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 S.E.C Registration Number

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(Company's Full Name)

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

**Erlinda I. Bildner**  
 Contact Person

**815-9556**  
 Company Telephone Number

1 2  
 Month

3 1  
 Day

A A F S  
 FORM TYPE

Month

Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

Total amount of borrowings

To be accomplished by SEC Personnel concerned

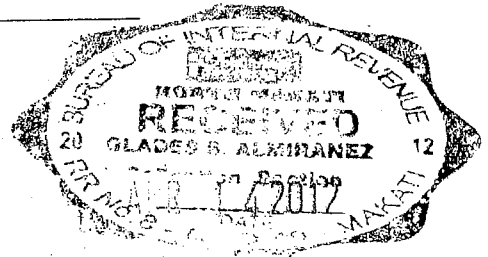
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Document I.D.

Cashier

STAMPS



# PHILCOMSAT HOLDINGS CORPORATION

12F Telecom Plaza Bldg., Sen. Gil Puyat Ave. 1200 City of Makati, Philippines  
Tel. No. 815-8408 ; Fax No. : 817-9430

April 10, 2012


Securities and Exchange Commission  
SEC Building  
Mandaluyong City

The management of Philcomsat Holdings Corporation is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011, 2010 and 2009, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

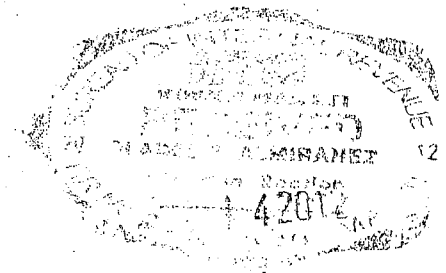
The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

Mendoza Querido & Co., the independent auditors and appointed by the stockholders, has audited 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 audit, in its report to the Board of Directors and Stockholders.

  
**KATRINA C. PONCE ENRILE**  
*Chairman of the Board*

  
**RAMON P. JACINTO**  
*President*

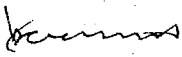
  
**ERLINDA I. BILDNER**  
*Treasurer/Chief Financial Officer*

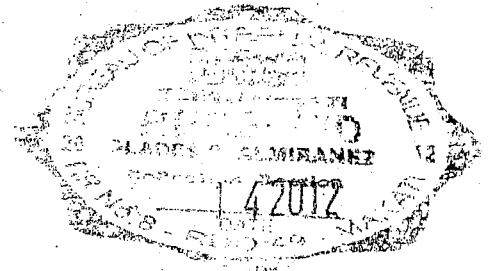


SUBSCRIBED AND SWORN to before me this 14 day of April 2012, affiants exhibiting to me the following:

<u>Name</u>	<u>Passport No.</u>	<u>Date/Place Issued</u>
Katrina Ponce Enrile	XX3483526	April 16, 2009 - Manila
Ramon Jacinto	XX2109502	Sept. 25, 2008 - Manila
Erlinda I. Bildner	482515523	March 25, 2011 - U.S.A.

Doc. No. 109  
Page No. 23  
Book No. 296  
Series of 2012.

  
**ATTY. LOPE M. VELASCO**  
NOTARY PUBLIC  
Until December 31, 2013  
Appt. No. M-136, Makati City  
IBP # 864149-Pasig City-12/21/11  
PTR # 0334743-MAKATI-01/02/12  
TIN # 212-965-989  
S.C. Roll No. 28757  
G/F JAKA Center 2111, Chino Roces Ave.  
Makati City





**MOORE STEPHENS**

**Mendoza Querido & Co.**

*A member firm of Moore Stephens International Limited*

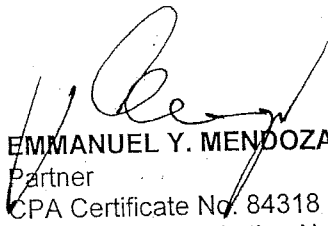
19<sup>th</sup> Floor, The Salcedo Towers  
169 H.V. de la Costa St.  
Salcedo Village, Makati City 1227 Philippines  
T (632) 887-1888  
F (632) 887-1264  
www.mqc.com.ph

The Stockholders and Board of Directors  
Philcomsat Holdings Corporation  
10th Floor, Telecoms Plaza Building,  
316 Sen. Gil Puyat Avenue, Makati City

We have examined the financial statements of Philcomsat Holdings Corporation for year ended December 31, 2011, on which we have rendered the attached report dated April 10, 2012.

In compliance with SRC Rule-68, we are stating that the said Company has a total number of one thousand one hundred eighty four (1,184) stockholders owning one hundred (100) or more shares each.

For the Firm: **MENDOZA QUERIDO & CO.**



**EMMANUEL Y. MENDOZA**

Partner

CPA Certificate No. 84318

PRC-BOA Accreditation No. 0966

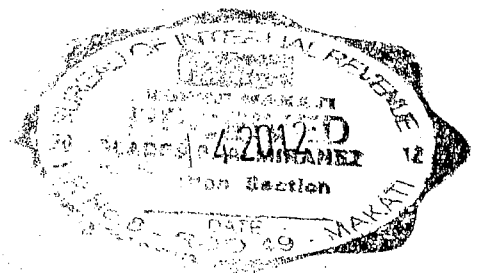
SEC Accreditation No. 0871-A

TIN 102-092-096

BIR Accreditation No. 08-002617-1-2009

PTR No. 3184631, January 7, 2012, Makati City

April 10, 2012





**MOORE STEPHENS**

**Mendoza Querido & Co.**

*A member firm of Moore Stephens International Limited*

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Stockholders and Board of Directors  
Philcomsat Holdings Corporation  
10th Floor, Telecoms Plaza Building,  
316 Sen. Gil Puyat Avenue, Makati City

### Report on the Financial Statements

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

#### *Management's Responsibility for the Financial Statements*

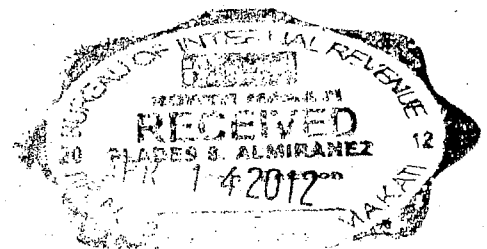
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

#### *Auditor's Responsibility*

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

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

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



*Opinion*

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

**Report on Bureau of the Internal Revenue Requirement**

Our audits was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, license fees and schedules prescribed under existing revenue issuances in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

For the Firm: **MENDOZA QUERIDO & CO.**



**EMMANUEL Y. MENDOZA**

Partner

CPA Certificate No. 84318

PRC-BOA Accreditation No. 0966

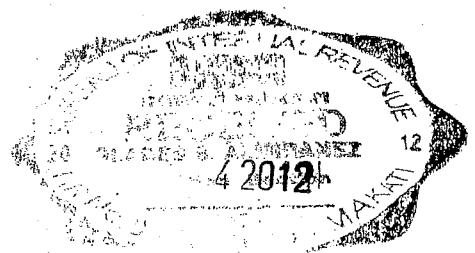
SEC Accreditation No. 0871-A

TIN 102-092-096

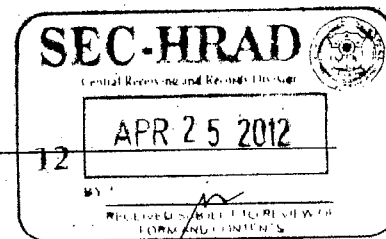
BIR Accreditation No. 08-002617-1-2009

PTR No. 3184631, January 7, 2012, Makati City

April 10, 2012

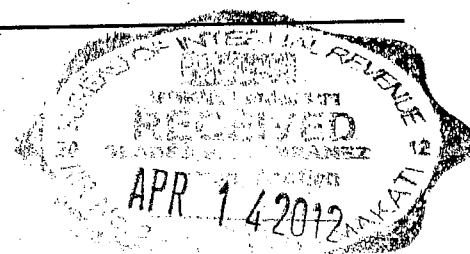


**PHILCOMSAT HOLDINGS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011, 2010 AND 2009**  
*(Amounts in Philippine Pesos)*



	2011	2010	2009
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 2, 3, 4 and 5)	P401,428,135	P408,369,413	P346,521,350
Receivables (Notes 2, 3, 4, 6 and 24)	25,921,777	24,717,982	4,229,283
Notes receivable (Notes 2 and 7)	-	-	15,000,000
Prepayments (Note 2)	880,781	123,550	-
<b>Total Current Assets</b>	<b>428,230,693</b>	<b>433,210,945</b>	<b>365,750,633</b>
<b>Noncurrent Assets</b>			
Due from affiliates (Notes 2, 10, 19 and 24)	12,157,897	180,652,094	6,336,760
Available-for-sale financial assets (Notes 2, 3, 4 and 11)	154,440,009	-	-
Held to maturity investments (Notes 2, 3, 4 and 12)	52,253,831	45,000,000	30,000,000
Property and equipment - net (Notes 2, 3 and 8)	92,560	166,081	15,790
Investment properties - net (Notes 2, 3 and 9)	129,560,880	133,879,576	405,941,972
Other assets (Note 13)	89,004,987	87,813,756	89,654,231
<b>Total Noncurrent Assets</b>	<b>437,510,164</b>	<b>447,511,507</b>	<b>531,948,753</b>
	<b>P865,740,857</b>	<b>P880,722,452</b>	<b>P897,699,386</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accruals (Notes 2, 3, 4 and 14)	P28,550,566	P8,785,420	P11,958,471
Other payables (Notes 2, 3, 4 and 15)	1,912,997	1,808,382	11,381,895
<b>Total Current Liabilities</b>	<b>30,463,563</b>	<b>10,593,802</b>	<b>23,340,366</b>
<b>Equity</b>			
Share capital (Notes 2, 4 and 16)	996,391,254	996,391,254	996,391,254
Deposit for future subscription (Notes 2 and 4)	18,894,000	18,894,000	18,894,000
Unrealized gain on changes in fair values of AFS financial assets (Notes 2 and 11)	693,041	-	-
Deficit (Notes 2 and 4)	(180,701,001)	(145,156,604)	(140,926,234)
<b>Total Equity</b>	<b>835,277,294</b>	<b>870,128,650</b>	<b>874,359,020</b>
	<b>P865,740,857</b>	<b>P880,722,452</b>	<b>P897,699,386</b>

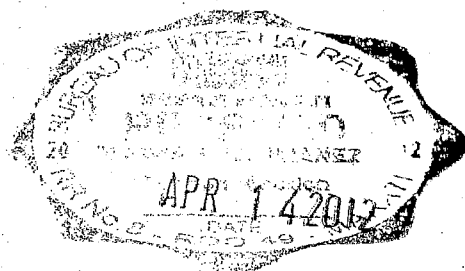
See accompanying Notes to Financial Statements.



