result	(41,578,275)	(32,179,639)	40,010,499	(33,747,415)
Interest income	375	4,432	-	4,807
Reversal of impairment loss	-	10,991	-	10,991
Finance costs	-	(7,654,397)	-	(7,654,397)
Income taxes	-	(191,886)	-	(191,886)
Net loss	(P 41,577,900)	(P 40,010,499)	P 40,010,499	(P 41,577,900)
Segment assets	P1,411,561,902	P1,985,287,862	(P1,449,889,251)	P1,946,960,513
Segment liabilities	P 1,085,404	P1,174,113,259	(P 638,660,151)	P 536,538,512

December 31, 2009

	Holding		Manufacturing	Elimination	Consolidated					
Revenues										
Rental	P	-	P16,712,383	P	-	P16,712,383				
Sales		-	639,830		-	639,830				
Others		-	409,080		-	409,080				
		-	17,761,293		-	17,761,293				
Expenses										
Cost of goods sold		-	47,439,272		-	47,439,272				
Direct costs and expenses		-	8,710,537		-	8,710,537				
Equity in net loss of subsidiaries		43,761,314	-	(	43,761,314)	-			
Other operating expenses		32,428,937	40,260		-	32,469,197				
		76,190,251	56,190,069	(	43,761,314)	88,619,006			
Segment result		(76,190,251)	(38,428,776)	43,761,314	(70,857,713)		
Interest income		5,064	2,634		-	7,698				
Reversal of allowance for doubtful accounts		-	53,664		-	53,664				
Finance costs		-	(5,188,270)		(5,188,270)			
Loss on permanent decline in value of treasury shares		-	(10,000)		10,000	-			
Income taxes		-	(200,566)		-	(200,566)		
Net loss		(76,185,187)	(43,771,314)	P	43,771,314	(76,185,187)	
Segment assets		P1,467,128,802	P 2,031,331,719	(P1,496,771,103)	P	2,001,689,421			
Segment liabilities		P	13,890,602	P	1,186,772,333	(P	650,973,415)	P	549,689,520

December 31, 2008

	Holding		Manufacturing	Elimination	Consolidated					
Revenues										
Rental	P	-	P 21,118,401	P	-	P 21,118,401				
Sales		-	3,190,596		-	3,190,596				
Others		-	775,550		-	775,550				
		-	25,084,547		-	25,084,547				
Expenses										
Cost of goods sold		-	33,681,529		-	33,681,529				
Direct costs and expenses		-	3,533,979		-	3,533,979				
Equity in net loss of subsidiaries		37,090,045	-	(	37,090,045)	-			
Other operating expenses		26,684,928	16,940,631		-	43,625,559				
		63,774,973	54,156,139	(	37,090,045)	80,841,067			
Segment result		(63,774,973)	(29,071,592)	37,090,045	(55,756,520)		
Interest income		211	7,915		-	8,126				
Reversal of impairment loss		-	23,583		-	23,583				
Finance costs		-	(7,295,170)		(7,295,170)			
Loss on disposal of JV lots		-	(338,145)		(338,145)			
Income taxes		-	(416,636)		-	(416,636)		
Net loss		(63,774,762)	(37,090,045)	P	37,090,045	(P63,774,762)	
Segment assets		P1,334,517,374	P 1,879,935,831	(P 929,351,957)	P	1,853,669,157			
Segment liabilities		P	13,960,375	P	1,156,613,965	(P	620,975,548)	P	549,598,792

Summary of the Group's losses from discontinued operations are as follows:

	2010	2009	2008
Holding	P 1,567,402	P 32,428,936	P 26,684,428
Manufacturing	36,679,662	42,490,295	39,580,139
	P 38,247,064	P 74,919,231	P 66,264,567

21. INCOME TAX

A numerical reconciliation of the tax expense (benefit) and the product of accounting income (loss) multiplied by the applicable tax rates follow:

