

# COVER SHEET

1 1 1 6 3  
S.E.C Registration Number

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

C O R P O R A T I O N

(Company's Full Name)

1 0 T H F L R . T E L E C O M S P L A Z A B L D G .

3 1 6 S E N . G I L P U Y A T A V E N U E ,

M A K A T I C I T Y

( 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

Total amount of borrowings  
Domestic

Foreign

To be accomplished by SEC Personnel concerned.

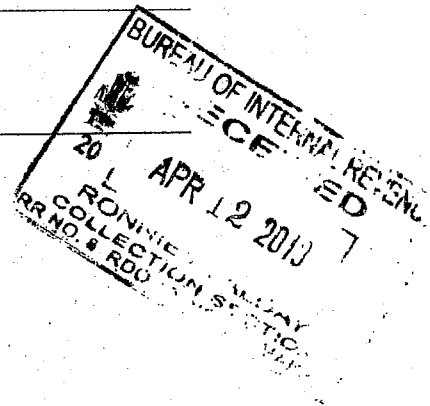
File Number

LCU

Document I.D.

Cashier

STAMPS



# PHILCOMSAT HOLDINGS CORPORATION

12F Telecom Plaza Bldg., Sen. Gil Puyat Ave. 1200 City of Makati, Philippines  
Tel. No., 815-8406 ; Fax No. : 817-9430

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

April 10, 2013

Securities and Exchange Commission  
SEC Building  
Mandaluyong City

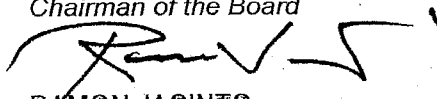
The management of Philcomsat Holdings Corporation is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012, 2011 and 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submit the same to the stockholders.

Mendoza Querido & Co., the independent auditors, appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

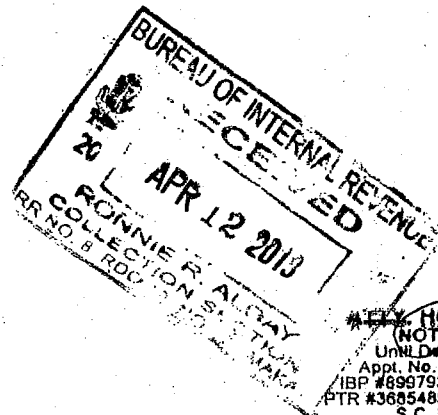
  
KATRINA PONCE ENRILE


Chairman of the Board

  
RAMON JACINTO  
Chief Executive Officer/President

  
ERLINDA I. BILDNER

Chief Financial Officer/Treasurer



  
NOTARY PUBLIC  
Unit December 31, 2013  
App. No. M-521, Makati City  
IBP #898793, May 22, 2012-RSM  
PTR #3685485, Jan. 16, 2013-Makati  
S.C. Roll No. 59597  
MCLE Compliance No. IV-0011330  
Unit-6E Cityland Herrera Tower, #98 Rufino St  
cor. Valero St., Salcedo Village, Makati City

SUBSCRIBED AND SWORN TO, before me this APR 11 2013 day of \_\_\_\_\_, at Unit-6E Cityland Herrera Tower, #98 Rufino St cor. Valero St., Salcedo Village, Makati City  
MAKATI CITY, exhibiting to me his/her Community Tax Certificate number \_\_\_\_\_ issued on \_\_\_\_\_ in \_\_\_\_\_

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Page No. 03  
Book No. 33  
Series of 293

KATRINA PONCE ENRILE  
RAMON JACINTO  
ERLINDA BILDNER

PP No. XX 3483526 16 Apr 2009 Ma  
PP No. XX 2169502 25 Sept 2008 Ma  
PP No. 482515523 25 Mar 2011 US



**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

PRC/BOA Accreditation No. 0966  
February 20, 2012, valid until December 31, 2014  
SEC Accreditation No. PA-A-093-F (Group A)  
December 20, 2012, valid until April 20, 2013

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, 2012, on which we have rendered the attached report dated April 10, 2013.

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.**

**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. PA-A-578-A (Group A)

December 20, 2012, valid until April 20, 2013

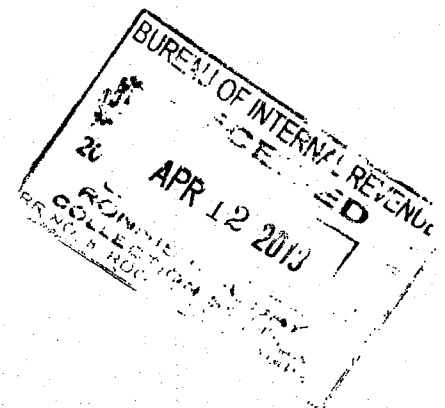
TIN 102-094-633

BIR Accreditation No. 08-002617-2-2012,

October 23, 2012, valid until October 22, 2015

PTR No. 3682052, January 12, 2013, Makati City

April 10, 2013



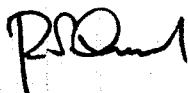
*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Philcomsat Holdings Corporation as at December 31, 2012, 2011 and 2010, 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 were 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.**


**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. PA-A-578-A (Group A)

December 20, 2012, valid until April 20, 2013

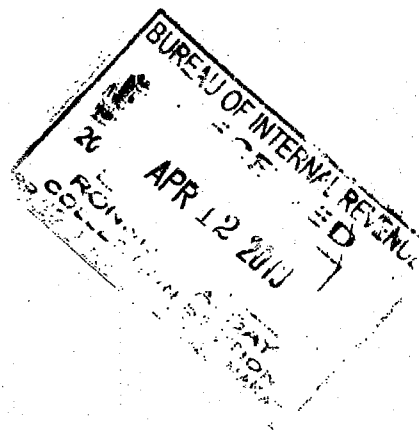
TIN 102-094-633

BIR Accreditation No. 08-002617-2-2012,

October 23, 2012, valid until October 22, 2015

PTR No. 3682052, January 12, 2013, Makati City

April 10, 2013





## MOORE STEPHENS

### **Mendoza Querido & Co.**

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December 20, 2012, valid until April 20, 2013

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the 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 at December 31, 2012, 2011 and 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

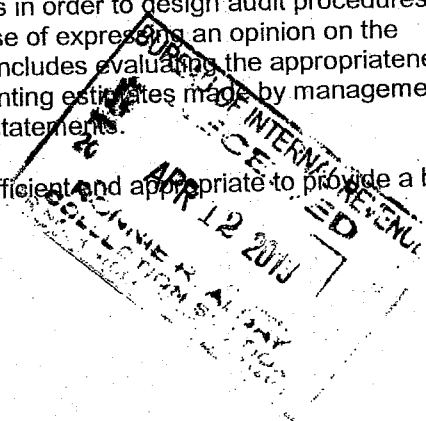
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

#### *Auditor's Responsibility*

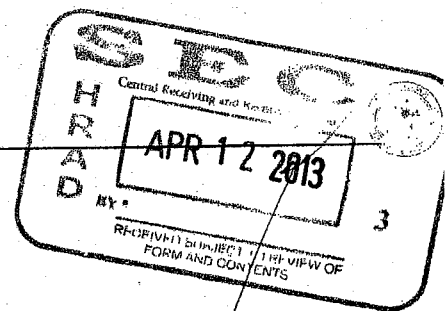
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about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

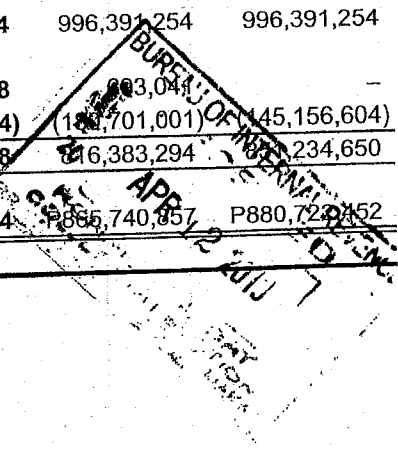


**PHILCOMSAT HOLDINGS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Philippine Pesos)*



	2012	2011	2010
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 2, 3, 4 and 5)	P129,424,351	P401,428,135	P408,369,413
Short-term investments (Notes 2, 3, 4 and 6)	245,301,632	-	-
Receivables (Notes 2, 3, 4, 7 and 25)	22,339,004	25,921,777	24,717,982
Notes receivable (Notes 2, 3, 4, 8 and 25)	44,305,002	-	-
Due from parent company (Notes 2, 3, 4, 15, 25 and 28)	-	11,851,647	180,389,594
Due from co-subsidiary (Notes 2, 3, 4, 25 and 28)	306,250	306,250	262,500
Prepayments (Note 2)	895,041	880,781	123,550
<b>Total Current Assets</b>	<b>442,571,280</b>	<b>440,388,590</b>	<b>613,863,039</b>
<b>Noncurrent Assets</b>			
Available-for-sale financial assets (Notes 2, 3, 4 and 9)	175,737,758	154,440,009	-
Held to maturity investments (Notes 2, 3, 4 and 10)	33,787,206	52,253,831	45,000,000
Property and equipment - net (Notes 2, 3 and 11)	26,814	92,560	166,081
Investment properties - net (Notes 2, 3 and 12)	125,242,184	129,560,880	133,879,576
Other assets (Notes 2, 3, 4 and 13)	91,681,172	89,004,987	87,813,756
<b>Total Noncurrent Assets</b>	<b>426,475,134</b>	<b>425,352,267</b>	<b>266,859,413</b>
	<b>P869,046,414</b>	<b>P865,740,857</b>	<b>P880,722,452</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accruals (Notes 2, 3, 4 and 14)	P7,869,901	P28,550,566	P8,785,420
Due to parent company (Notes 2, 3, 4, 15, 25 and 28)	7,588,913	-	-
Other payables (Notes 2, 3, 4 and 16)	1,701,352	1,912,997	1,808,382
<b>Total Current Liabilities</b>	<b>17,160,166</b>	<b>30,463,563</b>	<b>10,593,802</b>
<b>Noncurrent Liability</b>			
Deposit for future subscription (Notes 2, 3, 4, 13 and 28)	18,894,000	18,894,000	18,894,000
<b>Equity</b>			
Share capital (Notes 2, 4 and 17)	996,391,254	996,391,254	996,391,254
Unrealized gain on changes in fair values of AFS financial assets (Notes 2 and 9)	15,289,098	893,044	-
Deficit (Notes 2 and 4)	(178,688,104)	(145,701,001)	(145,156,604)
<b>Total Equity</b>	<b>832,992,248</b>	<b>846,383,294</b>	<b>846,234,650</b>
	<b>P869,046,414</b>	<b>P865,740,857</b>	<b>P880,722,452</b>

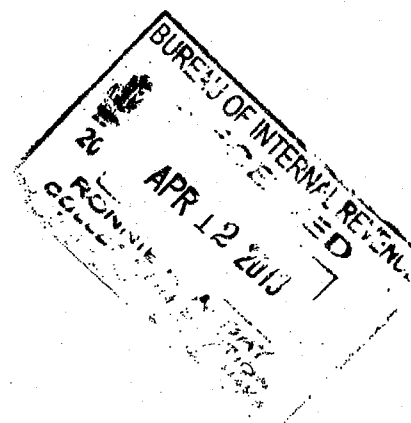
See accompanying Notes to Financial Statements.