**PHILCOMSAT HOLDINGS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009**  
*(Amounts in Philippine Pesos)*

	2011	2010	2009
REVENUE (Notes 2 and 17)	P32,094,934	P27,923,395	P27,774,384
COST OF SERVICE (Notes 2 and 18)	4,318,696	4,318,696	4,318,696
GROSS PROFIT	27,776,238	23,604,699	23,455,688
GENERAL AND ADMINISTRATIVE COSTS (Notes 2 and 19)	(24,287,003)	(20,171,777)	(23,994,864)
OTHER INCOME (EXPENSES) – net (Notes 2 and 20)	(38,799,900)	(7,490,239)	6,373,018
INCOME (LOSS) BEFORE INCOME TAX	(35,310,665)	(4,057,317)	5,833,842
PROVISION FOR INCOME TAX (Notes 2, 3 and 21)	233,732	173,053	128,463
NET INCOME (LOSS)	(35,544,397)	(4,230,370)	5,705,379
UNREALIZED GAIN ON CHANGES IN FAIR VALUES OF AFS FINANCIAL ASSETS (Notes 2 and 11)	693,041	–	–
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(P34,851,356)</b>	<b>(P4,230,370)</b>	<b>P5,705,379</b>
INCOME (LOSS) PER SHARE (Notes 2 and 23)	(P0.04)	P0.00	P0.01

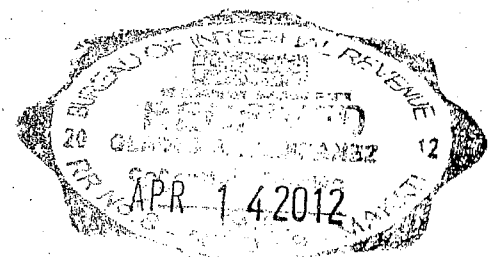
See accompanying Notes to Financial Statements.



**PHILCOMSAT HOLDINGS CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009**  
*(Amounts in Philippine Pesos)*

	2011	2010	2009
<b>SHARE CAPITAL</b> (Notes 2, 4 and 16)	<b>P996,391,254</b>	P996,391,254	P996,391,254
<b>DEPOSIT FOR FUTURE SUBSCRIPTION</b> (Notes 2 and 4)	<b>18,894,000</b>	18,894,000	18,894,000
<b>UNREALIZED GAIN ON CHANGES IN FAIR VALUES OF AFS FINANCIAL ASSETS</b> (Notes 2 and 11)	<b>693,041</b>	-	-
<b>DEFICIT</b> (Notes 2 and 4)			
Balance at beginning of year	<b>(145,156,604)</b>	(140,926,234)	(146,631,613)
Net income (loss) for the year	<b>(35,544,397)</b>	(4,230,370)	5,705,379
Balance at end of year	<b>(180,701,001)</b>	(145,156,604)	(140,926,234)
<b>TOTAL EQUITY</b>	<b>P835,277,294</b>	P870,128,650	P874,359,020

See accompanying Notes to Financial Statements.



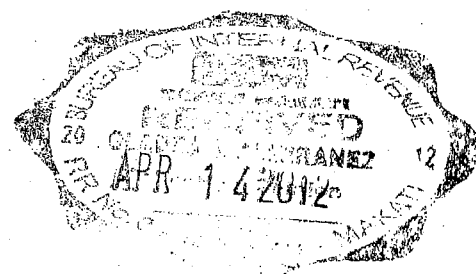
**PHILCOMSAT HOLDINGS CORPORATION**

**STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(Amounts in Philippine Pesos)

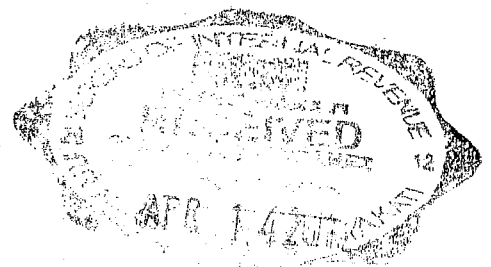
	2011	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	(P35,310,665)	(P4,057,317)	P5,833,842
Adjustments for:			
Depreciation (Notes 2, 3, 8 and 9)	4,392,217	4,378,932	4,676,820
Loss from sale of land (Note 20)	—	1,278,950	—
Income (loss) before working capital changes	(30,918,448)	1,600,565	10,510,662
Decrease (increase) in:			
Receivables (Notes 2, 3, 4, 6 and 24)	(1,203,795)	(20,488,699)	5,739,051
Prepayments (Note 2)	(757,231)	(123,550)	—
Other assets	(233,732)	(173,053)	(128,463)
Increase (decrease) in:			
Accounts payable – trade (Notes 2, 3, 4 and 14)	19,765,146	(3,173,051)	(14,552,744)
Other payable (Notes 2, 3, 4 and 15)	104,615	(9,573,513)	8,727,671
Net cash provided by (used in) operations	(13,243,445)	(31,931,301)	10,296,177
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Advances to affiliates (Notes 2, 10, 19 and 24)	168,494,197	(174,315,334)	(5,191,608)
Proceeds from sale of land (Note 9)	—	288,070,000	—
Collection of notes of notes receivable	—	15,000,000	—
Issuance of notes receivable (Note 7)	—	—	(15,000,000)
Additions to property and equipment (Notes 2, 3 and 8)	—	(210,527)	(10,036)
Payments for documentary stamps tax	—	(4,321,050)	—
Payments for capital gains tax	—	(17,284,200)	—
Availment of held to maturity investment (Notes 2, 3, 4 and 12)	(7,253,831)	(15,000,000)	(30,000,000)
Acquisition of available-for-sale financial assets (Notes 2, 3, 4 and 11)	(153,746,968)	—	—
Other assets (Note 13)	(1,191,231)	1,840,475	(10,778,423)
Net cash provided by (used in) investing activities	6,302,167	93,779,364	(60,980,067)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(6,941,278)</b>	<b>61,848,063</b>	<b>(50,683,890)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>408,369,413</b>	<b>346,521,350</b>	<b>397,205,240</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P401,428,135</b>	<b>P408,369,413</b>	<b>P346,521,350</b>



**CASH AND CASH EQUIVALENTS AT  
END OF YEAR CONSISTS OF:**

Cash on hand and in banks	P2,941,637	P826,425	P1,484,405
Money market placements	391,900,319	398,383,068	335,608,204
Dollar time deposits	6,586,179	9,159,920	9,428,741
	<b>P401,428,135</b>	<b>P408,369,413</b>	<b>P346,521,350</b>

*See accompanying Notes to Financial Statements.*



# PHILCOMSAT HOLDINGS CORPORATION

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## NOTES TO FINANCIAL STATEMENTS

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### 1. General

**Philcomsat Holdings Corporation** (the Company) was incorporated on May 10, 1956 with the primary purpose of embarking in the discovery, exploration, development and exploitation of mineral oils, petroleum in its natural state, rock or carbon oils and other volatile mineral substance and with the secondary purpose of engaging in the business of mining in general. The Company ceased oil and mining operations in 1992.

On July 23, 1997 the Securities and Exchange Commission (SEC) approved the amended Articles of Incorporation of the Company consisting of a) change in its primary purpose from a mining company to a holding company and revision of its secondary purpose clauses; and b) change of the corporate name from Liberty Mines, Inc. to Philcomsat Holdings Corporation. On September 12, 1997, the SEC approved the declassification of its common stocks into one class and the change of its par value from P0.01 to P1.00 per share. On May 9, 2006, the SEC approved the extension of corporate life for another fifty (50) years..

The Company is 81% owned by Philippine Communications Satellite Corporation (Philcomsat), a company incorporated in the Philippines. The ultimate holding company is Philippine Overseas Telecommunications Corporation, also incorporated in the Philippines.

The Company's original 60 million shares are listed and traded in the Philippine Stock Exchange (PSE). The 940 million shares were registered with SEC on August 31, 2000 but deemed abandoned for listing by the PSE on August 31, 2001. Any reapplication filed by the Company for the unlisted shares shall be treated as new application.

The Company started operations as a holding company on January 1, 2000. Its operations consist primarily of leasing its condominium unit and its motor vehicles in connection with company-financed car assistance program of Philcomsat for the latter's officers and directors. The Company also derive its income on its money market placements and bank deposits.

The registered address of Philcomsat Holdings Corporation is at 10th Floor, Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City. The Company does not have any regular employees. The accounting and management services are under the management of Philippine Communications Satellite Corporation.

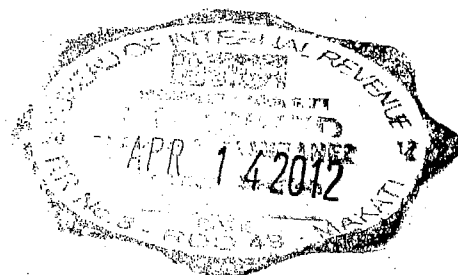
The Board of Directors authorized the financial statements for the year ended December 31, 2011 for issue on April 10, 2012.

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### 2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

#### Basis of Preparation

The accompanying financial statements of the Company have been prepared on a fair value measurement. The financial statements are presented in Philippine peso, which is the functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso except as otherwise indicated.



### Statement of Compliance

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

### Accounting Policies Adopted

The following accounting standards, amendments and interpretations to existing standards that have been published by the International Accounting Standards Board (IASB) and adopted by the Financial Reporting Standards Council (FRSC) which became effective for accounting periods beginning on or after January 1, 2006 were adopted by the Company:

PFRS 1	First-time Adoption of Philippine Financial Reporting Standards
PAS 1 (Revised 2003)	First-time Adoption of Philippine Financial Reporting Standards
PAS 1 (Amendments)	Presentation of Financial Statements
PAS 1 (Amendments)	Presentation of Financial Statements
PAS 7	Cash Flow Statements
PAS 8 (Revised 2003)	Accounting Policies, Changes in Accounting Estimates, and Errors
PAS 10 (Revised 2003)	Events After the Balance Sheet Date
PAS 12	Income Taxes
PAS 16 (Revised 2003)	Property, Plant and Equipment
PAS 16 (Amendments)	Property, Plant and Equipment
PAS 17 (Revised 2003)	Leases
PAS 18	Revenue
PAS 21	The Effects of Changes in Foreign Exchange Rates
PAS 24	Related Party Disclosure
PAS 32 (Revised 2003)	Financial Instruments: Disclosures and Presentation
PAS 32 (Amendments)	Financial Instruments: Presentation and PAS 1, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation Statements
PAS 33	Earnings Per Share
PAS 36 (Revised 2004)	Impairment of Assets
PAS 36 (Amendments)	Impairment of Assets
PAS 37	Provisions, Contingent Liabilities and Contingent Assets
PAS 39	Financial Instruments: Recognition and Measurement
PAS 39 (Amendments)	Financial Instruments: Recognition and Measurement
PAS 40	Investment Property

These new standards, amendments and interpretations prescribe new accounting measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards are made in accordance with the transitional provisions of the standards, otherwise the adoption of the new standards is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors". The effects of these new standards, amendments and interpretations on the Company's accounting policies and on the amounts disclosed in the financial statements are summarized as follows:

PFRS 1, "*First-time Adoption of Philippine Financial Reporting Standards*", applies to an entity that presents its first PFRS financial statements and sets out ground rules that an entity needs to follow when it adopts PFRS for the first time as the basis for preparing its general-purpose financial statements. In other words, it applies to all those entities that present for the first time their financial statements under PFRS. The Standard refers to such entities as "First-Time Adopters of PFRS".

PAS 1 (Revised 2003), "*Presentation of Financial Statements*", provides a framework within which an entity assesses how to present fairly the effects of transactions and other events. It provides the criteria for classifying liabilities as current or non-current, prohibits the presentation of items of income and expense as extraordinary items, specifies disclosures about the judgments made by management in applying accounting policies, the key sources of estimation of uncertainty as at the balance sheet date that have significant risks.

PAS 1 (Amendments), "*Presentation of Financial Statements*", introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income' (OCI). Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This amendment also requires additional requirements in the presentation of the balance sheet and statement of changes in equity as well as additional disclosures to be included in the financial statements. The Company will assess and evaluate the options under the amendments to PAS 1, and will comply with such changes once effective.

PAS 1 (Amendments), "*Presentation of Financial Statements*", Assets and liabilities classified as held for trading are not automatically classified as current in the statement of financial position.