Continuing operations

	2010	2009	2008
Income (loss) before tax	(P 3,141,720)	(P 1,076,114)	P 2,878,168
Tax expense (benefit) at 30% in 2010 and 2009 and 35% in 2008	(P 942,516)	(P 322,834)	P 1,007,358
Tax effect on:			
Depreciation on appraisal increase	482,725	481,271	552,339
Reversal of allowance for doubtful accounts	-	(16,898)	-
Applied NOLCO covered by valuation allowance	-	-	(266,286)
Others	63,390	1,279	-
Change in income tax rate from 35% to 30%	-	-	1,088,600
Changes in valuation allowance	585,517	47,024	(1,993,648)
	P 189,116	P 189,842	P 388,363

Discontinued operations

	2010	2009	2008
Loss before tax	(P 38,244,294)	(P 74,908,507)	(P 66,236,294)
Tax expense (benefit) at 30% in 2010 and 2009 and 35% in 2008	(P 11,473,288)	(P 22,472,552)	(P 23,182,702)
Tax effect on:			
Depreciation on appraisal increase	6,071,957	5,576,906	4,478,564
Provision for impairment losses	-	9,270,464	8,400,000
Interest income – banks	(1,442)	(2,309)	(2,844)
Change in income tax rate from 35% to 30%	-	-	5,655,804
Others	(344,481)	19,809	-
Changes in valuation allowance	5,750,024	7,618,406	4,679,451
	P 2,770	P 10,724	P 28,273

In 2010, 2009 and 2008, the Group has no income tax expense under the normal corporate income tax rate because it has incurred taxable losses. However, the Group is subject to MCIT as defined under the tax regulations.

Deferred tax assets

The composition of deferred tax assets is as follows:

	2010	2009
NOLCO	P 23,499,957	P 29,841,870
Allowance for:		
Doubtful accounts	17,341,410	17,344,115
Impairment loss	5,419,668	5,973,807
Accrued retirement benefits	484,473	471,963
MCIT	809,088	951,291
	47,554,596	54,583,046
Valuation allowance	(47,554,596)	(54,583,046)
	P -	P -

A corresponding full valuation allowance has been established since the Group believes that it is more likely than not, that the carryforward benefits will not be realized in the future.

As of December 31, 2010, the Group has MCIT and NOLCO that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

Year Incurred	MCIT	NOLCO	Expiration Date
2010	P 191,886	P 20,991,510	2013
2009	200,566	27,727,803	2012
2008	416,636	29,563,877	2011
	P 809,088	P 78,283,190	

The Group's NOLCO of P42,181,218 and P29,705,738 and MCIT of P334,092 and P475,441 as of December 31, 2007 and 2006 expired in 2010 and 2009, respectively.

Relevant Tax Regulations

In May 2005, Republic Act No. 9337, "An Act Amending Certain Provisions of the Revised National Internal Revenue Code of 1997, As Amended and for Other Purposes," (the Act) was passed into law effective November 1, 2005. Among others, the Act includes the following significant revisions:

- a) Change in the corporate income tax rate from thirty-two percent (32%) to thirty-five percent (35%) effective November 1, 2005 until December 31, 2008, and will be reduced to thirty percent (30%) effective January 1, 2009 and onwards;
- b) Change in the rate to be used in the reduction of interest expense allowed as deductible expense from thirty-eight percent (38%) to forty-two percent (42%) effective November 1, 2005 until December 31, 2008, and will be reduced to thirty-three percent (33%) effective January 1, 2009 and onwards;

Effective July 2008, Republic Act 9504 was approved, giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.

On February 18, 2010, the Bureau of Internal Revenue (BIR) issued RR No. 2-2010. It requires a taxpayer who avails of the OSD in the first quarter of its taxable year to claim the same OSD in determining its taxable income for the rest of the year, including final annual income tax return. Likewise, a taxpayer who avails of itemized deduction on the first quarter of its taxable year or fails to file an income tax return for the first quarter of the taxable year shall have to claim the itemized deduction in determining the taxable income for the rest of the year, including the final income tax return. The amendment is applicable beginning annual period ended December 31, 2009.

The Group opted to adopt the itemized deduction.

22. LEASES

PCIC subsidiaries lease their warehouse/ building facilities. The lease term ranges from three (3) months to three (3) years and is renewable under such terms and conditions as the parties may agree, provided that at least ninety (90) days prior to the expiration of the lease period, the lessee shall inform the lessor in writing of his desire to renew the lease.