**PHILCOMSAT HOLDINGS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Philippine Pesos)*

	2012	2011	2010
REVENUE (Notes 2 and 18)	P31,253,163	P32,094,934	P27,923,395
COST OF SERVICE (Notes 2 and 19)	4,318,696	4,318,696	4,318,696
GROSS PROFIT	26,934,467	27,776,238	23,604,699
GENERAL AND ADMINISTRATIVE COSTS (Notes 2 and 20)	(23,440,849)	(24,287,003)	(20,171,777)
OTHER EXPENSES (Notes 2 and 21)	(1,351,205)	(38,799,900)	(7,490,239)
INCOME (LOSS) BEFORE INCOME TAX	2,142,413	(35,310,665)	(4,057,317)
PROVISION FOR INCOME TAX (Notes 2, 3 and 22)	129,516	233,732	173,053
NET INCOME (LOSS)	2,012,897	(35,544,397)	(4,230,370)
UNREALIZED GAIN ON CHANGES IN FAIR VALUES OF AFS FINANCIAL ASSETS (Notes 2 and 9)	14,596,057	693,041	-
TOTAL COMPREHENSIVE INCOME (LOSS)	P16,608,954	(P34,851,356)	(P4,230,370)
INCOME (LOSS) PER SHARE (Notes 2 and 24)	P0.0020	(P0.0357)	(P0.0042)

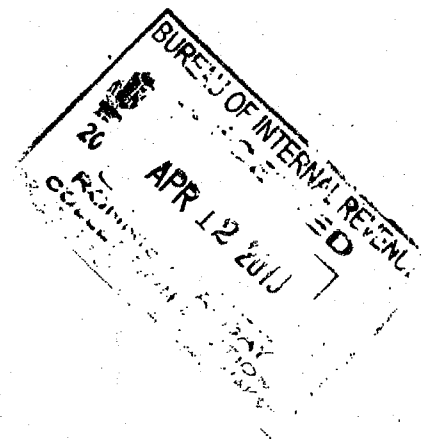
*See accompanying Notes to Financial Statements.*



**PHILCOMSAT HOLDINGS CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Philippine Pesos)*

	2012	2011	2010
<b>SHARE CAPITAL</b> (Notes 2, 4 and 17)	<b>P996,391,254</b>	P996,391,254	P996,391,254
<b>UNREALIZED GAIN ON CHANGES IN FAIR VALUES</b> <b>OF AFS FINANCIAL ASSETS</b> (Notes 2 and 9)	<b>15,289,098</b>	693,041	—
<b>DEFICIT</b> (Notes 2 and 4)			
Balance at beginning of year	(180,701,001)	(145,156,604)	(140,926,234)
Net income (loss) for the year	2,012,897	(35,544,397)	(4,230,370)
Balance at end of year	(178,688,104)	(180,701,001)	(145,156,604)
<b>TOTAL EQUITY</b>	<b>P832,992,248</b>	P816,383,294	P851,234,650

*See accompanying Notes to Financial Statements.*



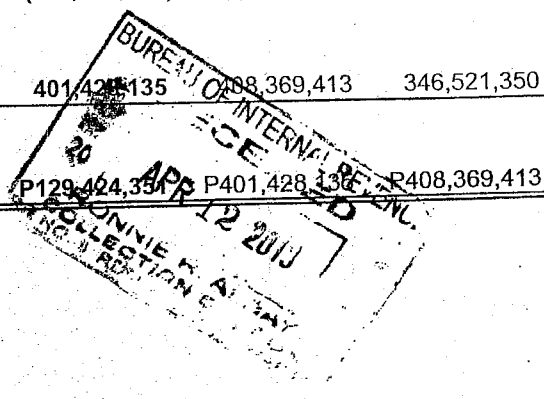
**PHILCOMSAT HOLDINGS CORPORATION**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**

*(Amounts in Philippine Pesos)*

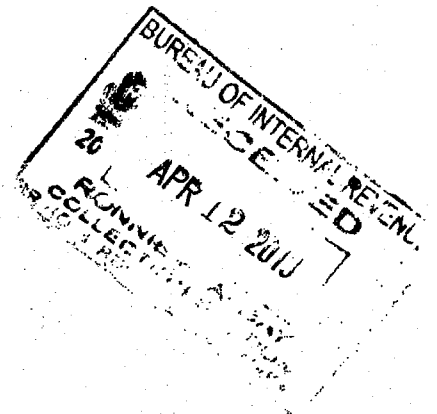
	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	P2,142,413	(P35,310,665)	(P4,057,317)
Adjustments for:			
Depreciation (Notes 2, 3, 11 and 12)	4,392,924	4,392,217	4,378,932
Loss on foreign exchange in AFS and HTM (Note 21)	1,042,433	-	-
Loss from sale of land (Note 21)	-	-	1,278,950
Income (loss) before working capital changes	7,577,770	(30,918,448)	1,600,565
Decrease (increase) in:			
Short-term investments (Notes 2, 3, 4 and 6)	(245,301,632)	-	-
Receivables (Notes 2, 3, 4, 7 and 25)	3,582,773	(1,203,795)	(20,488,699)
Notes receivable (Notes 2, 3, 4, 8 and 25)	(44,305,002)	-	15,000,000
Due from parent company (Notes 2, 3, 4, 15, 25 and 28)	11,851,647	168,537,947	(174,265,334)
Due from co-subsidiary (Notes 2, 3, 4, 25 and 28)	-	(43,750)	(50,000)
Prepayments (Note 2)	(14,260)	(757,231)	(123,550)
Other assets	(129,516)	(233,732)	(173,053)
Increase (decrease) in:			
Accounts payable and accruals (Notes 2, 3, 4 and 14)	(20,680,665)	19,765,146	(3,173,051)
Due to parent company (Notes 2, 3, 4, 15, 25 and 28)	7,588,913	-	-
Other payables (Notes 2, 3, 4 and 16)	(211,645)	104,615	(9,573,513)
Net cash provided by (used in) operations	(280,041,617)	155,250,752	(191,246,635)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of available-for-sale financial assets (Notes 2, 3, 4 and 9)	(7,277,500)	(153,746,968)	-
Retirement of held to maturity investment (Notes 2, 3, 4 and 10)	20,000,000	-	-
Availment of held to maturity investment (Notes 2, 3, 4 and 10)	(2,000,000)	(7,253,831)	(15,000,000)
Proceeds from sale of land (Note 12)	-	-	288,070,000
Additions to property and equipment (Notes 2, 3 and 11)	(8,482)	-	(210,527)
Payments for documentary stamps tax	-	-	(4,321,050)
Payments for capital gains tax	-	-	(17,284,200)
Other assets (Note 13)	(2,676,185)	(1,191,231)	1,840,475
Net cash provided by (used in) investing activities	8,037,833	(162,192,030)	253,094,698
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(272,003,784)	(6,941,278)	61,848,063
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	401,428,135	408,369,413	346,521,350
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	P129,424,351	P401,428,135	P408,369,413



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

Cash on hand and in banks	P3,757,819	P2,941,637	P826,425
Money market placements	125,244,815	391,900,319	398,383,068
Dollar time deposits	421,717	6,586,179	9,159,920
	<b>P129,424,351</b>	<b>P401,428,135</b>	<b>P408,369,413</b>

*See accompanying Notes to Financial Statements.*



# PHILCOMSAT HOLDINGS CORPORATION

## 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.

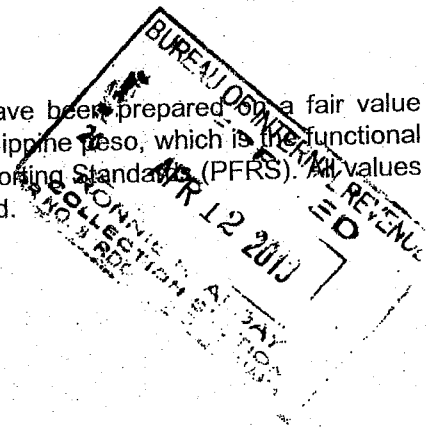
The Board of Directors authorized the financial statements for the year ended December 31, 2012 for issue on April 10, 2013.

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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.



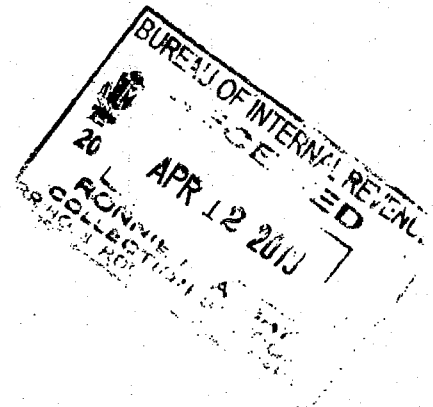
Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

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
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards
PFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
PFRS 1 (Amendments)	Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters
PAS 1	Presentation of Financial Statements
PAS 1 (Revised)	Presentation of Financial Statements
PAS 1 (Amendments)	Capital Disclosures
PAS 7	Statement of Cash Flows
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
PAS 10	Events After the Reporting Period
PAS 12	Income Taxes
PAS 16	Property, Plant and Equipment
PAS 17	Leases
PAS 18	Revenue
PAS 21	The Effects of Changes in Foreign Exchange Rates
PAS 24	Related Party Disclosure
PAS 24 (Revised)	Related Party Disclosure
PAS 32	Financial Instruments: Disclosures and Presentation
PAS 32	Financial Instruments: Presentation
PAS 33	Earnings Per Share
PAS 36	Impairment of Assets
PAS 37	Provisions, Contingent Liabilities and Contingent Assets
PAS 39	Financial Instruments: Recognition and Measurement
PAS 39 (Amendments)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
PAS 39 (Amendments)	The Fair Value Option
PAS 39 and PFRS 7	Reclassification of Financial Assets
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 was 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 standard, 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".

PFRS 1 (Revised), *"First-time Adoption of Philippine Financial Reporting Standards"*, the revised version has an improved structure but does not contain any technical changes. The revised IFRS 1 is effective from 1 July 2009. At its December 2008 meeting, the IASB decided to change the effective date of revised IFRS 1 from the initial effective date of 1 January 2009 to 1 July 2009. The amendment corrects a potential technical problem arising from the interaction of IFRS 1 and the revised IFRS 3, *Business Combinations*, and amended IAS 27, *Consolidated and Separate Financial Statements*, both published in January 2008.

Amendments to PFRS 1, *"First-time Adoption of Philippine Financial Reporting Standards – Additional Exemptions for First-time Adopters"*, address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying PFRSs will not face undue cost or effort in the transition process. The amendments:

- exempt entities using the full cost method from retrospective application of PFRSs for oil and gas assets.
- exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, *Determining whether an Arrangement contains a Lease* when the application of their national accounting requirements produced the same result.