PAS 7, "*Cash Flow Statements*", requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period under operating, investing and financing activities.

PAS 8 (Revised 2003), "*Accounting Policies, Changes in Accounting Estimates and Errors*," eliminates the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. The standard defines material omissions and misstatements and describes how to apply the concept of materiality when applying accounting policies and correcting errors.

PAS 10 (Revised 2003), "*Events After the Balance Sheet Date*," clarifies that dividends declared after balance sheet date are not to be recognized as a liability at the balance sheet date.

PAS 12, "*Income Taxes*," the objective of the standard is to prescribe the accounting treatment for income taxes.

PAS 16 (Revised 2003), "*Property, Plant and Equipment*," prescribes the accounting treatment for property, plant and equipment and related disclosure requirements. The Standard contains a limited revision to provide additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It provides guidance on initial and subsequent recognition as well as measurement after recognition. It requires depreciation for each significant part of an item of property, plant and equipment. The standard also provides guidance on the determination of the carrying amount of the assets, the residual value, depreciation period and derecognition principles to be observed.

PAS 16 (Amendments), "*Property, Plant and Equipment*", replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* and PAS 36, *Impairment of Asset*.

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

PAS 17 (Revised 2003) "*Leases*", provides limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of lessors.

PAS 18, "*Revenue*", provides additional guidelines as to the timely recognition of revenue, which is measured at the fair value of the consideration received or receivable.

PAS 21, "*The Effects of Changes in Foreign Exchange Rates*," requires the company to determine its functional currency and measure its results and financial position in that currency. Translation procedures are specified when the presentation currency used for reporting differs from company's functional currency.

PAS 24 (Revised 2003), "*Related Party Disclosures*," provides additional guidance and clarity in the scope of the Standard, the definitions and the disclosures for related parties. It requires disclosure of the compensation of key management personnel.

PAS 32 (Revised 2003), "*Financial Instruments: Disclosures and Presentation*", which prescribes the requirements for the presentation of financial instruments and identifies the information that should be disclosed about them. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. The standard requires disclosure of information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments.

This standard also requires disclosure of information about the nature and extent of an entity's use of financial instruments, the business purposes they serve, the risks associated with them, and management policies for controlling those risks.

Amendments to PAS 32, "*Financial Instruments: Presentation and PAS 1, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation Statements*", specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) The instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets, (b) The instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) All instruments in the subordinate class have identical features, (d) The instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets, and (e) The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

PAS 33, "*Earnings Per Share*" prescribes the principles for the determination and presentation of earnings per share, so as to improve performance comparison between different entities in the same reporting period and between different reporting periods for the same entity. Even though earnings per share data have limitations because of the different accounting policies that may be used for determining "earnings", a consistently determined denominator enhances financial reporting. The focus of this standard is on the denominator of the earnings per share calculation.

PAS 36 (Revised 2004), "*Impairment of Assets*", prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described to be impaired and the standard requires the entity to recognize an impairment loss. The standard also specifies when an entity should reverse an impairment loss previously recognized. The revised standard clarifies the elements that should be reflected in the calculation of an asset's value in use. PAS 36 prescribes the frequency of impairment testing for intangible assets.

PAS 36 (Amendments), "*Impairment of Assets*", when discounted cash flows are used to estimate 'fair value less costs to sell', additional disclosure is required about the discount rate consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

PAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*", ensures that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to financial statements to enable users to understand their nature, timing and amount.

PAS 39, "*Financial Instruments: Recognition and Measurement*", which prescribes the principles for recognizing, measuring, and disclosing information about financial assets and financial liabilities. PAS 39 supplements the disclosure provision of PAS 32, *Financial Instruments: Disclosures and Presentation*.

PAS 39 (Amendments), "*Financial Instruments: Recognition and Measurement*", improvements to PAS 39 are: (a) changes in circumstances relating to derivatives - specifically derivatives designated or re-designated as hedging instruments after initial recognition - are not reclassifications; (b) when financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification; (c) removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge; and (d) requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

PAS 40, "*Investment Properties*", prescribes the accounting treatment for investment properties which is defined as land and/or building held to generate rental income or for capital appreciation or both.

#### Improvements to PFRSs

The following are the interpretations and improved standards that are effective as of 2010 which may be relevant to the Company's operations but did not have significant impact on the financial statements:

- *Improvements to PFRSs 2008*

Improvements to PFRSs 2008 discuss 35 amendments and are divided into two parts: a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes; and b) Part II includes 11 terminology or editorial amendments that the International Accounting Standards Board (IASB) expects to have either no or only minimal effects on accounting. The adoption of these improvements did not have any significant impact on the Company's financial statements upon its adoption on calendar years beginning January 1, 2008 and 2009.

- *Improvements to PFRSs 2009*

Improvements to PFRSs 2009 contain 15 amendments to 12 standards. The improvements include amendments to PFRS 2, PAS 38, Philippine Interpretation IFRIC-9 and Philippine Interpretation IFRIC-16 which are effective on or after July 1, 2009. It also include amendments to PFRS 5, PFRS 8, PAS 1, PAS 7, PAS 17, PAS 36 and PAS 39 which are all effective on or after January 1, 2010. These amendments are not expected to have any significant impact on the Company's financial statements upon its adoption on calendar years beginning January 1, 2009 and 2010.

- *Improvements to PFRSs 2010*

Improvements to PFRSs 2010 contain 11 amendments to 6 standards and 1 interpretation. The improvements include amendments to PFRS 3, PAS 1 and transition to requirements for amendments to PAS 21, PAS 28 and PAS 31 made as a result of PAS 27 (revised) which are effective on or after July 1, 2010. It also include amendments to PFRS 1, PFRS 7, PAS 34 and Philippine Interpretation IFRIC-13 which are all effective on or after January 1, 2011. These amendments are not expected to have any significant impact on the Company's financial statements upon its adoption on calendar years beginning January 1, 2010 and 2011.

#### Future Changes in Accounting Policies

The Company did not adopt the following new standards, amendments and improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective. The Company does not expect these changes to have a significant impact on its financial statements unless otherwise indicated.

- PAS 1, *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI) (Amendments)*, will become effective for annual periods beginning on or after July 1, 2012. The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.
- PAS 12, *Income Taxes (Amendment) – Deferred Tax: Recovery of Underlying Assets*, will become effective for annual periods beginning on or after January 1, 2012. It clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.
- PAS 19, *Employee Benefits (Amendments)*, will become effective for annual periods beginning on or after January 1, 2013. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendments)*. The amendments to PAS 32 are to be applied retrospectively for annual periods beginning on or after January 1, 2014. These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to offset” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.
- PFRS 7, *Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements (Amendments)*, will become effective for annual periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company’s financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognized assets.
- PFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)*. The amendments to PFRS 7 are to be applied retrospectively for annual periods beginning on or after January 1, 2013. These amendments require an entity to disclose information about rights of offset and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or “similar agreement”, irrespective of whether they are offset in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  - (a) The gross amounts of those recognized financial assets and recognized financial liabilities
  - (b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the balance sheet
  - (c) The net amounts presented in the balance sheet
  - (d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32
    - ii. Amounts related to financial collateral (including cash collateral)
  - (e) The net amount after deducting the amounts in (d) from the amounts in (c) above
- PFRS 9, *Financial Instruments: Classification and Measurement*, will become effective for annual periods beginning on or after January 1, 2015. PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- PFRS 10, *Consolidated Financial Statements*, and PAS 27, *Separate Financial Statements*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 10 replaces the portion of PAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in Philippine Interpretation Standing Interpretations Committee (SIC) - 12, *Consolidation – Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.
- PFRS 11, *Joint Arrangements*, and PAS 28, *Investments in Associates and Joint Ventures*, PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and Philippine Interpretation SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. PFRS 11 and PAS 28 (amended in 2011) will become effective for annual periods beginning on or after January 1, 2013. The new standard focuses on the nature of the rights and obligations arising from the arrangement. It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. As a consequence, PAS 28 was amended and renamed as PAS 28, *Investments in Associates and Joint Ventures*, to describe the application of the equity method to investments in joint ventures in addition to associates.
- PFRS 12, *Disclosure of Interests in Other Entities*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
- PFRS 13, *Fair Value Measurement*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on its financial statements.
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The adoption of this interpretation will result to a change in the revenue and cost recognition from percentage of completion method to completed contract method.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, becomes effective for annual periods beginning on or after January 1, 2013. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

In 2011, it is the opinion of Management that assets' and liabilities' carrying amounts recognized in the financial statements to be reasonable approximation of their fair values.

The significant accounting policies and practices of the Company are set forth to facilitate the understanding of the financial statements:

#### Financial Assets

Financial assets include cash on hand and in banks and other financial instruments. 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.

#### *Cash and Cash Equivalents*

Cash includes cash in banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

#### *Receivables*

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amount. Allowance for doubtful account is maintained at a level to adequately provide for potentially uncollectible receivables. The amount of allowance is based on past collection experience and other factors that may affect collectibility. The allowance is established through provisions for doubtful accounts charged to operations:

#### Note and Interest Receivable

Note and interest receivable are stated at face value, net of allowance for doubtful accounts, if any. An estimate for doubtful accounts is made when there is objective evidence that the Company will not be able to collect the receivable.

#### Prepayments

Prepayments include expenses already paid but not yet incurred. These are measured at amortized cost less any impairment loss, if any.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value. Subsequent expenditure relating to the property and equipment is 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 Company. All other subsequent expenditures are recognized as expense in the period in which it is incurred. An item of property and equipment is eliminated from the statement of financial position upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from disposal.

Depreciation commences once the property and equipment are available for use and is computed on the straight-line basis over the estimated useful lives of the assets regardless of utilization. The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

#### Investment Properties

Land and/or buildings held to earn rentals or for capital appreciation or both are classified as investment properties. These are carried at cost less accumulated depreciation and any accumulated impairment losses.

#### Other Assets

##### *Input Tax*

Input tax represents value added tax (VAT) paid to suppliers that can be claimed as credit against the Company's VAT liabilities.

##### *Creditable Withholding Tax*

Creditable withholding tax represents income tax withheld by the customers that can be claimed as credit against the Company's income tax liabilities.

#### Financial Liabilities

Financial liabilities include accounts payable, accrued expenses and other payables.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument.

##### *Accounts Payable and Accruals*

Accounts payable and accruals are obligations to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Accounts payable are not interest-bearing and are stated at their nominal value.

Accounts payable are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

#### Financial Assets and Liabilities

Financial assets and liabilities are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of the financial assets and liabilities are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss.

The Company recognized a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument of a component that is a financial liability, are reported as expense or income. Distribution to holders of financial instruments classified as equity are charged directly to shareholders equity, net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are further classified into the following categories:

a. *Financial asset at fair value through profit or loss*

Financial asset at fair value through profit or loss includes financial assets, held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in profit or loss.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the assets contain an embedded derivative that would need to be separately recorded.

As of December 31, 2011, 2010 and 2009, the Company has no financial asset at fair value through profit or loss.

b. *Loans and receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at cost or amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company has receivables.

c. *Held-to-maturity investments*

Quoted nonderivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount is initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any differences between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction cost and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the statements of comprehensive income when investments are derecognized or impaired, as well as through the amortization process.

The Company has held-to-maturity investments.

d. *Available-for-sale financial assets*

Available-for-sale financial assets are nonderivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair values in the statements of financial position. Changes in the fair value of such assets are accounted for in equity until the investments are derecognized from the statements of financial position or until the investments are determined to be impaired at which time the cumulative gains or losses previously reported in equity are transferred to the statements of comprehensive income.