The future minimum rental income is as follows:

	2010	2009
Due not later than one year	P 8,778,424	P 7,074,718
Due more than one year but not more than three years	4,270,913	1,974,558
	P 13,049,337	P 9,049,276

Lease contracts include payment of advance rental by the lessee which shall be refunded without interest on the expiration of the lease or pre-termination of the lease period, less any corresponding obligation and damages. Total advances from lessee amounted to P3,203,265 and P2,611,652 in 2010 and 2009, respectively.

The carrying amount of the warehouse/ building facilities being leased out is P59,584,969 and P65,431,446 as of December 31, 2010 and 2009, respectively. Total rental income is P15,332,556 in 2010, P16,712,383 in 2009 and P21,118,401 in 2008 (see Note 7).

23. LOSS PER SHARE

The following table presents information necessary to calculate the loss per share:

	2010	2009	2008
Consolidated net loss for the year	P 41,577,900	P 76,185,187	P 63,774,762
Weighted average number of common shares outstanding during the year	3,276,045,637	3,276,045,637	3,276,045,637
Loss per share	P0.0127	P0.0233	P 0.0195

24. COMMITMENTS AND CONTINGENCIES

Commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group are not reflected in the accompanying consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

25. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Non-cash financing and operating activities consist of:

	2010		2009		2008
Partial settlement of borrowings through advances from an affiliate (see Notes 10 and 14).	P 10,514,839	P	-	P	-
Settlement of advances to and from subsidiaries and affiliates through assignment / offsetting of advances - net	-		-	P	44,835,838
	P 10,514,839	P	-	P	44,835,838

26. PRIOR PERIOD ADJUSTMENT

The error resulted from recognition of PCIC subsidiaries (RIC and MPC) appraisal increase on investment properties amounting to P1,183,800 in 2009.

The Group opted to subsequently measure its investment properties under cost model as allowed by PAS 40. Under cost model, investment properties are subsequently measured at cost less accumulated depreciation and impairment loss.

The adjustment of the error resulted to the restatement of the following accounts in 2009:

	As previously Stated		Restatement		As restated
Investment properties:					
Cost	P 1,572,273,556	(	1,183,800)	P	1,571,089,756
Accumulated depreciation	(63,384,994)		-	(	63,384,994)
Accumulated impairment loss	(460,827,973)		-	(	460,827,973)
	P 1,048,060,589	(	1,183,800)	P	1,046,876,789

	As previously Stated	Restatement	As restated
Other adjustments from PCIC subsidiaries:			
Appraisal increment on:			
Property and equipment	P 33,659,547	P -	P 33,659,547
Real estate properties contributed to the joint venture	173,540,307	-	173,540,307
Write-off of property and Equipment	(1,117,654)	-	(1,117,654)
Recovery of impairment loss previously recognized on investment properties	17,234,497	(1,183,800)	16,050,697
	P 223,316,697	(P 1,183,800)	P 222,132,897

27. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to a variety of financial risk which results from both its operating, financial and investing activities. The Group's risk management is coordinated with the Board of Directors, and focuses on actively securing the short-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

Generally, the maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of the consolidated statement of financial position, as summarized below:

	2010	2009
Cash	P 2,802,637	P 755,637
Trade and other receivables (net)	5,282,727	5,698,684
Advances to affiliates and stockholders	130,857,005	144,957,079
	P138,942,369	P151,411,400

Credit risks refers to the risk that the other party will default its contractual obligation resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its trade and other receivables and advances to affiliates and stockholders.

For its receivables, the Group adopted a policy that all prospective tenants are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis by taking into account the financial position, past collection experience and other market factors. To lessen the credit risk, the Group requires its tenants to pay advance rental and security deposit to answer for any unpaid obligations.

As to the advances to affiliates and stockholders, the Group is in the process of integrating all intercompany account balances for possible assignment/ off-setting in order to facilitate the preparation of intercompany reconciliation, billing and collection and payment processes among the Group (see Note 14).

As of December 31, the aging analysis of trade and other receivables is as follows:

		2010		2009
Current	P	915,036	P	558,992
1- 30 days		330,632		6,975
31 to 60 days		29,546		3,040
Over 60 days		5,345,374		6,476,850
Net	P	6,620,588	P	7,045,857

The Group's trade and other receivables of over 60 days past due were assessed to be impaired and an allowance for doubtful accounts amounting to P1,337,861 and P1,347,173 as of December 31, 2010 and 2009, respectively, has been provided (see Note 5).