Amendment to PFRS 1, *"First-time Adoption of Philippine Financial Reporting Standards – Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters"*, relieves first-time adopters of IFRSs from providing the additional disclosures introduced in Amendments to PFRS 7, *Improving Disclosures about Financial Instruments*. It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to PFRS 7 provides to current PFRS preparers. Additionally, the amendment to PFRS 1 clarifies the IASB's conclusions and intended transition for Amendments to PFRS 7.

PAS 1, *"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 noncurrent, 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 uncertainty at the balance sheet date that have significant risks.

PAS 1 (Revised), "*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 revision 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.

Amendments to PAS 1, "*Presentation of Financial Statements – Capital Disclosures*", adds requirements for all entities to disclose the entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. These disclosures provide information about the level of an entity's capital and how it manages capital, which are important factors for users to consider in assessing the risk profile of an entity and its ability to withstand unexpected adverse events.

PAS 7, "*Statement of Cash Flows*", 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 from operating, investing and financing activities.

PAS 8, "*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, "*Events After the Reporting Period*", clarifies that dividends declared after statement of financial position date are not to be recognized as a liability at the statement of financial position date.

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

PAS 16, "*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 17, "*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, "*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 24 (Revised), "*Related Party Disclosures*", the revised standard amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

PAS 32, "*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.

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, "*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 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*.

Amendment to PAS 39, "*Financial Instruments: Recognition and Measurement – Transition and Initial Recognition of Financial Assets and Financial Liabilities*", the amendment provides transitional relief from retrospective application of the 'day 1' gain and loss recognition requirements by allowing entities to adopt a transition option that is easier to implement than that in the previous version of PAS 39. It gives entities a choice of applying the 'day 1' gain or loss recognition requirements in PAS 39: (a) retrospectively (as current required by PAS 39); (b) prospectively to transactions entered into after October 25, 2002; or (c) prospectively to transactions entered into after January 1, 2004.

Amendments to PAS 39: "*Financial Instruments: Recognition and Measurement – The Fair Value Option*", the IASB revises the fair value option by limiting its use to those financial instruments that meet certain conditions. The conditions that are required to be met under the amendments are: where such designation eliminates or significantly reduces an accounting mismatch, when a group of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and when an instrument contains an embedded derivative that meets particular conditions.

Amendments to PAS 39 and PFRS 7, "*Financial Instruments: Recognition and Measurement, and Financial Instruments: Disclosures – Reclassification of Financial Assets*", permit an entity to:

- reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing it in the near term in particular circumstances.
- transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.

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

All of the above standards including those new and amended standards and interpretations not enumerated above, which applicable to the Company and becomes effective on or before January 1, 2012, are consistently adopted with those of the previous financial year, except otherwise stated.

#### Improvements to PFRSs

The following are the interpretations and improved standards that are effective as of 2012 which may either some are 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 in January 1, 2009.

- *Improvements to PFRSs 2009*

Improvements to PFRSs 2009 contain 15 amendments to 12 standards. In particular the amendments to PAS 17, Leases, may affect the classification of leases of land and buildings, particularly in jurisdictions in which such leases often are for a long period of time. The amendments are generally effective for annual periods beginning on or after January 1, 2010. These improvements and amendments did not have any significant impact on the Company's financial statements upon its adoption in 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.

#### Changes in Accounting Policies

The following are the amended standards that are effective and adopted as of 2012 for it is relevant to the Company's operations, however, did not have significant impact on the financial statements:

- 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.

#### Future Changes in Accounting Policies

The following are the new and amended standards, interpretations and improvements that are not yet adopted. The Company will assess if these are applicable and relevant to the Company's operations. The Company intends to adopt when applicable and become effective. The Company does not expect the adoption of these to have a significant impact on the financial statements.

#### *Effective 2013*

- PAS 19 (Amended), *"Employee Benefits"* (effective on or after January 1, 2013), range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording.
- PAS 27 (Revised), *"Separate Financial Statements"* (effective on or after January 1, 2013), has been revised as a result of issuance of PFRS 10, 11, and 12. The revised Standard provides the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements and requires an entity preparing separate financial statements to account for those investments at cost or in accordance with PFRS 9. This Standard is issued concurrently with PFRS 10 and together, the two PFRS will supersede PAS 27 (as amended in 2008). Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.
- PAS 28 (Revised), *"Investments in Associates and Joint Ventures"* (effective on or after January 1, 2013), as a consequence of the new PFRS 11, Joint Arrangements and PFRS 12, PAS 28 has been renamed PAS 28, *"Investments in Associates and Joint Ventures"*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- PFRS 1 (Amendments), *"First-time Adoption of Philippine Financial Reporting Standards – Government Loans"* (effective on or after January 1, 2013), the amendments add an exception to the retrospective application of PFRSs. First-time adopters are required to apply the requirements in PFRS 9, *Financial Instruments* (if PFRS 9 is not yet adopted, references to PFRS 9 in the amendments shall be read as references to PAS 39, *Financial Instruments: Recognition and Measurement*.) and PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to PFRSs. However, a first-time adopter may apply the requirements of PFRS 9 and PAS 20 to government loans retrospectively if it has obtained the necessary information to do so.

- PFRS 7, "*Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*" (to be retrospectively applied for annual periods beginning on or after January 1, 2013), these amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  - c) The net amounts presented in the statement of financial position;
  - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including: (i) Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and (ii) amounts related to financial collateral (including cash collateral); and
  - e) The net amount after deducting the amounts in (d) from the amounts in (c) above.
- PFRS 10, "*Consolidated Financial Statements*" (effective on or after January 1, 2013), replaces the portion of PAS 27, "*Consolidated and Separate Financial Statements*" that addresses the accounting for consolidated financial statements. It also includes the issues raised in 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*" (effective on or after January 1, 2013), replaces PAS 31, "*Interests in Joint Ventures*" and SIC-13, "*Jointly-controlled Entities - Non-monetary Contributions by Venturers*". PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
- PFRS 12, "*Disclosure of Interests with Other Entities*" (effective on or after January 1, 2013), 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, Interest in Joint Ventures and PAS 28. 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*" (effective on or after January 1, 2013), 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 Group is currently assessing the impact that this standard will have on the financial position and performance.

- Philippine Interpretation IFRIC 20, "*Stripping Costs in the Production Phase of a Surface Mine*" (effective on or after January 1, 2013), 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.
- The Annual Improvements to PFRS (2009 to 2011 cycle) contain non-urgent but necessary amendments to PFRS. These amendments are effective for annual periods beginning January 1, 2013 and are applied retrospectively. Earlier application is permitted.

*PFRS 1, "First-time Adoption of PFRS - Borrowing Costs"*

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, "Borrowing Costs". The amendment does not apply to the Company as it is not a first time adopter of PFRS.

*PAS 1, "Presentation of Financial Statements - Clarification of the Requirements for Comparative Presentation"*

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (which are mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments will affect disclosures only and will have no impact on the Company's financial position or performance.

*PAS 16, "Property, Plant and Equipment - Classification of Servicing Equipment"*

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Company's financial position or performance.

*PAS 32, "Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments"*

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, "Income Taxes". The Company expects that this amendment will not have any impact on its financial position or performance.

*PAS 34, "Interim Financial Reporting - Interim Financial Reporting and Segment*

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment will affect disclosures only and will have no impact on the Company's financial position or performance.

*Effective 2014*

- PAS 32, "*Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*" (to be retrospectively applied for annual periods beginning on or after January 1, 2014), clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies 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 amendments are expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

*Effective 2015*

- PFRS 9, "*Financial Instruments: Classification and Measurement*" (effective on or after January 1, 2015), reflects the first phase on the replacement of PAS 39 and applies to the 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.

The Company has made an evaluation of the impact of the adoption of this standard. The Company decided not to early adopt PFRS 9 for the 2012 reporting ahead of its effectivity date on January 15, 2015, therefore, the financial statements as at and for the year ended December 31, 2012 do not reflect the impact of the said standard.

Only financial assets and liabilities will be affected by the standard and based on this evaluation, loans and receivables (consisting of cash and cash equivalents, short-term investments, receivables, notes receivable, due from co-subsidiary and time deposit with BPI), held to maturity investments, and financial liabilities (consisting of accounts payable and accruals, other payables, with the exemption of statutory payables and due from parent company), which are carried at amortized cost will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at their amortized cost, thus, will have no significant financial impact to the Company's financial position and performance. For the Company's available-for-sale financial assets which are composed of equity and debt instruments carried at fair value, the Company plans to classify these items at fair value through other comprehensive income and will continue to measure these investments at fair value to be presented in other comprehensive income, thus, this has no significant financial impact to the Company's financial position and performance. The Company shall revisit this assessment in fiscal year 2013.

The Company shall conduct another impact evaluation in 2013 using the financial statements as at and for the year ended December 31, 2012.

*Effective date to be determined*

- 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 (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

In 2012, 2011 and 2010, 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.

Significant Accounting Policies

Financial Assets and Liabilities

*Date of Recognition*

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.

*Initial Recognition*

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.

*Determination of Fair Value*

The fair value of financial instruments traded in active markets at balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not quoted in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

*"Day 1" Difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value ("Day 1" difference) in the statement of comprehensive income under "other income" or "finance cost" account unless it qualifies for recognition as some other type of asset. In cases, where data used are not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

*Classification and Measurement*

Financial assets are further 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. The Company classifies its financial liabilities into financial liabilities at fair value through profit or loss and other financial liabilities at amortized cost. Financial assets and financial liabilities are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

a. *Financial assets and financial liabilities at fair value through profit or loss*

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

Financial assets and financial liabilities 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 and financial liabilities 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 and liabilities or recognizing gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets and financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the assets and liabilities contain an embedded derivative that would need to be separately recorded.

As of December 31, 2012, the Company has no financial asset and financial liabilities 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. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the effective interest rate. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

The Company has cash and cash equivalents, short-term investments, receivables, notes receivable, due from parent company, due from co-subsidiary and time deposits with BPI under other assets.

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 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. Assets under this category are classified as current assets if maturity is more than a year from balance sheet date.

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 value in the statement 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. After initial recognition, available-for-sale financial assets that are quoted in an active market are carried at fair value. The unrealized gains and losses arising from the change in fair value of available-for-sale financial assets are reported in the statement of comprehensive income. These financial assets are classified as noncurrent assets unless the intention is to dispose such as assets within 12 months from balance sheet date.

The Company has available-for-sale investments.

e. *Other financial liabilities*

Financial liabilities are classified in this category if they are not held for trading or not designated as at fair value through profit or loss upon inception of the liability. Other financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by into account any related issue costs, discount or premium. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process. Financial liabilities are classified as current liabilities if these are expected to be paid or settled within 12 months after the balance sheet date. Otherwise, these are classified as noncurrent liabilities.