The Company has available-for-sale investments.

Impairment of Financial Assets

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of comprehensive income. Receivables, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the "Other income" account.

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

#### *Assets Carried at Amortized Cost*

If there is objective evidence that an impairment loss on loans and receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individual asset with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is on continues to be recognized are not included in a collective assessment or impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### *Assets Carried at Cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instruments has been occurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

## Derecognition of Financial Assets and Financial Liabilities

### *Financial assets*

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchased, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### *Financial Liabilities*

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

### Offsetting

Financial assets and liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

### Impairment of Nonfinancial Assets

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset or cash generating unit to which the asset belongs is written down to its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets or investments, the recoverable amount represents the net selling price.

An assessment is made at the statement of financial position date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset or cash generating unit to which the asset belongs is written down to its recoverable amount.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against operations in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property and equipment) had no impairment loss been recognized for the asset in prior years. A reversal for impairment loss, if any, is credited to current operations.

#### Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company 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 Company 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 estimated of the consideration required to settle the present obligation at the 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 liabilities and assets 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, if any, 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.

Financial liabilities are initially recognized at their nominal value and subsequently measured at amortized cost less settlement payments, except when these are payable within one year in which case they are measured at their nominal value.

#### Share Capital

Share capital is determined using the nominal value of shares that have been issued and fully paid.

The costs of acquiring Company's own shares are shown as a deduction from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Deficit

Deficit include all current and prior period results as disclosed in the statement of comprehensive income.

Revenue and Cost Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Rent income is recognized on a straight-line basis over the lease term stipulated in the lease agreement.

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

Interest income includes both interest income subject to income tax and interest income already subjected to final withholding tax. Interest income already subjected to final withholding taxes were recorded net of tax.

Dividend income is recognized when the Company's right to received payment is established.

Gain or loss on sale of financial assets through FVPL is computed as the difference between the proceeds and its carrying amount.

Exchange gains/losses arising from foreign currency denominated transactions are credited/charged to current operations.

Cost and administrative expenses are recognized in the statement of comprehensive income upon utilization of the service or in the date they are incurred. Finance costs are reported on an accrual basis.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- a. there is a change in the contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset;  
or
- d. there is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for any of the scenarios above, and at the date of renewal or extension period for the scenario.

*The Company as a lessor*

Assets subject to operating lease are recognized in the statement of financial position according to the nature of the assets.

*The Company as a lessee*

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

Foreign Currency Translation

The financial statements are presented in Philippine peso, which is the functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income.

Related Parties

Parties were considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties were also considered to be related if they are subject common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

Income Taxes

*Current Income Tax*

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

*Deferred Income Tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including assets revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current income tax and deferred income tax relating to items recognized directly in equity is also recognized in equity and not in the statement of comprehensive income.

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

#### *Value-added Tax*

Revenues, expenses and assets are recognized net of the amount of value-added tax except:

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

The net amount of value-added tax recoverable from or payable to the taxation authority is included as part of receivables or accounts payable and accrued expenses in the statement of financial position.

#### Income (Loss) per Share

Income (loss) per share is calculated by dividing the income (loss) for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

#### Events After the Statement of Financial Position Date

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

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### **3. Critical Accounting Judgments, Estimates and Assumptions**

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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

#### Judgments

##### *Determining Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the revenues and expenses of the Company.

##### *Fair Value of Financial Assets and Liabilities*

Where the fair values of financial assets and liabilities recorded on the statements of financial position cannot derive from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to the models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

##### *Fair Value Measurement*

The methods used by the Company in estimating the fair value of the financial instruments are:

- The carrying amounts of cash on hand and in banks, receivables and other current assets maturing within twelve (12) months are assumed to approximate their fair values. This assumption is applied to liquid assets and the short-term elements of all other financial
- The carrying amounts of trade and other payables approximate their fair value due to either the demand feature or the relatively short-term maturities of these liabilities.

##### *Fair Value Hierarchy*

The Company uses the following hierarchy for determining the fair value of financial assets and liabilities:

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

##### *Deferred Income Tax Assets*

The Company reviews the carrying amounts of deferred income tax assets at each statement of financial position date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Company experiences fluctuations in earnings from year to year. Based on this experience, the Company believes that it is highly probable that certain temporary differences will not be realized in the future.

##### *Impairment of Receivables*

The Company reviews its trade and other receivables at each reporting date to assess whether an allowance for impairment should be recorded in the Company's statements of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior, legal opinion on recoverability in case of legal disputes and known market factors. The Company reviews the age and status of legal disputes and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is generally based on the age and status of the accounts.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or unutilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease in net income.

#### *Operating or Finance Leases*

The Company has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of properties covered by the agreements.

#### Estimates

##### *Impairment of Financial Assets*

The Company reviews its loans and receivables, available-for-sale and held to maturity investments at each reporting date to assess whether an allowance for impairment should be recorded in the Company's statements of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

##### *Estimated Useful Lives of Property and Equipment and Investment Properties*

The Company estimates the useful lives of property and equipment and investment properties based on the period over which the property and equipment and investment properties are expected to be available for use. The estimated useful lives of the property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment and investment properties. In addition, the estimation of the useful lives of property and equipment and investment properties are based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the 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 and investment properties would increase the recorded expenses and decrease the noncurrent assets.

Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	3 years
Office equipment	3 years
Transportation equipment	3-5 years
Condominium unit	40 years

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment and investment properties.

The carrying values of property and equipment amounted to P92,560, P166,081 and P15,790 as of December 31, 2011, 2010, and 2009, respectively (see Note 8).

The carrying values of investment properties amounted to P129,560,880, P133,879,576 and P405,941,972, as of December 31, 2011, 2010 and 2009, respectively (see Note 9).

#### *Realizability of Deferred Tax Assets*

Deferred tax assets are established for tax benefits related to deductible temporary differences, carryforward of unused MCIT and NOLCO. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

#### *Estimating Contingencies*

The Company evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

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## **4. Management of Capital and Financial Risk**

### Financial Risk

The Company's financial risk management policies seek to minimize potential adverse effects of financial risk such as credit risk, liquidity risk, interest rate risk and currency risk to its financial assets and liabilities.

The Company's principal financial instruments consists of cash and cash equivalents, receivables, installment receivable, accounts payable and accruals and other payables which arise from operations:

### *Credit Risk*

Credit risk is the risk that a third party will default on its obligation to the Company and cause the Company to incur financial loss. The Company's business policy aims to limit the amount of credit exposure to any individual client and financial institution. The Company has credit management policies in place to ensure that service contracts are entered into with clients who have sufficient financial capacity and good credit history.

The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash and exposure to credit risk of a counterparty if the counterparty is unwilling and is unable to fulfill its obligations and the Company consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The treasury department sets aggregate credit limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties.

Receivable balance is being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The table below shows the maximum exposure to credit risk for the components of the Company statement of financial position:

	2011	2010	2009
Cash and cash equivalents	P401,428,135	P408,369,413	P346,521,350
Receivable	25,921,777	24,717,982	4,229,283
Notes receivable	-	-	15,000,000
	<b>P427,349,912</b>	<b>P433,087,395</b>	<b>P365,750,633</b>

The table below shows the analysis of age of financial assets that are past due but are not impaired as of December 31, 2011, 2010 and 2009:

	2011						Total
	Age analysis of financial assets past-due but not impaired			Total past-due but not impaired	Past due and impaired		
	31 to 90 days	91 to 180 days	More than 180 days				
Receivables							
Trade	P2,501,134	P-	P1,344,686	P3,845,820	P-	P3,845,820	
Housing receivable	-	-	-	-	-	-	
Interest receivable	268,191	-	2,507,233	2,775,424	-	2,775,424	
Dividend receivable	186,667	-	-	186,667	-	186,667	
Others	-	-	19,113,866	19,113,866	-	19,113,866	
	<b>P2,955,992</b>	<b>P-</b>	<b>P22,965,785</b>	<b>P25,921,777</b>	<b>P-</b>	<b>P25,921,777</b>	

	2010						Total
	Age analysis of financial assets past-due but not impaired			Total past-due but not impaired	Past due and impaired		
	31 to 90 days	91 to 180 days	More than 180 days				
Receivables							
Trade	P988,503	P-	P1,344,686	P2,333,189	P-	P2,333,189	
Housing receivable	-	-	368,967	368,967	-	368,967	
Interest receivable	2,655,103	-	-	2,655,103	-	2,655,103	
Others	19,203,809	-	156,914	19,360,723	-	19,360,723	
	<b>P22,847,415</b>	<b>P-</b>	<b>P1,870,567</b>	<b>P24,717,982</b>	<b>P-</b>	<b>P24,717,982</b>	

2009						
Age analysis of financial assets past-due but not impaired						
	31 to 90 days	91 to 180 days	More than 180 days	Total past-due but not impaired	Past due and impaired	Total
Receivables						
Trade	P678,885	P-	P1,344,686	P2,023,571	P-	P2,023,571
Housing receivable	-	-	1,503,007	1,503,007	-	1,503,007
Interest receivable	443,825	-	-	443,825	-	443,825
Others	258,880	-	-	258,880	-	258,880
	P1,381,590	P-	P2,847,693	P4,229,283	P-	P4,229,283

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties and industry segments as of December 31, 2011, 2010 and 2009.

#### Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

In managing interest rate, the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. The exposure of the Company to this risk as of the statement of financial position date is minimal.

#### Liquidity Risk

Liquidity risk is risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and set up required cash reserves as necessary in accordance with internal requirements.

The table below analyzes the financial assets and financial liabilities of the Company into their relevant maturity groups based on the remaining period at the statement of financial position dates to their contractual maturities or expected repayment dates:

As of December 31, 2011	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial assets:</b>						
Cash	P401,428,135	P-	P-	P-	P-	P401,428,135
<b>Receivables</b>						
Trade receivables	3,845,820	-	-	-	-	3,845,820
Interest receivable - affiliate	2,507,233	-	-	-	-	2,507,233
Interest receivable	268,191	-	-	-	-	268,191
Dividend receivable	186,667	-	-	-	-	186,667
Others	19,113,866	-	-	-	-	19,113,866
Available-for-sale	-	-	51,702,068	-	102,737,941	154,440,009
Held to maturity	20,000,000	10,000,000	15,000,000	7,253,831	-	52,253,831
	P447,349,912	P10,000,000	P66,702,068	P7,253,831	P102,737,941	P634,043,752
<b>Financial liabilities:</b>						
Accounts payable and accruals	P28,550,566	P-	P-	P-	P-	P28,550,566
Other payables	1,912,997	-	-	-	-	1,912,997
	P30,463,563	P-	P-	P-	P-	P30,463,563

As of December 31, 2010	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial assets:</b>						
Cash	P408,369,413	P-	P-	P-	P-	P408,369,413
<b>Receivables</b>						
Trade receivables	2,333,189	-	-	-	-	2,333,189
Interest receivable - affiliate	2,507,233	-	-	-	-	2,507,233
Housing receivable	368,967	-	-	-	-	368,967
Interest receivable - housing	147,870	-	-	-	-	147,870
Others	19,360,723	-	-	-	-	19,360,723
Held to maturity	-	30,000,000	15,000,000	-	-	45,000,000
	P433,087,395	P30,000,000	P15,000,000	P-	P-	P478,087,395

As of December 31, 2010	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial liabilities:</b>						
Accounts payable and accruals	P8,785,420	P-	P-	P-	P-	P8,785,420
Other payables	1,808,382	-	-	-	-	1,808,382
	P10,593,802	P-	P-	P-	P-	P10,593,802

As of December 31, 2009	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial assets:</b>						
Cash	P346,521,350	P-	P-	P-	P-	P346,521,350
<b>Receivables</b>						
Trade receivables	2,023,571	-	-	-	-	2,023,571
Housing receivable	1,503,007	-	-	-	-	1,503,007
Interest receivable	443,825	-	-	-	-	443,825
Others	258,880	-	-	-	-	258,880
Notes receivable	15,000,000	-	-	-	-	15,000,000
Held to maturity	-	20,000,000	10,000,000	-	-	30,000,000
	P365,750,633	P20,000,000	P10,000,000	P-	P-	P395,750,633

As of December 31, 2009	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial liabilities:</b>						
Accounts payable and accruals	P11,611,586	P-	P-	P-	P-	P11,611,586
Taxes payables	346,885	-	-	-	-	346,885
Other payables	11,381,895	-	-	-	-	11,381,895
	P23,340,366	P-	P-	P-	P-	P23,340,366

### Foreign Currency Risk

The Company's exposure to foreign currency risk results from its business transactions and financing arrangements denominated in foreign currency. Foreign currency risks on US dollar currencies (for the dollar time deposits) are managed through constant monitoring of the political and economic environment.

