APPLICABLE DISCLOSURES FOR NPAE WHICH HAS NOT ADOPTED PFRSs[1]

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the Philippines applicable to non-publicly accountable entities (NPAEs) as set forth in Philippine Accounting Standards (PAS) 101, *Financial Reporting Standards for NPAEs*, issued and approved by the Financial Reporting Standards Council (FRSC), formerly Accounting Standard Council and the Securities and Exchange Commission (SEC), effective for periods beginning on or after January 1, 2005 to 2007. PAS 101 provides an option to NPAEs to apply financial reporting standards effective as of December 31, 2004, and not to apply any of the new Philippine Accounting Standards (PASs) and Philippine Financial Reporting Standards (PFRSs) that became effective in 2005, or to apply all or some of the relevant new standards.

The Company has qualified as an NPAE under PAS 101 and it has opted not to apply any PFRSs that became effective in 2005 and 2006 or subsequent to 2006. Accordingly, the applicable financial reporting standards effective as of December 31, 2004 were applied in the preparation of the financial statements for the years ended December 31, 2006 and 2005.

The financial statements have been prepared on the historical cost basis. The measurement bases are more fully described in the accounting policies below.

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[1] Under PAS 101, an entity that qualifies as an NPAE has an option to (a) apply only the GAAP effective as of December 31, 2004, (b) to apply all the PFRS that are effective as of January 1, 2005, or (c) to apply the 2004 GAAP plus some of the new PFRS.