The Company has accounts payable and accruals, other payables, with the exemption of statutory payables and due to parent company.

*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 statements 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, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individual assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is 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.

*Available-for-sale financial assets*

If there is objective evidence of impairment would include a significant or prolonged decline in fair value of the investments below its cost. Significant decline in fair value is evaluated against the original cost of investment, while prolonged decline is assessed against the periods in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed in the statement of comprehensive income. Increases in fair value after impairment are recognized in other comprehensive income.

### *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 repurchase, 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 statements of comprehensive income.

#### *Offsetting*

Financial assets and liabilities are only offset and the net amount reported in the statements 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.

#### *Cash and Cash Equivalents*

Cash includes cash on hand and 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.

#### *Short-term Investments*

Short-term investments are money market placements, which are highly liquid with maturities of more than three months but less than one year from the date of acquisition.

Receivables and Notes Receivable

Receivables and notes receivable, categorized as loans and receivables, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of receivables and notes receivable are established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

When a receivable is uncollectible, it is written-off against the allowance account for receivables and notes receivable. Subsequent recoveries of amounts previously written-off are recognized as income in the statement of comprehensive income.

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

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of an investment property.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and amortization and any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed twenty five years.

Investment properties are derecognized when either they have been disposed of, or when an investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property is recognized in the statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

#### 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.

##### Accounts Payable and Accruals and Other Payables

Accounts payable and accruals and other payables are liabilities to pay for goods or services that have been received or supplied.

Accounts payable and accruals and other payables are measured initially at their fair value values and subsequently recognized at amortized costs less settlement payments.

##### Deposit for Future Subscription

Deposit for future subscription represents the amount of consideration received with the purpose of applying the same as payment for future issuance of stocks which may or may not materialize.

##### Impairment of Nonfinancial Assets

The carrying values of prepayments, property and equipment, investment properties and other assets except time deposits with BPI 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 estimate 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.

#### Share Capital

Share capital is measured at par value for all shares 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.

Unrealized Gain on Changes in Fair Values of AFS Financial Assets

Other comprehensive income that are not recognized in profit or loss as required or permitted by other PFRSs.

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 receive 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.

Functional Currency and 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

A party is considered to be related to the Company if it has the ability, directly or indirectly through one or more intermediaries, to control, is controlled by, or is under common control with, the Company; or exercise significant influence over the Company in making financial and operating decisions; or has a joint control over the Company. It is also related to the Company if a party is an associate, a joint venture in which the Company is a venturer, a member of the key management personnel of the Company or its parent, a close member of the family of Company's related party, an entity controlled, jointly controlled or significantly influenced by a key management personnel the Company or close member of the family of Company's related party, and a post-employment benefit plan for the benefit of employees of the Company or its related party. 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 End of the Reporting Period

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### *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.

#### *Classification of Financial Instruments*

The Company exercises judgment in classifying financial instruments in accordance with PAS 39. The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statements of financial position.

#### *Determining Fair Values of Financial Instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

#### *Classifying Held to Maturity Investments*

The classification of financial assets to held to maturity investments requires significant judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity, it will be required to reclassify the entire portfolio as part of available-for-sale financial assets. The investments would be measured at fair value and not at amortized cost.

#### *Operating Lease Commitments - Company as Lessor/Lessee*

The Company has entered into various lease agreements either a lessor or a lessee. The Company had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent income recognized in the statements of comprehensive income amounted to P9,968,706, P9,624,104 and P9,047,460 in 2012, 2011 and 2010, respectively (see Note 18).

Rent expense recognized in the statements of comprehensive income amounted to P834,648, P846,979 and P626,528 in 2012, 2011 and 2010, respectively (see Note 20).

### Estimates

The key estimates concerning the future and other key sources of estimation uncertainty as at statement of financial position date that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows:

#### *Impairment of Receivables and Notes Receivable*

The Company reviews its receivables and notes 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 level of allowance is based on the status of the receivable, past collection experience and other factors that may affect collectability.

The allowance is recognized by charges to the statement of comprehensive income in the form of provision for doubtful accounts.

The allowance for doubtful accounts amounted to P125,000,000 as of December 31, 2012, 2011 and 2010.

Receivables amounted to P22,339,004, P25,921,777 and P24,717,982 as of December 31, 2012, 2011 and 2010, respectively (see Note 7).

Notes receivables amounted to P44,305,002, net of allowance for doubtful accounts, as of December 31, 2012 (see Note 8).

#### *Impairment of Available-for-sale Financial Assets*

The Company treats available-for-sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than six months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities.

Available-for-sale financial assets amounted to P175,737,758 as of December 31, 2012 and P154,440,009 as of December 31, 2011 (see Note 9). There was no impairment loss recognized related to available-for-sale financial assets in 2012 and 2011.

*Impairment of Held to Maturity Investments*

The computation for the impairment of held to maturity investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Company evaluates the financial health of the issuer, among others. In the case of held to maturity investments, the Company expands its analysis to consider changes in the issuer's industry performance, legal and regulatory framework, and other factors that affect the recoverability of the Company's investments.

Held to maturity investments amounted to P33,787,206 as of December 31, 2012, P52,253,831 as of December 31, 2011 and P45,000,000 as of December 31, 2010 (see Note 10). There was no impairment loss recognized related to held to maturity investments in 2012, 2011 and 2010.

*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 P26,814, P92,560 and P166,081 as of December 31, 2012, 2011, and 2010, respectively (see Note 11).

The carrying values of investment properties amounted to P125,242,184, P129,560,880 and P133,879,576, as of December 31, 2012, 2011 and 2010, respectively (see Note 12).

*Impairment of Nonfinancial Assets*

PFRS requires that an impairment review be performed when certain impairment indicators are present. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of prepayments, property and equipment, investment properties and other assets other than time deposits with BPI, requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of such assets. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the Company's assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment was recognized in 2012, 2011 and 2010.

#### *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.

The Company provided full valuation allowance for tax benefits related to deductible temporary differences, carryforward of unused MCIT and NOLCO, thus no deferred tax asset was set up.

#### *Provisions and 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.

No provisions have been recorded as of December 31, 2012, 2011 and 2010.

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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, short-term investments, receivables, notes receivable, due from co-subsidiary, available-for-sale financial assets, held to maturity investments, accounts payable and accruals, other payables, due to/from parent company and deposit for future subscription 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:

	2012	2011	2010
Cash and cash equivalents	P129,414,351	P401,418,135	P408,359,413
Short-term investments	245,301,632	-	-
Receivable	22,339,004	25,921,777	24,717,982
Notes receivable	44,305,002	-	-
Due from parent company	-	11,851,647	180,389,594
Due from co-subsiary	306,250	306,250	262,500
Available-for-sale financial assets	175,737,758	154,440,009	-
Held to maturity investments	33,787,206	52,253,831	45,000,000
Time deposits with BPI	86,489,093	86,489,093	85,459,488
	<b>P737,680,296</b>	<b>P732,680,742</b>	<b>P744,188,977</b>

The table below shows the analysis of age of financial assets that are past due but are not impaired as of December 31, 2012, 2011 and 2010:

	2012				Total	
	Neither past due nor impaired	Past-due but not impaired				Past due and impaired
		31 to 90 days	91 to 180 days	More than 180 days		
Cash and cash equivalents	P129,424,351	P-	P-	P-	P129,424,351	
Short-term investments	245,301,632	-	-	-	245,301,632	
Receivables						
Trade	243,277	690,399	243,953	1,336,255	2,513,884	
Interest receivable - other related party	129,111	-	-	-	129,111	
Interest receivable	637,524	-	-	-	637,524	
Dividend receivable	573,996	-	-	-	573,996	
Others	24,230	-	-	18,480,259	18,484,489	
Notes receivable	44,305,002	-	-	-	44,305,002	
Due from co-subsiary	-	-	-	306,250	306,250	
Available-for-sale financial assets	175,737,758	-	-	-	175,737,758	
Held to maturity investments	33,787,206	-	-	-	33,787,206	
Other assets	-	-	-	86,489,093	86,489,093	
	<b>P630,164,087</b>	<b>P690,399</b>	<b>P243,953</b>	<b>P106,591,857</b>	<b>P737,690,296</b>	

	2011					Total
	Neither past due nor impaired	Past-due but not impaired			Past due and impaired	
		31 to 90 days	91 to 180 days	More than 180 days		
Cash and cash equivalents	P401,428,135	P-	P-	P-	P-	P401,428,135
Receivables	-	-	-	1,344,686	-	3,845,820
Trade receivable	-	2,501,134	-	-	-	-
Interest receivable - parent company	-	-	-	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
Due from parent company	-	-	-	11,851,647	-	11,851,647
Due from co-subsiary	-	-	-	306,250	-	306,250
Available-for-sale financial assets	154,440,009	-	-	-	-	154,440,009
Held to maturity investments	52,253,831	-	-	-	-	52,253,831
Other assets	-	-	-	86,489,093	-	86,489,093
	P608,121,975	P2,955,992	P-	P121,612,775	P-	P732,690,742

	2010					Total
	Neither past due nor impaired	Past-due but not impaired			Past due and impaired	
		31 to 90 days	91 to 180 days	More than 180 days		
Cash and cash equivalents	P408,369,413	P-	P-	P-	P-	P408,369,413
Receivables	-	-	-	1,344,686	-	2,333,189
Trade receivable	-	988,503	-	-	-	368,967
Housing receivable	-	-	-	368,967	-	-
Interest receivable - parent company	-	2,507,233	-	-	-	2,507,233
Interest receivable	-	147,870	-	-	-	147,870
Others	-	19,203,809	-	156,914	-	19,360,723
Due from related company	-	-	-	180,389,594	-	180,389,594
Due from co-subsiary	-	-	-	262,500	-	262,500
Held to maturity investments	45,000,000	-	-	-	-	45,000,000
Other assets	-	-	-	85,459,488	-	85,459,488
	P453,369,413	P22,847,415	P-	P267,982,149	P-	P744,198,977

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, 2012, 2011 and 2010.