Information on the Company's foreign currency-denominated monetary assets and their Philippine Peso equivalents are as follows:

	2011		2010		2009	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Time Deposits	\$149,931	P6,586,179	\$1,690,283	P74,178,051	\$1,661,623	P77,026,239
Available-for-sale financial assets	\$587,457	25,805,831	-	-	-	-
Held to maturity investments	\$165,130	7,253,831	-	-	-	-
Time Deposits	\$902,519	P39,645,841	\$1,690,283	P74,178,051	\$1,661,623	P77,026,239

With the translation of this foreign currency-denominated assets, the Company reported net foreign exchange gain (loss) amounting to (P990,650), (P4,111,289) and P6,973,018 in 2011, 2010 and 2009, respectively. These resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2009	46.3560
December 31, 2010	43.8850
December 31, 2011	43.9280

#### Capital Management Policies

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders by ensuring efficient allocation of its financial resources and optimizing its equity balance.

The Company considers the following as capital:

	2011	2010	2009
Share capital	<b>P996,391,254</b>	P996,391,254	P996,391,254
Deposit for future subscription	<b>18,894,000</b>	18,894,000	18,894,000
Deficit	<b>(180,701,001)</b>	(145,156,604)	(140,926,234)
	<b>P834,584,253</b>	P870,128,650	P874,359,020

The Company balances its overall capital structure through payment of dividends.

The Company sets strategies in response to both changes in economic conditions in general and the industry in which the Company belongs and internal factors. No changes were made in the objectives, policies and processes during the years 2011, 2010 and 2009.

#### **5. Cash and Cash Equivalents**

This account consists of:

	2011	2010	2009
Cash on hand and in banks	<b>P2,941,637</b>	P826,425	P1,484,405
Special savings	<b>391,900,319</b>	398,383,068	335,608,204
Time deposits	<b>6,586,179</b>	9,159,920	9,428,741
	<b>P401,428,135</b>	P408,369,413	P346,521,350

The special savings are short-term investments with several commercial banks for periods thirty (30) days and earn interests ranging from 2.5% to 4.5% per annum.

Time deposits representing the Peso and US dollar denominated placements with the Bank of Philippines Islands valued at about P71.2 million were reclassified to "Other Assets" in 2007 as the bank had "put on hold" this account pending the resolution of a case filed by the Company against the bank (see also Note 13).

## 6. Receivables

This account consists of:

	2011	2010	2009
Trade receivable	<b>P3,845,820</b>	P2,333,189	P2,023,571
Interest receivable - affiliate (Note 24)	<b>2,507,233</b>	2,507,233	-
Interest receivable	<b>268,191</b>	147,870	443,825
Dividend receivable	<b>186,667</b>	-	-
Housing receivable (Note 24)	-	368,967	1,503,007
Others	<b>19,113,866</b>	19,360,723	258,880
	<b>P25,921,777</b>	P24,717,982	P4,229,283

Other receivables consist mainly of cash advances made by the Company in filing various cases.

## 7. Notes Receivable

	2011	2010	2009
Principal	<b>P125,000,000</b>	P125,000,000	P140,000,000
Less: Allowance for probable losses	<b>125,000,000</b>	125,000,000	125,000,000
Net	<b>P-</b>	P-	P15,000,000

On August 5, 2009, Golden Legacy Finance Corporation (GLFC) availed from the Company a three year promissory note amounting to P15,000,000. The said promissory note is subject to 11% interest per annum payable in monthly arrears. The Company may request that GLFC prepay the note in full provided that Company informs the borrower with a written request not earlier than thirty days from the intended date of pretermination provided further that the intended date of pretermination shall be an interest payment date. On November 26, 2009, Company's Board of Directors resolved to terminate the promissory note by August 2010. GLFC fully-settled its loan on August 5, 2010.

In August 2000, the Company, by approval of the Executive Committee (ExCom) of the Board of Directors, granted a P125,000,000 unsecured loan to Mr. Antonio Araneta, the first cousin of the Chairman of the Board and ExCom member Benito Araneta. The obligation, which was backed by a Promissory Note (PN), was jointly and severally guaranteed by Antonio Araneta's company, Ansear Realty and Development Corp. (Ansear). The PN carried an interest of 9% per annum, compounded monthly, and was payable within one year without need of any demand. The PN stipulated that in the event of default, both Antonio Araneta and Ansear "shall jointly and severally pay penalty interest to the holder" of 12% per annum, compounded monthly, in addition to the 9% interest. Pursuant to a Memorandum of Agreement dated August 17, 2000 between Mr. Araneta and Philippine Communications Satellite Corporation, in case of default after the first anniversary of the loan, the Company had the irrevocable option to either collect on the PN or be paid with the shares that Ansear may have by virtue of the "proposed Merger with Philcomsat", which did not materialize. Hence, the Company is entitled to collect on the PN including interest of 9% per annum, compounded monthly, in addition to the stipulated penalty of 12% per annum, compounded monthly, as the matter of collection on the Note is not related to the Memorandum of Agreement between Ansear and Philcomsat.

On due date, Mr. Araneta failed to pay principal and accrued interests. As a result of such non payment, the Company continued accruing the 9% interest due that accumulated to P78,053,383 as of December 31, 2005. In 2006, the Company provided full valuation allowance on the principal amounting to P125,000,000 and the related accrued but unpaid interest of P78,053,383 as of December 31, 2005. Total provision for probable losses charged to operations related to this account in 2006 amounted to P203,053,383. However, this amount excludes the additional 12% penalty interest per annum, compounded monthly per PN. If the 12% penalty interest were applied, the total amount due from Mr. Araneta and/or Ansear would be P457M.

In 2008, the Company provided full valuation allowance on the principal amount and the related accrued interest written-off, excluding the 12% penalty, since management believes that it will be difficult and will take a long-time to recover the account.

On July 29, 2010, the Company filed a complaint against Ansear and Mr. Araneta for a collection of sum of money, with prayer for preliminary attachment, which the Court granted on August 27, 2010. The case is now on-going for pre-trial.

## 8. Property and Equipment

This account consists of:

	2010	Additions	Reversals	2011
<b>Cost</b>				
Furniture and fixtures	P3,486,626	P-	P-	P3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	220,563	-	-	220,563
	8,599,734	-	-	8,599,734
<b>Less accumulated depreciation</b>				
Furniture and fixtures	3,486,626	-	-	3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	54,482	73,521	-	128,003
	8,433,653	73,521	-	8,507,174
	P166,081			P92,560
	2009	Additions	Reversals	2010
<b>Cost</b>				
Furniture and fixtures	P3,486,626	P-	P-	P3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	10,036	210,527	-	220,563
	8,389,207	210,527	-	8,599,734
<b>Less accumulated depreciation</b>				
Furniture and fixtures	3,480,872	5,754	-	3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	-	54,482	-	54,482
	8,373,417	60,236	-	8,433,653
	P15,790			P166,081

	2008	Additions	Reversals	2009
Cost				
Furniture and fixtures	P3,486,626	P-	P-	P3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	-	10,036	-	10,036
	8,379,171	10,036	-	8,389,207
Less accumulated depreciation				
Furniture and fixtures	3,389,415	91,457	-	3,480,872
Transportation equipment	4,625,878	266,667	-	4,892,545
	8,015,293	358,124	-	8,373,417
	P363,878			P15,790

### 9. Investment Properties

Land and/or buildings held to earn rentals or for capital appreciation or both are classified as investment properties. These are carried at cost less accumulated depreciation and any accumulated impairment losses.

This account consists of:

	2010	Additions	Disposals	2011
Cost				
Land	P267,743,700	P-	P267,743,700	P-
Condominium unit	164,772,000	-	-	164,772,000
	432,515,700	-	267,743,700	164,772,000
Less accumulated depreciation	30,892,424	4,318,696	-	35,211,120
	P133,879,576			P129,560,880
	2009	Additions	Disposals	2010
Cost				
Land	P267,743,700	P-	267,743,700	P-
Condominium unit	164,772,000	-	-	164,772,000
	432,515,700	-	267,743,700	164,772,000
Less accumulated depreciation	26,573,728	4,318,696	-	30,892,424
	P405,941,972			P133,879,576
	2008	Additions	Disposals	2009
Cost				
Land	P267,743,700	P-	P-	P267,743,700
Condominium unit	164,772,000	-	-	164,772,000
	432,515,700	-	-	432,515,700
Less accumulated depreciation	22,255,032	4,318,696	-	26,573,728
	P410,260,668			P405,941,972

Investment properties consist of various real estate properties assigned to the Company by Philcomsat, in payment of the latter's unpaid subscriptions to the Company's capital stock. These real estate properties are recorded in the books at their appraised values of P405,141,000 as determined by an independent appraiser in 1995.

Certain assigned properties amounting to approximately P211.2 million was covered by Republic Act No. 6657, otherwise known as Comprehensive Agrarian Reform Law (CARL). Philcomsat has filed a protest against CARL for the coverage of its landholdings. In view of the pending protest, the Board of Directors approved on August 12, 1999 Philcomsat's proposal for substitution of the assigned assets. On January 14, 2000, a Deed of Assignment was made and executed between the Company and Philcomsat for the substitution of the assigned properties. The fair market values of the substituted assigned properties, as determined by an independent appraiser in 1997, amounted to P424,035,000. The excess of fair market values of the substituted properties over the fair market values of the properties previously assigned amounting to P18,894,000 is shown in the statements of financial position as "Deposit for future subscription" for the account of Philcomsat.

On September 9, 2009, the Company received a reservation fee amounting to P10,000,000 paid by Asia Europe Investment and Development Corp. for its interest to acquire 28,807 square meters of investment property owned by the Company located at Mercedes Avenue, Pasig City. This amount is shown as part of Other Payables (see Note 14). On August 4 and December 1, 2010, the Company received the full consideration amounting to P274,620,000 and P3,450,000, respectively.

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#### 10. Due from Affiliates

For the years ending 2011, 2010 and 2009, outstanding balance amounted to P12,157,897, P180,652,094 and P6,336,760, respectively. The account is composed mainly of non interest bearing advances to Philcomsat. Proceeds on the sale of land were remitted by Philcomsat to the Company in 2011.