The Group's receivables and advances to affiliates have been reviewed for indicators of impairment. Certain trade receivables and advances to affiliates were found to be impaired and allowance for doubtful accounts amounting to P56,413,260 as of December 31, 2010 and 2009, respectively, was provided accordingly (see Note 14). The credit risk for cash is considered negligible, since the counterparties is a reputable bank with high quality external credit ratings.

Liquidity risk

The Group's policy is to maintain a balance between continuity of funding through cash advances from the Parent Company and affiliates.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table below has been drawn up based on undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay.

December 31, 2010

	Due within one year	More than one year	Total
Borrowings	P 47,365,872	P -	P 47,365,872
Accounts payable	36,697,231	-	36,697,231
Accrued expenses and other current liabilities	5,656,942	-	5,656,942
Advances from affiliates and stockholders	-	442,000,292	442,000,292
Advances from lessees	-	3,203,265	3,203,265
	P 89,720,045	P 445,203,557	P 534,923,602

December 31, 2009

	Due within one year	More than one year	Total
Borrowings	P 51,732,155	P -	P 51,732,155
Accounts payable	39,680,416	-	39,680,416
Accrued expenses and other current liabilities	3,959,579	-	3,959,579
Advances from affiliates and stockholders	-	450,132,508	450,132,508
Advances from lessees	-	2,611,652	2,611,652
	P 95,372,150	P 452,744,160	P 548,116,310

Substantial portion of the Group's financial liabilities consist of advances from affiliates and stockholders. The Group's management does not expect to pay its financial liabilities within 12 months after the statement of financial position date. Furthermore, advances from affiliates and stockholders were settled through assignment and offsetting among the Group (see Note 14).

Borrowings were renewable and secured by the Group's real estate properties. As of December 31, 2010 and 2009, the carrying amount of collateral properties amounted to P867.1 million and P868.2 million, respectively.

As mentioned in Note 1, the Group filed a petition for corporate rehabilitation due to its difficulty in meeting maturing obligations. Covered in the petition is the restructuring of borrowings with BDO and conversion to equity of advances from stockholders and affiliates.

Interest rate risk

The primary source of the Group's interest risk relates to cash in bank. The Group's cash in bank earns interest at current interest rate level; any variation in the interest will have an impact on Group's consolidated statements of comprehensive income. The Group is not exposed to interest rate risk on borrowings since it carries fixed interest rate of 10.5% per annum.

Foreign currency risk

The Group's exposure to foreign currency risk is not significant inasmuch as the Group does not actively engage in foreign currency related transactions.

Fair value interest rate risk

The Group is not exposed to fair value interest rate risk as it has no available-for-sale and fair value through profit and loss financial assets or liabilities issued at fixed rates.

28. CATEGORIES AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statement of financial position are shown below:

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash	P 2,802,637	P 2,802,637	P 755,637	P 755,637
Trade and other receivables	5,282,727	5,282,727	5,698,684	5,698,684
Advances to affiliates	130,857,005	130,857,005	144,957,079	144,957,079
	P138,942,369	P138,942,369	P151,411,400	P151,411,400
Financial liabilities				
Borrowings	P 47,365,872	P 47,365,872	P 51,732,155	P 51,732,155
Accounts payable	36,697,231	36,697,231	39,680,416	39,680,416
Accrued expenses and other current liabilities	5,656,942	5,656,942	3,959,579	3,959,579
Advances from affiliates and stockholders	442,000,292	442,000,292	450,132,508	450,132,508
Advances from lessees	3,203,265	3,203,265	2,611,652	2,611,652
	P534,923,602	P534,923,602	P548,116,310	P548,116,310

The carrying amount of trade and other receivables and advances to affiliates approximates fair value primarily due to relatively short-term maturities.

Payables and other liabilities and borrowings approximate fair values due to relatively short-term maturities. Borrowings are due during the year and the Group is in the process of negotiation with the credit Bank for loan restructuring (see Note 10). Advances from affiliates and stockholders have no definite terms of payment.

29. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for stockholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including trade and other payables, advances from affiliates and stockholders as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as Equity as shown in the consolidated statement of financial position plus Net debt.

During 2010, the Group's strategy, which was unchanged from 2009, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at December 31, 2010 and 2009 were as follows:

	2010	2009
Accounts payable	P 36,697,231	P 39,680,416
Accrued expenses and other current liabilities	5,656,942	3,959,579
Borrowings	47,365,872	51,732,155
Advances from lessees	3,203,265	2,611,652
Retirement benefit obligation	1,614,910	1,573,210
Advances from stockholders and affiliates	442,000,292	450,132,508
Less: Cash	(2,802,637)	(755,637)
Net debt	533,735,875	548,933,883
Total equity	1,410,422,001	1,451,999,901
Total capital	P1,944,157,876	P2,000,933,784
Gearing ratio	27.45%	27.43%

* * *

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE A - MARKETABLE SECURITIES - (Current Marketable Equity Securities
and other Short-term Cash Investments)
December 31, 2010

Name of Issuing Entity and Description of Investment	Number of Shares or Principal Amount of Bonds & Notes	Amount	Valued based on Market Quotation	Income Received and Accrued
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None

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE C - NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER
LONG-TERM INVESTMENT IN STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2010

Name of Issuing Entity and Description of Investment	Number of Shares of Principal Amount of Bonds & Notes	Amount in Pesos Php	Equity in Earnings (Losses) on Investees for the period	Other	Distribution of Earnings by Investees	Other	No. of Shares or Principal Amts. of Bonds and Notes	Amount in Pesos	Dividends Received from Investments not accounted for by Equity Method
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None

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLES FROM DIRECTORS, OFFICERS, EMPLOYEES,
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2010

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at the End of Period
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None

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED
SUBSIDIARIES AND AFFILIATES
DECEMBER 31, 2010

Name of Affiliate	Beginning Balance	Ending Balance
Metro Alliance Holdings and Equities Corporation	P 105,060,000	P 105,060,000
The Wellex Group, Inc.	93,576,776	79,476,702
Wellex Petroleum, Inc.	2,297,090	2,297,090
Waterfront Philippines, Inc.	436,473	436,473
	201,370,339	187,270,265
Allowance for doubtful accounts	(56,413,260)	(56,413,260)
	P 144,957,079	P 130,857,005

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES

SCHEDULE E - INTANGIBLE ASSETS - OTHER ASSETS

December 31, 2010

DESCRIPTION	Beginning Balance	Additions at Cost	Disposals / Retirements	Other-Charges - Additions (Deductions)	Ending Balance
Refundable deposits	95,844	-	-	-	95,844
Miscellaneous	85,000	-	-	-	85,000
	P 180,844	P -	P -	P -	P 180,844

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE F - LONG TERM DEBT
December 31, 2010

Title of Issue and Type of Obligation	Amount Authorized by indenture	Amount shown under caption "Current portion of Long-term Debt" in related balance sheet	Amount shown under caption "Long-term Debt" in related balance sheet
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Secured loan

P 47,365,872

P

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WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE G - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
December 31, 2010

Name of Affiliate	Beginning Balance	Ending Balance
Affiliates		
Diamond Stainless Corporation	P 132,858,010	P 132,858,010
Plastic City Corporation	22,801,648	33,500,369
Kenstar Industrial Corporation	26,146,064	26,146,064
Philippine Estate Corporation	24,035,861	23,200,971
Rexlon Realty Corporation	23,187,370	23,187,370
Pacific Rehouse Corporation	15,540,753	15,540,753
International Polymer Corporation	11,691,554	11,691,554
Asia Pacific Corporation	4,108,514	4,046,257
Ropeman International Corporation	3,202,528	3,202,528
Others	17,922,021	17,704,479
	281,494,323	291,078,355
Stockholders	168,638,185	150,921,937
	P450,132,508	P442,000,292

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE H - GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2010

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	Amount owned by person for which statement is filed	Nature of guarantee
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None

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES

SCHEDULE I - CAPITAL STOCK

December 31, 2010

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	No. of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Shares	<u>3,500,000,000</u>	<u>3,276,045,637</u>		<u>10,000</u>	<u>1,310,299,393</u>	<u>1,965,736,244</u>