#### 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, 2012	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial assets:</b>						
Cash and cash equivalents	P129,424,351	P-	P-	P-	P-	P129,424,351
Short-term investments	245,301,632	-	-	-	-	245,301,632
Receivables						2,513,884
Trade receivables	2,513,884	-	-	-	-	-
Interest receivable - other related party	129,111	-	-	-	-	129,111
Interest receivable	637,524	-	-	-	-	637,524
Dividend receivable	573,996	-	-	-	-	573,996
Others	18,484,489	-	-	-	-	18,484,489
Notes receivable	44,305,002	-	-	-	-	44,305,002
Due from co-subsiidiary	306,250	-	-	-	-	306,250
Available-for-sale	-	-	51,761,976	996,647	122,979,135	175,737,758
Held to maturity	10,000,000	15,000,000	-	8,787,206	-	33,787,206
Other assets	86,489,093	-	-	-	-	86,489,093
	<b>P538,165,332</b>	<b>P15,000,000</b>	<b>P51,761,976</b>	<b>P9,783,853</b>	<b>P122,979,135</b>	<b>P737,690,296</b>

As of December 31, 2012	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial liabilities:</b>						
Accounts payable and accruals	P7,869,901	P-	P-	P-	P-	P7,869,901
Other payables	850,944	-	-	-	-	850,944
Due to parent company	7,588,913	-	-	-	-	7,588,913
	<b>P16,309,758</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P16,309,758</b>

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 and cash equivalents	P401,428,135	P-	P-	P-	P-	P401,428,135
Receivables						3,845,820
Trade receivables	3,845,820	-	-	-	-	-
Interest receivable - parent company	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
Due from related company	-	-	-	-	11,851,647	11,851,647
Due from co-subsiidiary	306,250	-	-	-	-	306,250
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
Other assets	86,489,093	-	-	-	-	86,489,093
	<b>P534,145,255</b>	<b>P10,000,000</b>	<b>P66,702,068</b>	<b>P7,253,831</b>	<b>P114,589,588</b>	<b>P732,690,742</b>

As of December 31, 2011	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial liabilities:</b>						
Accounts payable and accruals	P28,550,566	P-	P-	P-	P-	P28,550,566
Other payables	850,944	-	-	-	-	850,944
	<b>P29,401,510</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P29,401,510</b>

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 and cash equivalents	P408,369,413	P-	P-	P-	P-	P408,369,413
Receivables						2,333,189
Trade receivables	2,333,189	-	-	-	-	2,333,189
Housing receivable	368,967	-	-	-	-	368,967
Interest receivable - parent company	2,507,233	-	-	-	-	2,507,233
Interest receivable	147,870	-	-	-	-	147,870
Others	19,360,723	-	-	-	-	19,360,723
Due from related company	-	-	-	-	180,389,594	180,389,594
Due from co-subsiidiary	-	-	-	-	262,500	262,500
Held to maturity	-	30,000,000	15,000,000	-	-	45,000,000
Other assets	86,459,488	-	-	-	-	86,459,488
	<b>P518,546,883</b>	<b>P30,000,000</b>	<b>P15,000,000</b>	<b>P-</b>	<b>P180,652,094</b>	<b>P744,198,977</b>

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	850,944	-	-	-	-	850,944
	P9,636,364	P-	P-	P-	P-	P9,636,364

#### 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:

	2012		2011		2010	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Cash in bank	\$482	P19,841	\$481	P21,122	\$-	P-
Time deposits	10,238	421,717	149,931	6,586,179	1,690,283	74,178,051
Available-for-sale financial assets	809,518	33,345,682	587,457	25,805,831	-	-
Held to maturity investments	164,770	6,787,206	165,130	7,253,831	-	-
Time Deposits	\$985,008	P40,574,446	\$902,999	P39,666,963	\$1,690,283	P74,178,051

With the translation of this foreign currency-denominated assets, the Company reported net foreign exchange loss amounting to P1,351,205, P990,650 and P4,111,289 in 2012, 2011 and 2010, 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, 2010	43.8850
December 31, 2011	43.9280
December 31, 2012	41.1920

#### 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:

	2012	2011	2010
Share capital	P996,391,254	P996,391,254	P996,391,254
Deficit	(178,688,104)	(180,701,001)	(145,156,604)
	P817,703,150	P815,690,253	P851,234,650

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 2012, 2011 and 2010.

Financial Assets and Financial Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of December 31, 2012, 2011 and 2010 are presented below:

	2012		2011		2010	
	Carrying amounts	Fair values	Carrying amounts	Fair values	Carrying amounts	Fair values
<b>Financial assets:</b>						
Cash and cash equivalents	P129,424,351	P129,424,351	P401,428,135	P401,428,135	P408,369,413	P408,369,413
Short-term investments	245,301,632	245,301,632	-	-	-	-
Receivables	22,339,004	22,339,004	25,921,777	25,921,777	24,717,982	24,717,982
Notes receivable	44,305,002	44,305,002	-	-	-	-
Due from parent company	-	-	11,851,647	11,851,647	180,389,594	180,389,594
Due from co-subsiidary	306,250	306,250	306,250	306,250	262,500	262,500
Available-for-sale	175,737,758	175,737,758	154,440,009	154,440,009	-	-
Held to maturity	33,787,206	33,787,206	52,253,831	52,253,831	45,000,000	45,000,000
Other assets	86,489,093	86,489,093	86,489,093	86,489,093	85,459,488	85,459,488
	<b>P737,690,296</b>	<b>P737,690,296</b>	<b>P732,690,742</b>	<b>P732,690,742</b>	<b>P744,198,977</b>	<b>P744,198,977</b>
<b>Financial liabilities:</b>						
Accounts payable and accruals	P7,869,901	P7,869,901	P28,550,566	P28,550,566	P8,785,420	P8,785,420
Other payables	850,944	850,944	850,944	850,944	850,944	850,944
Due to parent company	7,588,913	7,588,913	-	-	-	-
	<b>P16,309,758</b>	<b>P16,309,758</b>	<b>P29,401,510</b>	<b>P29,401,510</b>	<b>P9,636,364</b>	<b>P9,636,364</b>

*Assumption used to estimate fair values*

The carrying amounts of cash and cash equivalents, short-term investments, receivables, notes receivable, due from co-subsiidary, accounts payable and accruals, due to/from parent company and other payables approximate their fair values due to the short-term maturities of the financial instruments.

Available-for-sale financial assets are based on quoted market price.

Fair values of held to maturity investments and other assets under time deposits with BPI, are computed using the discounted cash flow method.

*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)

**5. Cash and Cash Equivalents**

This account consists of:

	2012	2011	2010
Cash on hand and in banks	<b>P3,757,819</b>	P2,941,637	P826,425
Special savings	<b>125,244,815</b>	391,900,319	398,383,068
Time deposits	<b>421,717</b>	6,586,179	9,159,920
	<b>P129,424,351</b>	<b>P401,428,135</b>	<b>P408,369,413</b>

Cash in banks earn interest at the prevailing bank deposit rates. The special savings and time deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earns interest at the prevailing special savings and time deposits rates. Due to the short-term nature of such transactions, the carrying value approximates the fair value of the special savings and time deposits. Interest income earned from cash in banks and short-term bank deposits amounted to P13,162,781 in 2012, P13,197,396 in 2011 and P11,845,046 in 2010.

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. Short-term Investments

This account pertains to time deposits with Planters Development Bank (PDB) amounting to P245,301,632 as of December 31, 2012 with fixed interest rates of 5% to 5.0694% per annum and terms of one year. Such time deposits are intended to meet short-term cash requirements and may be preterminated anytime by the Company.

Interest income earned from short-term investments amounted to P1,610,832 in 2012.

#### 7. Receivables

This account consists of:

	2012	2011	2010
Trade receivable	P2,513,884	P3,845,820	P2,333,189
Interest receivable - parent company (Notes 25 and 28)	-	2,507,233	2,507,233
Interest receivable - other related party (Note 25)	129,111	-	-
Interest receivable	637,524	268,191	147,870
Dividend receivable	573,996	186,667	-
Housing receivable (Note 25)	-	-	368,967
Others	18,484,489	19,113,866	19,360,723
	<b>P22,339,004</b>	<b>P25,921,777</b>	<b>P24,717,982</b>

Trade receivables are unsecured and non-interest bearing and are generally on a 30-day term.

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

No allowance for doubtful accounts and impairment loss was provided for management believes it is collectible.

8. Notes Receivable

	2012	2011	2010
Principal	<b>P169,305,002</b>	P125,000,000	P125,000,000
Less allowance for doubtful accounts	<b>125,000,000</b>	125,000,000	125,000,000
Net	<b>P44,305,002</b>	P-	P-

Principal amount of notes receivable are as follows:

Maker	Value Date	Term	Rate	Cost
Antonio Araneta				<b>P125,000,000</b>
PCCI Finance Corporation	02-Aug-12	180 days	7.00%	<b>30,000,000</b>
Montemar Beach Club Inc. (Note 25)	13-Sep-12	one year	7.00%	<b>6,000,000</b>
Montemar Beach Club Inc. (Note 25)	22-Oct-12	one year	7.00%	<b>4,000,000</b>
Montemar Beach Club Inc. (Note 25)	20-Dec-12	one year	7.00%	<b>4,305,002</b>
				<b>P169,305,002</b>

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 P547M as of 2012.

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.

**9. Available-for-sale Financial Assets**

Available-for-sale financial assets quoted at market price consist of:

	2012	2011	2010
Retail Treasury Bonds	P21,221,976	P21,102,068	P-
UITF Peso Bond Fund	35,217,244	32,944,934	-
SMC Purefood Preferred Shares	30,540,000	30,600,000	-
Philam Strategic Growth Fund	30,951,152	23,961,764	-
PAMI Asia Balanced Fund Inc Dollar	17,126,712	16,212,253	-
Sun Life Prosperity Balanced Fund	14,501,893	11,568,287	-
UITF Dollar Bond Fund	9,913,634	9,593,578	-
Sun Life Prosperity GS Fund	8,963,164	8,457,125	-
Sun Life Prosperity Dollar Abundance Fund	6,305,336	-	-
SM Investment Corp. Bonds	996,647	-	-
	<b>P175,737,758</b>	<b>P154,440,009</b>	<b>P-</b>

Interest earned from these investments amounted to P936,867 in 2012 and P747,000 in 2011.

Dividend earned from these investments amounted to P2,119,829 in 2012 and P1,919,167 in 2011.

There were no disposals of available-for-sale financial assets for the years ended December 31, 2012 and 2011.

Presented below are the movements in the net changes in fair values of AFS financial assets:

	2012	2011	2010
Balance at beginning of year	P693,041	P-	P-
Fair value changes during the year recognized in other comprehensive income	14,596,057	693,041	-
	<b>P15,289,098</b>	<b>P693,041</b>	<b>P-</b>

**10. 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 carried at amortized costs are as follows:

2012

Bond Number	Issue Date	Maturity Date	Coupon Rate	Cost
PIID0514I080	24-Sep-09	24-Sep-14	6.25%	P10,000,000
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%	6,787,206
Filinvest Land Inc. Bonds	08-Jun-12	08-Jun-19	5.0185%	2,000,000
				<b>P33,787,206</b>

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>

Interest earned from these investments amounted to P2,388,972 in 2012, P2,240,423 in 2011 and P1,871,843 in 2010.