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#### 11. Available-for-sale Financial Assets

Available-for-sale financial assets consist of:

	2011	2010	2009
Retail Treasury Bonds	P21,102,068	P-	P-
UITF Peso Bond Fund	32,944,934	-	-
SMC Purefood Preferred Shares	30,600,000	-	-
Philam Strategic Growth Fund	23,961,764	-	-
PAMI Asia Balanced Fund Inc Dollar	16,212,253	-	-
Sun Life Prosperity Balanced Fund	11,568,287	-	-
UITF Dollar Bond Fund	9,593,578	-	-
Sun Life Prosperity GS Fund	8,457,125	-	-
	<b>P154,440,009</b>	P-	P-

The unrealized gain on changes on fair values of AFS financial assets amounted to P693,041 in 2011.

**12. Held to Maturity Investments**

The following investments were acquired with the intention of holding the instruments until its maturity, and are mainly composed of retail treasury bonds. Details of the bonds are as follows:

2011

Bond Number	Issue Date	Maturity Date	Coupon Rate	Cost
PIID0312I070	24-Sep-09	24-Sep-12	5.25%	P20,000,000
PIID0514I080	24-Sep-09	24-Sep-14	6.25%	10,000,000
PSALM Bonds	22-Apr-10	22-Apr-15	6.88%	15,000,000
ROP 2026 Dollar Bonds	30-Mar-11	30-Mar-26	5.50%	7,253,831
				<b>P52,253,831</b>

2010

Bond Number	Issue Date	Maturity Date	Coupon Rate	Cost
PIID0312I070	24-Sep-09	24-Sep-12	5.25%	P20,000,000
PIID0514I080	24-Sep-09	24-Sep-14	6.25%	10,000,000
PSALM Bonds	22-Apr-10	22-Apr-15	6.88%	15,000,000
				<b>P45,000,000</b>

2009

Bond Number	Issue Date	Maturity Date	Coupon Rate	Cost
PIID0312I070	24-Sep-09	24-Sep-12	5.25%	P20,000,000
PIID0514I080	24-Sep-09	24-Sep-14	6.25%	10,000,000
				<b>P30,000,000</b>

**13. Other Assets**

This account consists of:

	2011	2010	2009
Time deposits with BPI	<b>P86,489,093</b>	P85,459,488	P87,827,617
Input tax	<b>1,257,012</b>	1,247,200	1,053,685
Creditable withholding tax	<b>1,258,882</b>	1,107,068	772,929
	<b>P89,004,987</b>	P87,813,756	P89,654,231

Included in this account are the peso and US dollar time deposits with the Bank of the Philippines Islands (BPI) which were frozen on December 13, 2007 upon the issuance of a writ of preliminary injunction against BPI by the RTC Branch 62 of Makati, pursuant to Civil Case No. 07 840, filed by the current officers of the Company against the bank. In August 19, 2008, BPI filed an interpleader case with respect to the said PHC accounts in BPI, but only after allowing substantial disbursements in the approximate amount of P102M, in favor or upon the authority of the former officers and directors of the Company, despite several notices to BPI that these directors' and officers' election in 2004 had been invalidated by the RTC of Makati in October 2006, in an election protest case that was brought by the predecessors of the current Board of Directors.

Due to continuously weakening of the US dollar, the Company expressed the concern to BPI for a conversion of its dollar deposits to Philippine peso through a letter dated March 29, 2011. In a letter response dated April 11, 2011, BPI recommended that the Company should secure the necessary Court order for that purpose. In Order dated June 17, 2011, the Court granted the conversion of the dollar deposits to Philippine peso.

#### 14. Accounts Payable and Accruals

This account consists of:

	2011	2010	2009
Accounts payable - trade	<b>P2,268,642</b>	P2,268,642	P2,268,642
Accrued expenses	<b>25,836,055</b>	5,815,699	8,883,827
Unearned rental income	<b>445,869</b>	701,079	806,002
	<b>P28,550,566</b>	P8,785,420	P11,958,471

The accrued expenses includes a provision for management fee to Philcomsat in relation to land disposal amounting to P20,000,000, which management believes to be reasonable, pending final determination of liability to Philcomsat (see Note 20).

#### 15. Other Payables

This account consists of:

	2011	2010	2009
Deposit	<b>P686,550</b>	P686,550	P10,686,550
Withholding tax expanded	<b>1,005,512</b>	900,897	474,410
Subscribers' deposit	<b>139,394</b>	139,394	139,394
Documentary stamp tax payable	<b>51,746</b>	51,746	51,746
Advances from officers and employees	<b>25,000</b>	25,000	25,000
SSS loans payable	<b>4,795</b>	4,795	4,795
	<b>P1,912,997</b>	P1,808,382	P11,381,895

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## 16. Share Capital

This account consists of:

	2011	2010	2009
Authorized share capital			
1,000,000,000 common shares at P1 par value	<b>P1,000,000,000</b>	P1,000,000,000	P1,000,000,000
Issued and outstanding			
996,391,254 common shares at P1 par value	<b>P996,391,254</b>	P996,391,254	P996,391,254

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## 17. Revenue

This account consists of:

	2011	2010	2009
Interest income subjected to final tax	<b>P17,792,728</b>	P17,459,268	P17,032,519
Rent income	<b>9,624,104</b>	9,047,460	9,555,322
Dividend income	<b>1,919,167</b>	-	-
Gain on sale of financial asset through FVPL	<b>1,705,399</b>	-	-
Interest income not subjected to final tax	<b>608,536</b>	999,167	881,543
Miscellaneous	<b>445,000</b>	417,500	305,000
	<b>P32,094,934</b>	P27,923,395	P27,774,384

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## 18. Cost of Service

Cost of services consist mainly of the depreciation of investment property being leased out to tenants.

**19. General and Administrative Costs**

This account consists of:

	2011	2010	2009
Director's fee (Note 24)	<b>P7,245,000</b>	P10,963,333	P11,985,000
Professional fees	<b>7,315,357</b>	2,400,314	3,199,117
Management fee - legal fee	<b>2,764,407</b>	2,088,115	1,676,154
Court filings	<b>2,079,409</b>	-	-
Taxes and licenses	<b>1,399,723</b>	1,292,857	1,613,790
Rental (Note 22)	<b>846,979</b>	626,528	588,785
Representation and entertainment	<b>531,049</b>	-	878,321
Dues and subscription	<b>232,200</b>	232,245	232,394
Light and water	<b>147,208</b>	96,070	61,821
Depreciation (Notes 8)	<b>73,521</b>	60,236	358,124
Interest	<b>43,372</b>	-	-
Security and janitorial services	-	966,595	120,692
Others	<b>1,608,778</b>	1,445,484	3,280,666
	<b>P24,287,003</b>	P20,171,777	P23,994,864

**20. Other Income (Expenses)**

This account consists of:

	2011	2010	2009
Loss from sale of land	<b>P-</b>	(P1,278,950)	P-
Gain (loss) on foreign exchange	<b>(990,650)</b>	(4,111,289)	6,973,018
Other expenses on disposal of land:			
Notarial fee	<b>(632,050)</b>	-	-
Processing and documentation	<b>(1,000,000)</b>	-	-
Relocation and titling expense	<b>(1,500,000)</b>	-	-
Commission	<b>(14,677,200)</b>	(2,100,000)	(600,000)
Provision for management fee	<b>(20,000,000)</b>	-	-
	<b>(P38,799,900)</b>	(P7,490,239)	P6,373,018

The other expenses on the disposal of land represents additional expenses incurred in connection with the land disposal. The Company accrued a provision for management fee to Philcomsat in relation to land disposal amounting to P20,000,000, which management believes to be reasonable, pending final determination of liability to Philcomsat see (Note 14).

## 21. Income Tax

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

The following are the computation of regular corporate income tax:

	2011	2010	2009
Net Income (loss)	(P35,310,665)	(P4,057,317)	P5,833,842
Add (deduct) permanent differences:			
Nondeductible representation expense	252,431	-	600,577
Penalty	73,143	134,000	-
Loss on sale of land	-	1,278,950	-
Dividend income	(1,919,167)	-	-
Interest income subjected to final tax	(17,792,728)	(14,952,035)	(17,032,519)
Add (deduct) temporary differences:			
Provision for management fee	20,000,000	-	-
Unrealized forex loss (gain) for current year	(544,862)	4,111,289	(6,973,018)
Realized forex gain from last year	3,622,232	-	-
<b>Taxable loss</b>	<b>(P31,619,616)</b>	<b>(P13,485,113)</b>	<b>(P17,571,118)</b>
Tax due at 30%	P-	P-	P-

The following are the computation of minimum corporate income tax:

	2011	2010	2009
Rent income	P9,624,104	P9,047,460	P9,555,322
Realized gain from last year	3,622,232	-	-
Gain on sale of financial asset	1,705,399	-	-
Interest income not subject to final tax	608,536	3,506,400	881,543
Miscellaneous	445,000	417,500	305,000
<b>Total income</b>	<b>16,005,271</b>	<b>12,971,360</b>	<b>10,741,865</b>
Less depreciation of condominium unit	4,318,696	4,318,696	4,318,696
<b>Taxable income</b>	<b>P11,686,575</b>	<b>P8,652,664</b>	<b>P6,423,169</b>
Tax due at 2%	P233,732	P173,053	P128,463

The Company has NOLCO which can be carried forward as a deduction for the next three consecutive taxable years immediately following the year of such loss, under certain conditions, as provided under Section 34(D) of the Tax Code. Details as follows:

Date Incurred	Amount	Applied/ Expired	Remaining Balance	Expiry Date
December 31, 2011	P31,619,616	P-	P31,619,616	2014
December 31, 2010	13,485,113	-	13,485,113	2013
December 31, 2009	17,571,118	-	17,571,118	2012
December 31, 2008	50,306,247	50,306,247	-	2011
	<b>P112,982,094</b>	<b>P50,306,247</b>	<b>P62,675,847</b>	

The management believes that the Company will not be able to realize the NOLCO in the future. The Company provided full valuation allowance on its NOLCO, thus no deferred tax asset was set up for NOLCO.

## 22. Leases

On March 17, 2008, the Company leased a portion of its condominium unit located at 2nd Floor Pacific Star Building, Sen. Gil Puyat Avenue, Makati City to Insbrooks Holdings Co., Inc. from March 15, 2008 to February 14, 2013. Monthly rental fee for the leased space is P375.00 per square meter subject to 10% escalation fee on the second year and fourth year. The leased space has an area of one thousand four hundred twenty two (1,422) square meters. On October 27, 2008, the Company leased to Insbrooks Holding Co., additional 408.80 square meters of remaining vacant office located at 2nd Floor Pacific Star Building, Sen. Gil Puyat Avenue, Makati City, commencing on November 1, 2008 to March 14, 2013. Monthly rental fee for the leased space is P375.00 per square meter subject to 10% escalation fee on the second year and fourth year.

On 2011, the Company renewed its lease agreement with Philcomsat for its office space located at 12th Floor Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City at a monthly rental of P67,857.60 with 5% escalation fee on the second year of the lease. The renewed term of lease is for the period of 2 years commencing on January 1, 2011 to December 31, 2011, renewable upon mutual agreement of both parties.