### 11. Property and Equipment

This account consists of:

	2011	Additions	Reversals	2012
<b>Cost</b>				
Furniture and fixtures	P3,486,626	P-	P-	<b>P3,486,626</b>
Transportation equipment	4,892,545	-	-	<b>4,892,545</b>
Office equipment	220,563	8,482	-	<b>229,045</b>
	<b>8,599,734</b>	<b>8,482</b>	<b>-</b>	<b>8,608,216</b>
<b>Less accumulated depreciation</b>				
Furniture and fixtures	3,486,626	-	-	<b>3,486,626</b>
Transportation equipment	4,892,545	-	-	<b>4,892,545</b>
Office equipment	128,003	74,228	-	<b>202,231</b>
	<b>8,507,174</b>	<b>74,228</b>	<b>-</b>	<b>8,581,402</b>
	<b>P92,560</b>			<b>P26,814</b>
	2010	Additions	Reversals	2011
<b>Cost</b>				
Furniture and fixtures	P3,486,626	P-	P-	<b>P3,486,626</b>
Transportation equipment	4,892,545	-	-	<b>4,892,545</b>
Office equipment	220,563	-	-	<b>220,563</b>
	<b>8,599,734</b>	<b>-</b>	<b>-</b>	<b>8,599,734</b>
<b>Less accumulated depreciation</b>				
Furniture and fixtures	3,486,626	-	-	<b>3,486,626</b>
Transportation equipment	4,892,545	-	-	<b>4,892,545</b>
Office equipment	54,482	73,521	-	<b>128,003</b>
	<b>8,433,653</b>	<b>73,521</b>	<b>-</b>	<b>8,507,174</b>
	<b>P166,081</b>			<b>P92,560</b>

	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

Depreciation amounting to P74,228, P73,521 and P60,236 were included in General and Administrative Costs in the Statements of Comprehensive Income in 2012, 2011 and 2010, respectively.

All fully depreciated property and equipment amounting to P8,389,207 in 2012 and P8,379,171 in 2011 and 2010 are still in use and not retired from active use.

No impairment loss was recognized in 2012, 2011 and 2010.

The management believes that the carrying amount approximates its fair value.

## 12. Investment Properties

Movements of the Company's investment properties are as follows:

	2011	Additions	Disposals	2012
Condominium unit	P164,772,000	P-	P-	P164,772,000
Less accumulated depreciation	35,211,120	4,318,696	-	39,529,816
	P129,560,880			P125,242,184
	2010	Additions	Disposals	2011
Cost	P164,772,000	P-	P-	P164,772,000
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-	P267,743,700	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

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 in 2009. On August 4 and December 1, 2010, the Company received the full consideration amounting to P274,620,000 and P3,450,000, respectively.

The condominium unit is being leased out to third parties. Rent income derived from the rental of condominium unit amounted to P9,968,706, P9,624,104 and P9,047,460 in 2012, 2011 and 2010, respectively. Expenses paid for the land and condominium units that are being leased out amounted to P1,322,592, P1,616,479 and P1,507,339 in 2012, 2011 and 2010, respectively, which represents real property tax, insurance, repairs and maintenance and dues and subscription.

Depreciation amounting to P4,318,696 were charged to Cost of Service in the Statements of Comprehensive Income in 2012, 2011 and 2010 (see Note 19).

No impairment loss was recognized in 2012, 2011 and 2010.

Fair value as of March 18, 2013 amounted to P167,364,000 based on the valuation of independent appraisers.

### 13. Other Assets

This account consists of:

	2012	2011	2010
Time deposits with BPI	<b>P86,489,093</b>	P86,489,093	P85,459,488
Input tax	<b>3,425,719</b>	1,257,012	1,247,200
Creditable withholding tax	<b>1,766,360</b>	1,258,882	1,107,068
	<b>P91,681,172</b>	P89,004,987	P87,813,756

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. The Court granted the conversion of the dollar deposits to Philippine peso on June 17, 2011.

The time deposits on BPI are short-term investments with periods of thirty five (35) days and earn interests ranging from 2.5% per annum. Interest income earned from time deposits on BPI amounted to P1,240,409 in 2011 and P1,235,146 in 2010.

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#### 14. Accounts Payable and Accruals

This account consists of:

	2012	2011	2010
Accounts payable - trade	<b>P2,268,642</b>	P2,268,642	P2,268,642
Accrued expenses	<b>5,062,508</b>	25,836,055	5,815,699
Accounts payable - others (Note 28)	<b>538,751</b>	445,869	701,079
	<b>P7,869,901</b>	P28,550,566	P8,785,420

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 21). The accrued expense was paid in 2012.

The accounts payable others includes accrual of professional fees.

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#### 15. Due to / from Parent Company

For the year ending 2012, due to parent company amounted to P7,588,913, and for the years ending 2011 and 2010, due from parent company amounted to P11,851,647 and P180,389,594, respectively. The account is composed mainly of non interest bearing advances to / from Philcomsat. Proceeds on the sale of land were remitted by Philcomsat to the Company in 2011.

### 16. Other Payables

This account consists of:

	2012	2011	2010
Deposit (Note 23)	P686,550	P686,550	P686,550
Withholding tax expanded	835,412	1,005,512	900,897
Subscribers' deposit	139,394	139,394	139,394
Advances from officers and employees	25,000	25,000	25,000
Documentary stamp tax payable	10,201	51,746	51,746
SSS loans payable	4,795	4,795	4,795
	<b>P1,701,352</b>	<b>P1,912,997</b>	<b>P1,808,382</b>

### 17. Share Capital

This account consists of:

	2012	2011	2010
Authorized share capital			
1,000,000,000 common shares at P1 par value	P1,000,000,000	P1,000,000,000	P1,000,000,000
Issued and outstanding			
996,391,254 common shares at P1 par value	P996,391,254	P996,391,254	P996,391,254

Track record of registration:

Date	Number of Shares Licensed	Issue/Office Price
November 28, 1958	60,000,000	P1

The listed shares are held by a total of 1,172 stockholders as of December 31, 2012, 2011 and 2010.

### 18. Revenue

This account consists of:

	2012	2011	2010
Interest income subjected to final tax	P18,338,847	P17,792,728	P17,459,268
Rent income (Note 23)	9,968,706	9,624,104	9,047,460
Dividend income	2,119,829	1,919,167	-
Interest income not subjected to final tax	372,807	608,536	999,167
Gain on sale of financial asset through FVPL	-	1,705,399	-
Miscellaneous	452,974	445,000	417,500
	<b>P31,253,163</b>	<b>P32,094,934</b>	<b>P27,923,395</b>

## 19. Cost of Service

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

## 20. General and Administrative Costs

This account consists of:

	2012	2011	2010
Professional fees	P7,231,800	P7,315,357	P2,400,314
Director's fee (Note 25)	7,245,000	7,245,000	10,963,333
Management fee - legal fee	2,825,740	2,764,407	2,088,115
Taxes and licenses	1,079,332	1,399,723	1,292,857
Rental (Note 23)	834,648	846,979	626,528
Interest	239,527	43,372	-
Dues and subscription	232,200	232,200	232,245
Representation and entertainment	201,730	531,049	-
Light and water	147,327	147,208	96,070
Depreciation (Note 11)	74,228	73,521	60,236
Court filings	-	2,079,409	-
Security and janitorial services	-	-	966,595
Others	3,329,317	1,608,778	1,445,484
	<b>P23,440,849</b>	<b>P24,287,003</b>	<b>P20,171,777</b>

Expenses included under the caption "Others" are normal operating expenses such as advertising, insurance, repairs and maintenance, communication, office supplies and miscellaneous expenses the individual amount of which are immaterial and below one (1) percent of the Company's revenue.

## 21. Other Expenses

This account consists of:

	2012	2011	2010
Loss from sale of land	P-	P-	(P1,278,950)
Loss on foreign exchange	(1,351,205)	(990,650)	(4,111,289)
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)	(2,100,000)
Provision for management fee	-	(20,000,000)	-
	<b>(P1,351,205)</b>	<b>(P38,799,900)</b>	<b>(P7,490,239)</b>

The other expenses on the disposal of land represents additional expenses incurred in connection with the land disposal. In 2011, 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).

## 22. Income Tax

The provision for income tax in 2012, 2011 and 2010 represents the minimum corporate income tax.

The following are the computation of regular corporate income tax:

	2012	2011	2010
Net Income (loss)	P2,142,413	(P35,310,665)	(P4,057,317)
Add (deduct) permanent differences:			
Nondeductible representation expense	93,785	252,431	-
Penalty	18,885	73,143	134,000
Loss on sale of land	-	-	1,278,950
Dividend income	(2,119,829)	(1,919,167)	-
Interest income subjected to final tax	(18,338,847)	(17,792,728)	(14,952,035)
Add (deduct) temporary differences:			
Provision for management fee	(20,000,000)	20,000,000	-
Unrealized forex loss (gain) for current year	1,038,466	(544,862)	4,111,289
Realized forex gain from last year	-	3,622,232	-
<b>Taxable loss</b>	<b>(P37,165,127)</b>	<b>(P31,619,616)</b>	<b>(P13,485,113)</b>
<b>Tax due at 30%</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>

The following are the computation of minimum corporate income tax:

	2012	2011	2010
Rent income	P9,968,706	P9,624,104	P9,019,960
Interest income not subject to final tax	372,807	608,536	3,506,400
Realized gain from last year	-	3,622,232	-
Gain on sale of financial asset	-	1,705,399	-
Miscellaneous	452,974	445,000	445,000
<b>Total income</b>	<b>10,794,487</b>	<b>16,005,271</b>	<b>12,971,360</b>
Less depreciation of condominium unit	4,318,696	4,318,696	4,318,696
<b>Taxable income</b>	<b>P6,475,791</b>	<b>P11,686,575</b>	<b>P8,652,664</b>
<b>Tax due at 2%</b>	<b>P129,516</b>	<b>P233,732</b>	<b>P173,053</b>

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, 2012	P37,165,127	P-	P37,165,127	2015
December 31, 2011	31,619,616	-	31,619,616	2014
December 31, 2010	13,485,113	-	17,571,118	2013
December 31, 2009	17,571,118	17,571,118	-	2012
	<b>P99,840,974</b>	<b>P17,571,118</b>	<b>P86,355,861</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.

**23. Leases**

*The Company As a Lessor*

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. The contracts of lease provides for security deposit equivalent to one (1) month rent.

The total future minimum rental income on current lease contracts for each of the following periods are as follows:

	2012	2011	2010
Due within one year	P1,661,451	P9,951,843	P9,473,063
Due within five years but not within one year	-	1,661,451	11,613,294
	<b>P1,661,451</b>	<b>P11,613,294</b>	<b>P21,086,357</b>

Rent income recognized for the lease of the condominium unit amounted to P9,968,706 in 2012, P9,624,104 in 2011 and P9,047,460 in 2010.

*The Company As a Lessee*

In 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, 2012, renewable upon mutual agreement of both parties.

The total future minimum lease payments on current lease contracts for each of the following periods are as follows:

	2012	2011	2010
Due within one year	P-	P855,006	P814,291
Due within five years but not within one year	-	-	855,006
	<b>P-</b>	<b>P855,006</b>	<b>P1,669,297</b>

Rent expense recognized for the lease of the office space amounted to P834,648 in 2012, P846,979 in 2011 and P626,528 in 2010.