## 23. Income (Loss) Per Share

	2011	2010	2009
Net income (loss)	<b>(P35,544,397)</b>	(P4,230,370)	P5,705,379
Weighted average no. of shares outstanding	<b>996,391,254</b>	996,391,254	996,391,254
	<b>(P0.04)</b>	P0.00	P0.01

## 24. Related Party Transactions

Details of transactions between the Company and other related parties are disclosed below:

	2011	2010	2009
Philcomsat			
Due from (to) an affiliate			
Beginning balance	<b>P180,389,594</b>	P6,124,260	1,145,152
Add (deduct):			
Cash advances	<b>16,463,518</b>	298,674,044	4,979,108
Liquidation of cash advances	<b>(185,001,465)</b>	(124,408,710)	-
Ending balance	<b>P11,851,647</b>	P180,389,594	P1,145,152

	2011	2010	2009
MRDC			
Due from an affiliates			
Beginning balance	<b>P262,500</b>	212,500	P-
Add (deduct):			
Cash advances	<b>43,750</b>	50,000	212,500
Ending balance	<b>P306,250</b>	P262,500	P-

	2011	2010	2009
Philcomsat			
Interest receivable	<b>P2,507,233</b>	2,507,233	P-

	2011	2010	2009
Directors/employees			
Housing loan receivable			
Beginning balance	P368,967	P1,503,007	P1,503,007
Deduct:			
Collection	(368,967)	(1,134,040)	-
Ending balance	P-	P368,967	P1,503,007

The Company currently does not have any fulltime employees under its payroll. However, the Company is being managed by Philippine Communication Satellite Corporation (Philcomsat), which owns 81% of the Company's shares, through certain Philcomsat's personnel assigned to handle the Company's operations. Philcomsat performs services for the Company such as managing its money market and real estate investments, recording of transactions, processing of disbursements, custody and safekeeping of forms and records and other services required for the Company's operations. Amounts paid by the Company to Philcomsat is shown as part of professional fees.

## 25. Civil Cases

There is a pending civil case in the Sandiganbayan involving an action by a group claiming to be directors and officers of POTC and Philcomsat seeking to enjoin the present directors and officers of POTC and Philcomsat from representing themselves as such directors and officers and representatives of the latter corporations in the Company. The Company sought the dismissal of the complaint against it on the ground that it is not a real party-in-interest since the injunction being sought is not directed against it. The Sandiganbayan issued a Decision dismissing the case filed by the group alleging that they are the POTC and Philcomsat board of directors. They appealed to the Supreme Court on November 10, 2008 and the same is still pending resolution. In the opinion of Management and its legal counsel, any adverse decision on this case against the Company, if any, will not materially affect the financial statements. The Company also filed cases for the recovery of advances made by former directors and officers of the Company. These civil cases are now pending resolution with the Department of Justice.

## 26. Litigation

### Criminal Complaint against Benito Araneta for Non-Return of PHC Deposits

On May 23, 2008, the management through its CFO/Treasurer, Ms. Erlinda Bildner, filed a criminal complaint for estafa against Benito Araneta. The complaint was for the money entrusted to Mr. Araneta amounting to P65M for money market placements. However, the details and documentation regarding said corporate funds were not provided to the Company by Mr. Araneta and such funds were never returned.

On February 9, 2009, the Makati Prosecutor's Office dismissed the case for lack of probable cause. On March 4, 2009, the Company through its CFO/Treasurer, Ms. Erlinda Bildner filed an appeal with the Department of Justice, the Resolution dated February 9, 2009 (Assailed Resolution) of the Makati Prosecutor, dismissing the case filed by the Company against the respondent Benito Araneta for estafa under Article 315 (1) (b) of the Revised Penal Code. The appeal remains pending in the Department of Justice.

Criminal Complaint Against Philip Brodett and Bankwise Officers Using Spurious Bank Accounts for PHC Deposits

On May 8, 2008, management filed a criminal complaint against Philip Brodett, a Director and Vice President of the Company, and certain officers of the now defunct Bankwise, which was taken over in 2005 by Philippine Veterans Bank (PVB) and padlocked by the Bangko Sentral ng Pilipinas (BSP) on February 8, 2008. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Company's funds in the amount of P66.8M was processed through spurious bank accounts at Export and Industry Bank (EIB) and Bankwise and involved the co-mingling and transfer of funds between the Company's accounts and certain personal accounts.

Among the allegedly spurious bank accounts used to facilitate the unauthorized transfers of the Company's funds into various personal or allegedly corporate accounts are:

- "Brodett/Nieto, Philip/Manuel" Account No. 1-111-00808-2 funded by "Brodett/Nieto, Philip/Manuel" Account No. 2-111-03072-6 wherein approximately P42M in Company's funds were transferred in and out
- "Brodett, Gavino, Piluchi" Personal Account # 1-111-0062-6 with Export and Industry Bank

Mr. Manuel Nieto declared in 2006 that he was unaware and had no knowledge of the joint personal account held in his name and that of Philip Brodett.

In addition, the Complaint alleges Philip Brodett's unauthorized use of corporate funds in the amount of P39,800,000 through issuance of his personal checks or wire transfers to the personal accounts of the following former Bankwise officers:

- P30,000,000 to Leonides Val Ortega, ex-President, Bankwise and Vice President PVB on February 17, 2006
- P4,800,000 to Vicente Campa, Jr., ex-Director, Bankwise on May 17, 2005
- P5,000,000 to Vicente Campa, Jr., ex-Director, Bankwise on July 29, 2005

The case has now proceeded to trial, and PHC has started to present its evidence.

Criminal Complaint Against Enrique Locsin, Philip G. Brodett, Benito Araneta, Luis K. Lokin, Jr., Manuel D. Andal, Julio Jalandoni and Guy De Leon

On May 23, 2008, the management through CFO/Treasurer, Ms. Erlinda I. Bildner, filed a criminal complaint for estafa against Enrique Locsin, Philip G. Brodett, Benito Araneta, Luis K. Lokin, Jr., Manuel Andal, Julio Jalandoni and Guy De Leon. The complaint is premised on the fact that the respondents intentionally booked under the accounting entries of the Company the sum of approximately P122,199,459.00 with each entry labeled as "Advances to Affiliates", referring to POTC and Philcomsat, which owns 81% of PHC. However, neither of the latter companies actually received any part of said "advances". Since no such amounts were forwarded or credited to, nor received by either POTC and Philcomsat, the complaint alleged that the respondents caused the unauthorized disbursement, and therefore the misappropriation, of such funds.

In a Resolution dated May 29, 2009, the Makati City Prosecutor's Office dismissed charges against respondents for alleged lack of probable cause. On June 15, 2009, the Company filed a Petition for Review with the DOJ.

On July 21, 2010, the DOJ dismissed the petition the Company filed. On August 6, 2010, PHC filed a Motion for Reconsideration, which is still pending to date.

#### Criminal Complaint Against Concepcion A. Poblador

On February 12, 2008, a complaint was filed by the management through its Director, Mr. Jose Ma. Ozamiz, against Ms. Concepcion Poblador for the crime of estafa. The complaint is premised on the fact that Ms. Poblador received the amount of P14,500,000.00, as a "Cash Advance" from the Company, which she failed to account for and/or return after formal demands by PHC.

On February 9, 2009, a Resolution was issued dismissing the case filed against Ms. Poblador on the grounds of alleged insufficiency of evidence. On March 5, 2009, the Company, through Director Ozamiz, filed a Petition for Review with the DOJ.

#### Complaints Filed Under the Anti-Money Laundering Act (AMLA)

On November 2007, a Complaint was filed by PHC Director Mr. Jose Ma. Ozamiz for the specific purpose of initiating before the Anti-Money Laundering Council (AMLC) the investigation of reported violations of the Anti-Money Laundering Act (AMLA) committed by Enrique L. Locsin, Philip G. Brodett, Luis K. Lokin, Jr., Benito V. Araneta, Johnny R. Tan, Manuel D. Andal, Concepcion A. Poblador, Guy De Leon, Renito A.V. Saguisag, Sikini C. Labastilla, Edwin M. Vidal, Cesar Munsayac and Ricardo Abcede (as well as the following banks: Bank of the Philippine Islands, Bankwise, Inc., Export and Industry Bank, Banco de Oro, Bank of Commerce, International Exchange Bank (now Union Bank), Union Bank, Far East Bank and Trust Company (now Bank of the Philippine Islands), Prudential Bank (now Bank of the Philippine Islands), Metropolitan Bank and Trust Company, Philippine Bank of Communications, Security Bank and Rizal Commercial Banking Corporation).

On October 12, 2009, a Resolution was issued by the Court of Appeals' former 2nd Division ordering the Bank of Commerce, Bank of the Philippine Islands, Security Bank Corporation, Export and Industry Bank, Inc., Rizal Commercial Banking Corporation and Chinatrust (Phils) Commercial Bank Corp. to immediately freeze for a period of twenty (20) days several bank accounts of Messrs. Philip Brodett and Leonides Val Ortega, ex-President of the now defunct Bankwise Inc.

AMLA case was dismissed by the Court of Appeals despite probable cause found by the AMLC to freeze the accounts of Brodett and his cohorts. Since the respondents were afforded sufficient time to pull out their funds from the banks, in between the long delay in processing the cases, when the AMLA case was eventually ripe for filing with the Court of Appeals, there was very little, if no money left in the respondents' accounts.

Since the Office of the Secretary General (OSG) and the AMLC were surprised to be informed that a total balance of PhP100,000.00 remained in the bank accounts of Messrs. Brodett and Ortega, OSG filed a case before the Regional Trial Court to inquire from the banks as to what happened to all the money in the stated bank accounts.

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#### **28. Reclassification of Accounts**

The account "Commission" included as part of "General and Administrative Costs" in 2010 and 2009 amounting to P2,100,000 and P600,000, respectively was reclassified to "Commission" included as part of "Other Income (Expenses)" account.

## 29. Supplemental Information Required Under Revenue Regulations

### Revenue Regulation 15-2010

On November 25, 2010, the BIR issued Revenue Regulation (RR) 15-2010, which requires certain information on taxes, duties and license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. This supplemental information, which is an addition to the disclosure required under full PFRS, is presented as follows:

#### *VAT Output Tax*

The amount of VAT output declared amounted to P1,045,171 based on receipts amounting to P8,709,755 in 2011 and P1,097,401 based on receipts for the year amounting to P9,145,010 in 2010.

#### *VAT Input Tax*

The amount of VAT input taxes claimed broken down into:

	2011	2010
Balance at January 1	P1,247,200	P1,053,685
Current year's domestic purchases/payments for:		
Goods other than for resale or manufacture	18,109	90,282
Services lodged under other accounts	607,881	413,884
Total	1,873,190	1,557,851
Less tax credit	616,178	310,651
	<b>P1,257,012</b>	<b>P1,247,200</b>

#### *Taxes on Importation*

The Company has not imported goods for business use. No customs duties and tariff fees were accrued or paid during the year 2011 and 2010.

#### *Excise Tax*

The Company does not have excise tax in 2011 and 2010 since it does not have any transactions which are subject to excise tax.

#### *Taxes and Licenses*

The details of taxes and licenses included in operating expenses are as follows:

	2011	2010
Real property tax	P740,978	P743,361
PSE annual listing	250,000	250,000
Documentary stamp tax	172,560	4,351,938
Business permit	91,643	98,744
Capital gains tax	-	17,284,200
Others	144,542	169,864
	<b>P1,399,723</b>	<b>P22,898,107</b>

#### *Withholding Taxes*

The details of total withholding taxes for are as follows:

	2011	2010
Compensation and benefits	P-	P-
Creditable	2,108,305	2,367,810
	<b>P2,108,305</b>	<b>P2,367,810</b>

*Deficiency Tax Assessment*

The Company does not have any deficiency tax assessments with BIR or tax cases outstanding or pending in courts or bodies outside of the BIR as of December 31, 2010 and 2011.