**24. Income (Loss) Per Share**

	2012	2011	2010
Net income (loss)	<b>P2,012,897</b>	(P35,544,397)	(P4,230,370)
Weighted average no. of shares outstanding	<b>996,391,254</b>	996,391,254	996,391,254
	<b>P0.0020</b>	(P0.0357)	(P0.0042)

## 25. Related Party Transactions

The Company, in the normal course of business, has provided and/or received advances and services to and from related parties. The related party transactions were made at terms equivalent to those that prevail in arm's length transactions. The following are the details of related party transactions:

### As of December 31, 2012

	Classifications	Terms and Condition	Allowance for bad debts/ Bad debts for the year	Amount of the Transaction	Oustanding Balance
<b>(a) Parent Company</b>					
Philippine Communications Satellite Corporation	Due to parent company	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	P7,588,913	P7,588,913
	Deposit for future subscription	unsecured, noninterest-bearing, no term, payable in exchange for shares of stock, no guarantees	none	-	18,894,000
	Interest income		none	372,807	-
	Rental expense		none	834,648	-
<b>(b) Co-Subsidiaries</b>					
Montemar Resort Development Corp.	Due from co-subsidary	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	-	306,250
<b>(c) Other Related Parties</b>					
Montemar Beach Club Inc.	Notes receivable	unsecured, 7% per annum, one year, payable in cash, no guarantees	none	14,305,002	14,305,002
	Interest receivable	unsecured, payable in cash and upon maturity of the note receivable, no guarantees	none	129,111	129,111

### As of December 31, 2011

	Classifications	Terms and Condition	Allowance for bad debts/ debits for the year	Amount of the Transaction	Oustanding Balance
<b>(a) Parent Company</b>					
Philippine Communications Satellite Corporation	Due from parent company	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	P-	P11,851,647
	Interest receivable	unsecured, no term, payable in cash, no guarantees	none	-	2,507,233
	Deposit for future subscription	unsecured, noninterest-bearing, no term, payable in exchange for shares of stock, no guarantees	none	-	18,894,000
	Rental expense / Accrued expenses	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	846,979	20,357
<b>(b) Co-Subsidiaries</b>					
Montemar Resort Development Corp.	Due from co-subsidary	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	43,750	306,250

As of December 31, 2010

	Classifications	Terms and Condition	Allowance for bad debts/ Bad debts for the year	Amount of the Transaction	Outstanding Balance
<b>(a) Parent Company</b>					
Philippine Communications Satellite Corporation	Due from parent company	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	P174,265,334	P180,389,594
	Interest receivable	unsecured, no term, payable in cash, no guarantees	none	2,507,233	2,507,233
	Deposit for future subscription	unsecured, noninterest-bearing, no term, payable in exchange for shares of stock, no guarantees	none	-	18,894,000
	Rental expense / Accrued expenses	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	626,528	-
<b>(b) Co-Subsidiaries</b>					
Montemar Resort Development Corp.	Due from co-subsiary	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	50,000	262,500
<b>(c) Key Management Personnel</b>					
Directors and officers	Housing loan receivable	6% per annum, payable in cash and monthly	none	-	368,967

The following are other relevant related party disclosures:

Identification	Nature of Relationship	Business Purpose of Arrangement	On-going Contractual or Other Commitments
Philippine Communications Satellite Corporation.	parent company	rental of building for office use	lease contract (Note 23)
		provide/avail a non-interest bearing advances for investing and/or working capital purposes	none
Montemar Resort Development Corp.	co-subsiary	provide/avail a non-interest bearing advances for investing and/or working capital purposes	none
Montemar Beach Club Inc.	co-subsiary	provide loans	promissory note (Note 8)

Transactions with related parties are made at normal market prices. An assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Related party transactions have been fairly evaluated since the Company treated it same with the transactions to the third parties.

There are no parties that fall outside the definition of "related parties" with whom the Company or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties at an arm's length basis.

**Compensation of Key Management Personnel**

The summary of compensation of key management personnel of the Company are as follows:

	2012	2011	2010
Director's fee	P7,245,000	P7,245,000	P10,963,333

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 personnel 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 personnel is shown as part of professional fees.

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## 26. 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.

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## 27. 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 was also denied in an Order dated October 19, 2011. The Company filed a Petition for Certiorari with the Court of Appeals.

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.

**28. Reclassification of Accounts**

The following accounts in 2011 and 2010 have been reclassified to conform with the 2012 financial statement presentation:

Reclassified From	Reclassified To	2011	2010
Interest receivable - affiliate (included as part of receivables)	Interest receivable - parent company (included as part of receivables)	P2,507,233	P2,507,233
Due from affiliates (included as part of noncurrent assets)	Due from parent company (included as part of current assets)	11,851,647	180,389,594
Due from affiliates (included as part of noncurrent assets)	Due from co-subsiary (included as part of current assets)	306,250	262,500
Deposit for future subscription (included as part of equity)	Deposit for future subscription (included as part of noncurrent liabilities)	18,894,000	18,894,000
Unearned rental income (included as part of accounts payable and accruals)	Accounts payable - others (included as part of accounts payable and accruals)	445,869	701,079

**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:

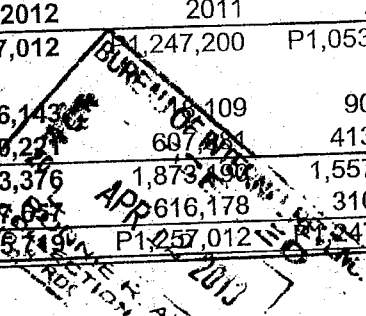
VAT Output Tax

The amount of VAT output declared amounted to P1,401,737 based on receipts amounting to P11,681,145 in 2012, 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:

	2012	2011	2010
Balance at January 1	P1,257,012	P1,247,200	P1,053,685
Current year's domestic purchases/payments for:			
Goods other than for resale or manufacture	16,143	109	90,282
Services lodged under other accounts	3,169,221	697,891	413,884
Total	4,433,376	1,873,190	1,557,851
Less tax credit	1,007,627	616,178	310,651
	P3,425,749	P1,257,012	P1,247,200



*Taxes on Importation*

The Company has not imported goods for business use. No customs duties and tariff fees were accrued or paid during the years 2012, 2011 and 2010.

*Excise Tax*

The Company does not have excise tax in 2012, 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:

	2012	2011	2010
Real property tax	P436,570	P740,978	P743,361
Business permit	354,870	91,643	98,744
PSE annual listing	250,000	250,000	250,000
Documentary stamp tax	6,270	172,560	4,351,938
Capital gains tax	-	-	17,284,200
Others	31,622	144,542	169,864
	<b>P1,079,332</b>	<b>P1,399,723</b>	<b>P22,898,107</b>

*Withholding Taxes*

The details of total withholding taxes for are as follows:

	2012	2011	2010
Compensation and benefits	P-	P-	P-
Creditable	5,128,935	2,108,305	2,367,810
	<b>P5,128,935</b>	<b>P2,108,305</b>	<b>P2,367,810</b>

*Deficiency Tax Assessment*

The Company received a final tax assessment from the BIR for the taxable year 2009 as follows:

	Amount	Date Paid
Withholding tax expanded	P305,954	28-Nov-12
Value added tax	280,387	18-Dec-12
Documentary stamp tax	84,539	23-Nov-12
<b>Total</b>	<b>P670,880</b>	

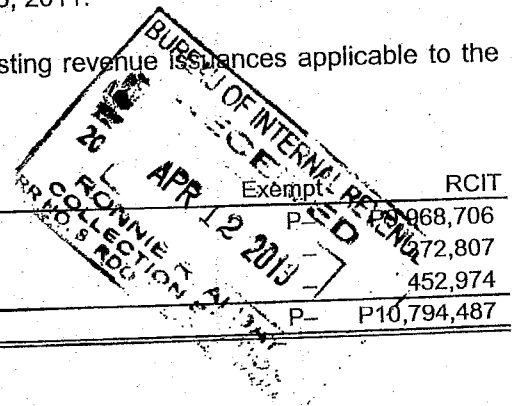
*Revenue Regulation 19-2011*

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, 2012:

*Revenue*

	Exempt	RCIT
Rent income	P-	968,706
Interest income not subjected to final tax	P-	72,807
Miscellaneous	P-	452,974
		<b>P10,794,487</b>



*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*

The Company has no non-operating and taxable other income during the year.

*Itemized Deductions*

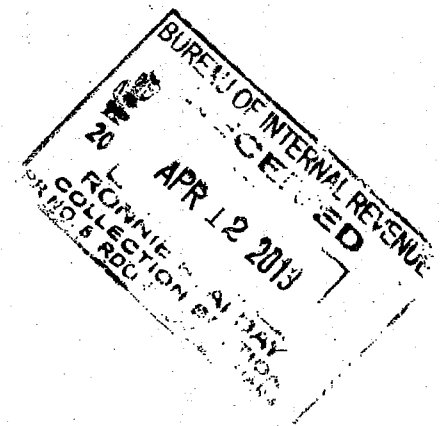
The breakdown of the Company's cost of sales for income tax purposes is as follows:

	Exempt	RCIT
Director's fee	P-	P7,245,000
Professional fees	-	7,231,800
Management fee - legal fee	-	2,825,740
Taxes and licenses	-	1,060,447
Rental	-	834,648
Dues and subscription	-	232,200
Light and water	-	147,327
Depreciation	-	74,228
Interest	-	239,527
Representation and entertainment	-	107,945
Realized loss current year	-	312,739
Provision of management fee from last year paid in current year	-	20,000,000
Others	-	3,329,317
	P-	P43,640,918

*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	P436,570
Business permit	354,870
PSE annual listing	250,000
Documentary stamp tax	6,270
Others	31,622
	P1,079,332





**MOORE STEPHENS**

**Mendoza Querido & Co.**

*A member firm of Moore Stephens International Limited*

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PRC/BOA Accreditation No. 0966  
February 20, 2012, valid until December 31, 2014  
SEC Accreditation No. PA-A-093-F (Group A)  
December 20, 2012, valid until April 20, 2013

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY SCHEDULES**

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

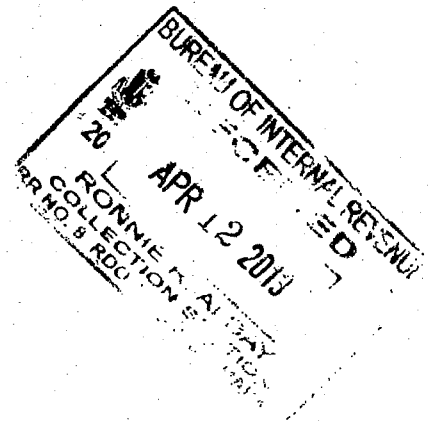
We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philcomsat Holdings Corporation as at December 31, 2012, 2011 and 2010 and for each of the three years in the period ended December 31, 2012 and included our report thereon dated April 10, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules of Annex 68-E, Map of the Conglomerate, Key Performance Indicators and List of Philippine Financial Reporting Standards as at December 31, 2012 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.**