Revenue Regulation 19-2011

Revenue Regulations No. 19-2011 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2011, and to modify Revenue Memorandum Circular No. 57-2011 dated November 25, 2011.

The following are the schedules prescribed under existing revenue issuances applicable to the Company as of December 31, 2011:

*Revenue*

	Exempt	RCIT
Rent income	P-	P9,624,104
Gain on sale of financial asset though FVPL	-	1,705,399
Interest income not subjected to final tax	-	608,536
Miscellaneous	-	445,000
	P-	P12,383,039

*Cost of Service*

The breakdown of the Company's cost of sales for income tax purposes is as follows:

	Exempt	RCIT
Depreciation	P-	P4,318,696

*Non-operating and Taxable Other Income*

	Exempt	RCIT
Realized gain from last year	P-	P3,622,232

*Itemized Deductions*

The breakdown of the Company's cost of sales for income tax purposes is as follows:

	Exempt	RCIT
Director's fee	P-	P7,245,000
Professional fees	-	7,315,357
Management fee - legal fee	-	2,764,407
Court filings	-	2,079,409
Taxes and licenses	-	1,326,580
Rental (Note 21)	-	846,979
Dues and subscription	-	232,200
Light and water	-	147,208
Depreciation (Notes 8 and 9)	-	73,521
Interest	-	43,372
Representation and entertainment	-	278,618
Realized loss current year	-	1,535,512
Others	-	1,608,778
Other expenses on disposal of land:		
Notarial fee	-	632,050
Processing and documentation	-	1,000,000
Relocation and titling expense	-	1,500,000
Commission	-	14,677,200
	P-	P43,306,191

*Taxes and Licenses*

Taxes and licenses presented as part of "General and Administrative Costs" account in the Company's statement of comprehensive income include the following:

Real property tax	P740,978
PSE annual listing	250,000
Documentary stamp tax	172,560
Business permit	91,643
Others	144,542
	P1,399,723



**MOORE STEPHENS**

**Mendoza Querido & Co.**

*A member firm of Moore Stephens International Limited*

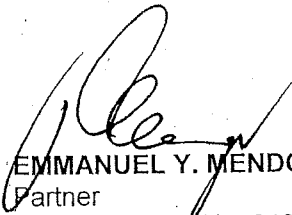
19<sup>th</sup> Floor, The Salcedo Towers  
169 H.V. de la Costa St.  
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**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors  
Philcomsat Holdings Corporation  
10th Floor, Telecoms Plaza Building,  
316 Sen. Gil Puyat Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philcomsat Holdings Corporation as at December 31, 2011, 2010 and 2009 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated April 10, 2012. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

For the Firm: **MENDOZA QUERIDO & CO.**



**EMMANUEL Y. MENDOZA**  
Partner

CPA Certificate No. 84318  
PRC-BOA Accreditation No. 0966  
SEC Accreditation No. 0871-A  
TIN 102-092-096  
BIR Accreditation No. 08-002617-1-2009  
PTR No. 3184631, January 7, 2012, Makati City

April 10, 2012

**PHILCOMSAT HOLDINGS CORPORATION**

**Schedule A – Financial Assets**  
**December 31, 2011**

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount Shown in the Balance Sheet	Value based on Market Quotations at End of Reporting Period	Income Received and Accrued
<i>Receivables</i>		<b>P25,921,777</b>	<b>P25,921,777</b>	
<i>Available-for-sale financial assets</i>				
Retail Treasury Bonds	P20,000,000	21,102,068	21,102,068	675,000
SMC Purefood Preferred Shares	30,000 shares	30,600,000	30,600,000	1,919,167
Philam Strategic Growth Fund	61,711 shares	23,961,764	23,961,764	–
Sun Life Prosperity Balanced Fund	4,249,141 shares	11,568,287	11,568,287	–
Sun Life Prosperity GS Fund	6,038,647 shares	8,457,125	8,457,125	–
PAMI Asia Balanced Fund Inc Dollar	403,746 shares	16,212,253	16,212,253	–
UITF Peso Mutual Funds	156,252.76 units	32,944,934	32,944,934	–
UITF Dollar Mutual Funds	125,166.06 units	9,593,578	9,593,578	–
		<b>P154,440,009</b>	<b>P154,440,009</b>	<b>P2,594,167</b>
<i>Held to maturity investments</i>				
RP PIID03121070	P20,000,000	20,000,000	20,000,000	836,857
RP PIID05141080	P10,000,000	10,000,000	10,000,000	498,429
PSALM Bonds	P15,000,000	15,000,000	15,000,000	777,375
ROP 2026 Dollar Bonds	\$160,000	7,253,831	7,253,831	127,762
		<b>P52,253,831</b>	<b>P52,253,831</b>	<b>P2,240,423</b>

**PHILCOMSAT HOLDINGS CORPORATION**

**Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties,  
and Principal Stockholders**

**December 31, 2011**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Current	Not Current	Balance at End of Period
Due from Affiliate						
Philippines Communications Satellite Corporation	P180,389,594	P16,463,518	(P185,001,465)	P-	P11,851,647	P11,851,647
MRDC	262,500	43,750	-	306,250	-	P306,250
	<b>P180,652,094</b>	<b>P16,507,268</b>	<b>(P185,001,465)</b>	<b>P-</b>	<b>P11,851,647</b>	<b>P12,157,897</b>
Interest Receivable						
Philippines Communications Satellite Corporation	<b>P2,507,233</b>	<b>P-</b>	<b>P-</b>	<b>P2,507,233</b>	<b>P-</b>	<b>P2,507,233</b>

**PHILCOMSAT HOLDINGS CORPORATION**

**Schedule C – Amounts Receivable from and Payable to Related Parties which are  
Eliminated during the Consolidation of Financial Statements**

**December 31, 2011**

*- Not Applicable -*

**PHILCOMSAT HOLDINGS CORPORATION**  
**Schedule D – Intangible Assets - Other Assets**  
**December 31, 2011**

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- Nil -

**PHILCOMSAT HOLDINGS CORPORATION**

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Schedule E – Long Term Debt  
December 31, 2011

- Nil -

**PHILCOMSAT HOLDINGS CORPORATION**

Schedule F – Indebtedness to Related Parties (Long-Term Loans from Related Companies)  
December 31, 2011

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- Nil -

**PHILCOMSAT HOLDINGS CORPORATION**

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Schedule G – Guarantees of Securities and Other Issues  
December 31, 2011

- Nil -

**PHILCOMSAT HOLDINGS CORPORATION**

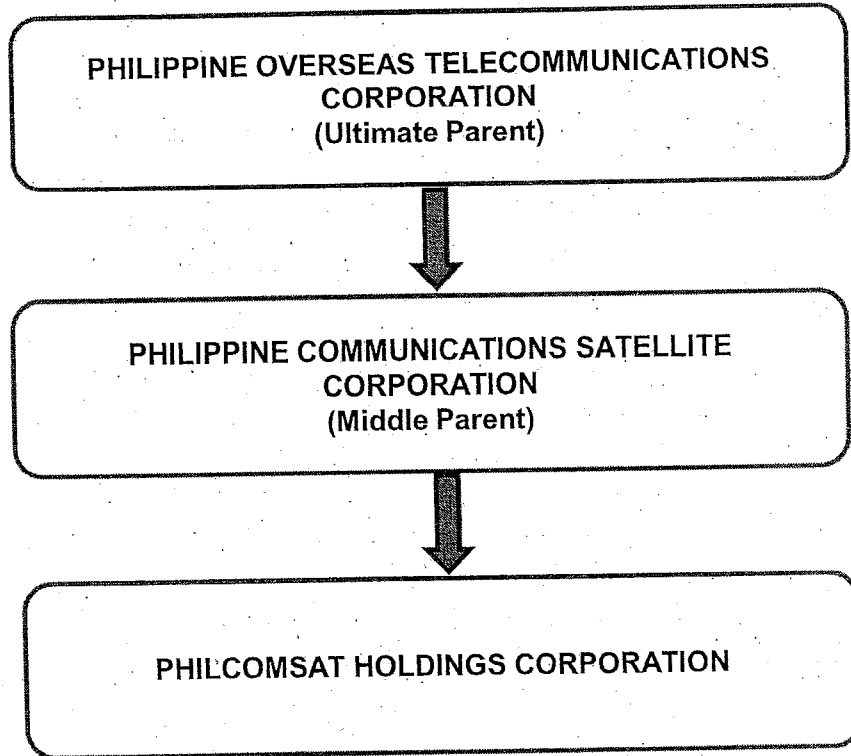
Schedule H – Capital Stock  
December 31, 2011

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common	1,000,000,000	996,391,254	–	800,590,390	152,264,200	43,536,664

# **PHILCOMSAT HOLDINGS CORPORATION**

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Mapping of Relationships Between and Among the Company and  
Its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries, and  
Associates  
As of DECEMBER 31, 2011



**PHILCOMSAT HOLDINGS CORPORATION****Key Performance Indicators**

For the Years Ended December 31, 2011, 2010, and 2009  
(Amounts in Philippine Pesos)

		2011	2010	2009
Current ratio	Current assets over current liabilities	14.06:1	40.89:1	15.67:1
Asset to equity ratio	Total assets over total equity	1.04:1	1.01:1	1.03:1
Debt-to-equity ratio	Debt over stockholder's equity	0.04:1	0.01:1	0.03:1
Net debt-to-equity ratio	Debt less cash and cash equivalents over stockholders' equity	-0.44:1	-0.46:1	-0.37:1
Return on assets	Annualized net income over total assets during the period	NA	NA	0.64%
Return on equity	Annualized net income over ending stockholders' equity during the period	NA	NA	0.65%
Interest rate coverage ratio	Earnings before interest expense and taxes over interest expense	NA	NA	NA

## PHILCOMSAT HOLDINGS CORPORATION

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

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

PFRSs	TITLE	Adopted/ Not adopted/ Not applicable
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Not adopted
Philippine Interpretation IFRIC-2	Members' Share in Co-operative Entities and Similar Instruments	Not adopted
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	Adopted
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not adopted
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not adopted
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	Not adopted
Philippine Interpretation IFRIC-9	Reassessment of Embedded Derivatives	Not adopted
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	Not adopted
Philippine Interpretation IFRIC-12	Service Concession Arrangements	Not adopted
Philippine Interpretation IFRIC-13	Customer Loyalty Programmes	Not adopted
Philippine Interpretation IFRIC-14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Not adopted
	Amendment to Philippine Interpretation IFRIC-14, Prepayments of a Minimum Funding Requirement	Not adopted
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation	Not adopted
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners	Not adopted
Philippine Interpretation IFRIC-18	Transfers of Assets from Customers	Not adopted
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments	Not adopted

PFRSs	TITLE	Adopted/ Not adopted/ Not applicable
Philippine Interpretation SIC-7	Introduction of the Euro	Not adopted
Philippine Interpretation SIC-10	Government Assistance - No Specific Relation to Operating Activities	Not adopted
Philippine Interpretation SIC-12	Consolidation - Special Purpose Entities	Not adopted
Philippine Interpretation SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Not adopted
Philippine Interpretation SIC-15	Operating Leases - Incentives	Not adopted
Philippine Interpretation SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Not adopted
Philippine Interpretation SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not adopted
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Not adopted
Philippine Interpretation SIC-29	Disclosure - Service Concession Arrangements	Not adopted
Philippine Interpretation SIC-31	Revenue - Barter Transactions Involving Advertising Services	Not adopted
Philippine Interpretation SIC-32	Intangible Assets - Web Site Costs	Not adopted