**RICHARD S. QUERIDO**

Partner  
CPA Certificate No. 84807  
SEC Accreditation No. PA-A-578-A (Group A),  
December 20, 2012, valid until April 20, 2013  
TIN 102-094-633  
BIR Accreditation No. 08-002617-2-2012,  
October 23, 2012, valid until October 22, 2015  
PTR No. 3184630, January 7, 2012, Makati City

April 10, 2013



# PHILCOMSAT HOLDINGS CORPORATION

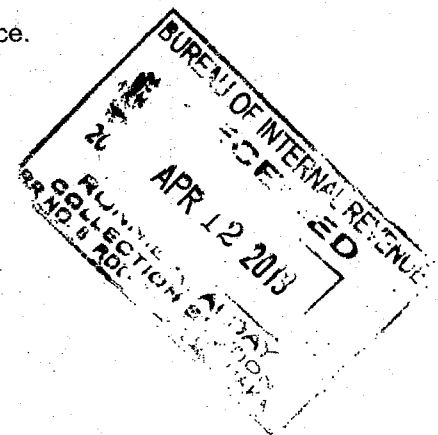
## Schedule A – Financial Assets December 31, 2012

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>Short-term investments</i>				
Planters Development Bank		P245,301,632	P245,301,632	P1,610,832
<i>Notes receivable</i>				
Montemar Beach Club Inc.		P14,305,002	P14,305,002	P129,111
PCCI Finance Corporation		30,000,000	30,000,000	1,684,667
		<b>P44,305,002</b>	<b>P44,305,002</b>	<b>P1,813,778</b>
<i>Available-for-sale financial assets</i>				
Retail Treasury Bonds	P20,000,000	P21,221,976	P21,221,976	P915,000
SMC Purefood Preferred Shares	30,000 shares	30,540,000	30,540,000	2,119,829
Philam Strategic Growth Fund	61,711 shares	30,951,152	30,951,152	—
Sun Life Prosperity Balanced Fund	4,249,141 shares	14,501,893	14,501,893	—
Sun Life Prosperity GS Fund	6,038,647 shares	8,963,164	8,963,164	—
Sun Life Prosperity Dollar Abundance Fund	51,696 shares	6,305,336	6,305,336	—
PAMI Asia Balanced Fund Inc Dollar	403,746 shares	17,126,712	17,126,712	—
UITF Peso Bond	156,252.76 units	35,217,244	35,217,244	—
UITF Dollar Bond	125,166.06 units	9,913,634	9,913,634	—
SM Investment Corp. Bonds	P1,000,000	996,647	996,647	21,867
		<b>P175,737,758</b>	<b>P175,737,758</b>	<b>P3,056,696</b>
<i>Held to maturity investments</i>				
RP PIID0514I080	P10,000,000	P10,000,000	P10,000,000	P498,424
PSALM Bonds	P15,000,000	15,000,000	15,000,000	801,828
Filinvest Land Inc. Bonds	P2,000,000	2,000,000	2,000,000	62,803
ROP 2026 Dollar Bonds	\$160,000	6,787,206	6,787,206	398,286
		<b>P33,787,206</b>	<b>P33,787,206</b>	<b>P1,761,341</b>

Short-term investments and notes receivable approximate their fair values due to the short-term maturities of the financial instruments.

Held to maturity investments are based on amortized cost.

Available-for-sale financial assets are based on quoted market price.



**PHILCOMSAT HOLDINGS CORPORATION**

**Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties,  
and Principal Stockholders  
December 31, 2012**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Current	Not Current	Balance at End of Period
Notes receivable - other related party Montemar Beach Club Inc.	P-	14,305,002	P-	P14,305,002	P-	P14,305,002
Due from co-subsiary Montemar Resort Development Corp.	P306,250	P-	P-	P306,250	P-	P306,250
Interest receivable Montemar Beach Club Inc.	P-	P129,111	P-	P129,111	P-	P129,111

Notes receivable from other related party are unsecured, with one year term, interest rate of seven percent (7) per annum, renewable for another year and settlement occurs in cash, unless otherwise indicated.

BUREAU OF INTERNAL REVENUE  
 20  
 APR 12 2013  
 RONNIE R. ALDAY  
 COLLECTIONS SECTION  
 RR NO. 8 RDS

**PHILCOMSAT HOLDINGS CORPORATION**

**Schedule C – Amounts Receivable from and Payable to Related Parties which are  
Eliminated during the Consolidation of Financial Statements  
December 31, 2012**

- Not applicable -

BUREAU OF INTERNAL REVENUE  
RECEIVED  
APR 12 2013  
RONNIE R. ALLEN  
COLLECTION & SOLUTIONS

**PHILCOMSAT HOLDINGS CORPORATION**

**Schedule D – Intangible Assets - Other Assets**

**December 31, 2012**

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- Nil -

**PHILCOMSAT HOLDINGS CORPORATION**

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Schedule E – Long Term Debt

December 31, 2012

- Nil -

**PHILCOMSAT HOLDINGS CORPORATION****Schedule F – Indebtedness to Related Parties (Long-Term Loans from Related Companies)****December 31, 2012**

Name of related party	Balance at beginning of period	Balance at end of period
Due to parent company		
Philippines Communications Satellite Corporation	P-	<b>P7,588,913</b>
Deposit for future subscription		
Philippines Communications Satellite Corporation	<b>P18,894,000</b>	<b>P18,894,000</b>

The Company, in the normal course of business, has transactions with related parties which are entered into under normal commercial terms and conditions.

**PHILCOMSAT HOLDINGS CORPORATION**

**Schedule G – Guarantees of Securities and Other Issues**

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**December 31, 2012**

- Nil -

**PHILCOMSAT HOLDINGS CORPORATION**

**Schedule H – Capital Stock**

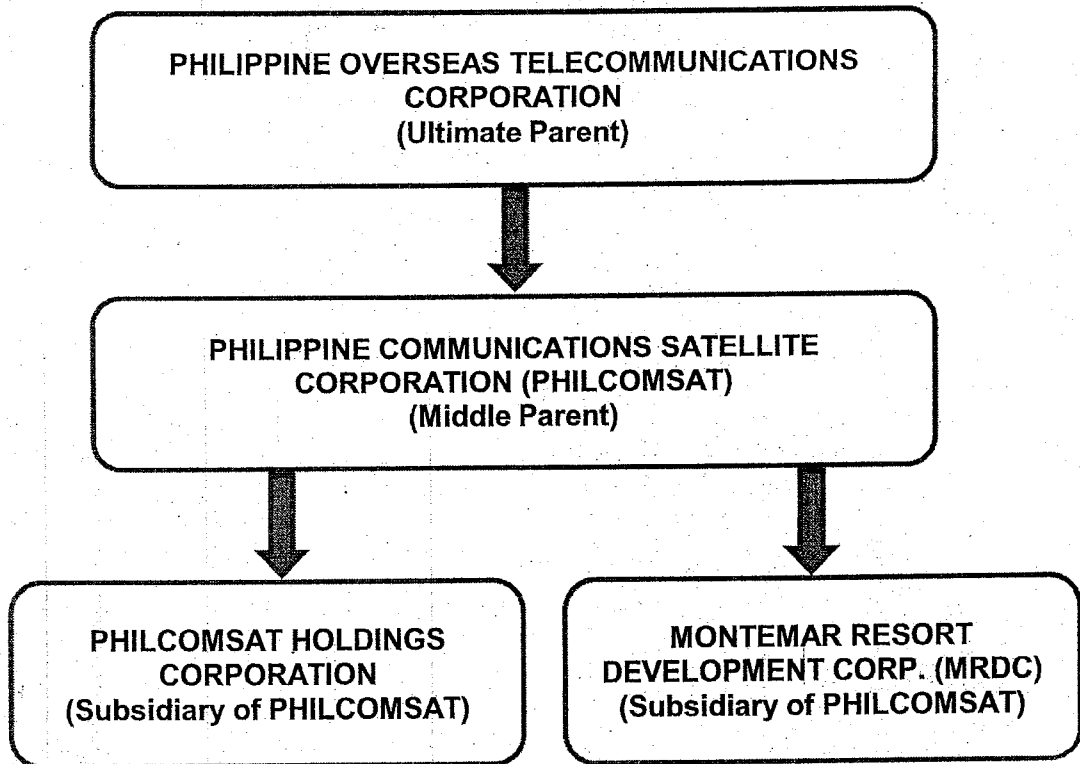
**December 31, 2012**

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**

**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, 2012**



**PHILCOMSAT HOLDINGS CORPORATION**

**Key Performance Indicators**

For the Years Ended December 31, 2012, 2011, and 2010

		2012	2011	2010
Current ratio	Current assets over current liabilities	25.79:1	14.46:1	57.95:1
Solvency ratio	Total assets over total liability	24.10:1	17.54:1	29.87:1
Asset to equity ratio	Total assets over total equity	1.04:1	1.06:1	1.03:1
Debt-to-equity ratio	Debt over stockholder's equity	0.04:1	0.06:1	0.03:1
Net debt-to-equity ratio	Debt less cash and cash equivalents over stockholders' equity	-0.11:1	-0.43:1	-0.45:1
Gross profit ratio	Gross profit over gross revenue	86.18%	86.54%	84.53%
Net income from operations to profit margin ratio	Income from operations over gross profit	7.47%	NA	NA
Return on assets	Annualized net income over total assets during the period	0.23%	NA	NA
Return on equity	Annualized net income over ending stockholders' equity during the period	0.24%	NA	NA
Interest rate coverage ratio	Earnings before interest expense and taxes over interest expense	NA	NA	NA

# PHILCOMSAT HOLDINGS CORPORATION

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2012				
<b>Framework for the Preparation and Presentation of Financial Statements</b>				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans	<i>Not early adopted</i>		
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	<i>Not early adopted</i>		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	<i>Not early adopted</i>		
<b>PFRS 8</b>	Operating Segments			✓
<b>PFRS 9</b>	Financial Instruments	<i>Not early adopted</i>		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	<i>Not early adopted</i>		
<b>PFRS 10</b>	Consolidated Financial Statements	<i>Not early adopted</i>		
<b>PFRS 11</b>	Joint Arrangements	<i>Not early adopted</i>		
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	<i>Not early adopted</i>		
<b>PFRS 13</b>	Fair Value Measurement	<i>Not early adopted</i>		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2012				
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	<i>Not early adopted</i>		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	<b>Consolidated and Separate Financial Statements</b>			✓
PAS 27 (Amended)	Separate Financial Statements	<i>Not early adopted</i>		
PAS 28	<b>Investments in Associates</b>			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	<i>Not early adopted</i>		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	<i>Not early adopted</i>		
PAS 33	Earnings per Share	✓		✓
PAS 34	Interim Financial Reporting			
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2012				
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining whether an Arrangement contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2012				
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