

# COVER SHEET

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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 .

(Company's Full Name)

1 2 T H F L O O R , T E L E C O M P L A Z A

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

8158406

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC FORM 17-Q

FORM TYPE

Any day in May

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

996,391,254

Total No. of Stockholders

Total amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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**PHILCOMSAT HOLDINGS CORPORATION**  
**FOR THE QUARTER ENDED OF MARCH 31, 2013 AND 2012**

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

**GENERAL INSTRUCTIONS**

**(a) Use of Form 17-Q**

This SEC Form 17-Q shall be used for quarterly reports under Section 17 of the Code, filed pursuant to paragraph (2)(b) of SRC Rule 17 thereunder and shall be filed within 45 calendar days after the end of each of the first three fiscal quarters of each fiscal year. The first quarterly report of the issuer shall be filed either within 45 calendar days after the effective date of the registration statement or on or before the date on which such report would have been required to be filed if the issuer had been required previously to file reports on SEC Form 17-Q, whichever is later. No report need be filed for the fourth quarter of any fiscal year.

**(b) Application of SRC Rule 72.1: Requirements for Filing Forms**

SRC Rule 72.1 contains general rules and regulations which are applicable to reports on forms to be filed with the Commission. SRC Rule 68 contains requirements for the content of financial statements to be filed with the Commission as part of this report. These Rules should be carefully read and observed in the preparation and filing of reports on this Form.

**(c) Preparation of Report**

(1) This is not a blank form to be filled in. It is a guide to be used in preparing the report in accordance with SRC Rule 72.1. The Commission does not furnish blank copies of this Form to be filled in for filing.

(2) These general instructions are not to be filed with the report. The instructions to the various captions of the form are also to be omitted from the report as filed. The report shall contain the numbers and captions of all applicable items, but the text of such items may be omitted, provided the answers thereto are prepared in the manner specified in SRC Rule 72.1. All items that are not required to be answered in a particular report may be omitted and no reference thereto need be made in the report. All instructions should also be omitted.

**(d) Incorporation by Reference**

In accordance with the provisions of SRC Rule 12-2, if the issuer makes available to its stockholders or otherwise publishes, within the period prescribed for filing the report, a document or statement containing information meeting some or all of the requirements of Part I of this Form, the information called for may be incorporated by reference from such published document or statement, in answer or partial answer to any item or items of Part I of this Form, provided copies thereof are filed as an exhibit to Part I, and all information called for in this Form is supplied.

**(e) Integrated Reports to Security Holders**

Quarterly reports to security holders may be combined with the required information of Form 17-Q and will be suitable for filing with the Commission if the combined report contains full and complete answers to all items required by this Form. When responses to a certain item of required disclosure are separated within the combined report, an appropriate cross-reference should be made.

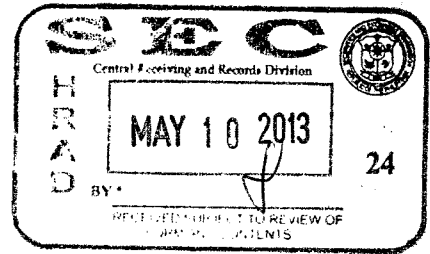
**(f) Signature and Filing of Report**

(1) Five complete copies of the report, including any financial statements, exhibit or other paper or document filed as a part thereof shall be filed with the Commission. At least one complete copy of the report, including any financial statements, exhibit or other paper or document filed as a part thereof, shall, if any class of the issuer's securities are listed in a stock exchange, be filed with that Exchange.

(2) At least one complete copy of the report filed with the Commission and, when applicable, one copy filed with the Exchange shall be manually signed on the issuer's behalf by a duly authorized officer of the issuer and by the principal financial or chief accounting officer of the issuer. Copies not manually signed shall bear typed or printed signatures. In the case where the principal financial officer or chief accounting officer is also duly authorized to sign on behalf of the issuer, one signature is acceptable provided the issuer clearly indicates the dual responsibilities of the signatory. See also paragraph (2) and (3) of SRC Rule 72.1 concerning copies, binding, signatures, paper, printing, language, and pagination.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q



QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

- 1. For the quarterly period ended March 31, 2013
- 2. Commission identification number 11163
- 3. BIR Tax Identification No. 000-471-497-000
- 4. Exact name of issuer as specified in its charter

PHILCOMSAT HOLDINGS CORPORATION

- 5. Province, country or other jurisdiction of incorporation or organization Philippines
- 6. Industry Classification Code:                      (SEC Use Only)
- 7. Address of issuer's principal office 316 Sen. Gil Puyat Avenue, Makati City Postal Code 1200
- 8. Issuer's telephone number, including area code (632) 815 9556
- 9. Former name, former address and former fiscal year, if changed since last report Not Applicable
- 10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Shares	996,391,254

- 11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange                      Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

#### PART I—FINANCIAL INFORMATION

##### Item 1. Financial Statements.

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

##### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex C".

#### PART II—OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

#### SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer.....PHILCOMSAT HOLDINGS CORPORATION

.....



ERLINDA I. BILDNER  
Treasurer & CFO

## **BUSINESS OVERVIEW**

Philcomsat Holdings Corporation, formerly Liberty Mines, Inc. was incorporated on May 10, 1956. On January 10, 1997, the Corporation approved amendments of its Articles of Incorporation, changing its primary purpose from embarking in the discovery, exploration, development and exploration of mineral oils, petroleum in its natural state, rock or carbon oils and other volatile mineral substances to a holding company and changing its name and declassifying its shares. These changes were filed with the Securities and Exchange Commission (SEC) on April 14, 1997, respectively. The authorized capital of the Corporation is One Billion Pesos (P1,000,000,000) divided into one billion (1,000,000,000) common shares with a par value of P1.00 per share. Of the total authorized capital stock, sixty million (60,000,000) shares are listed at the Philippine Stock Exchange (PSE).

**PHILCOMSAT HOLDINGS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2013 AND 2012 AND DECEMBER 31, 2012**  
*(Amounts in Philippine Pesos)*

	March 31, 2013 (Unaudited)	March 31, 2012 (Unaudited)	December 31, 2012 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 2, 3, 4 and 5)	P150,419,839	P402,909,499	P129,424,351
Short-term investments (Notes 2, 3, 4 and 6)	245,301,632	–	245,301,632
Receivables (Notes 2, 3, 4, 7 and 25)	21,698,931	26,131,977	22,339,004
Notes receivable (Notes 2, 3, 4, 8 and 25)	44,305,002	–	44,305,002
Due from parent company (Notes 2, 3, 4, 15 and 25)	–	11,851,647	–
Due from co-subsiary (Notes 2, 3, 4 and 25)	306,250	306,250	306,250
Prepayments (Note 2)	559,401	550,488	895,041
<b>Total Current Assets</b>	<b>462,591,055</b>	<b>441,749,861</b>	<b>442,571,280</b>
<b>Noncurrent Assets</b>			
Available-for-sale financial assets (Notes 2, 3, 4 and 9)	178,417,540	162,250,326	175,737,758
Held to maturity investments (Notes 2, 3, 4 and 10)	27,000,000	52,253,831	33,787,206
Property and equipment - net (Notes 2, 3 and 11)	27,655	92,560	26,814
Investment properties - net (Notes 2, 3 and 12)	124,162,510	129,560,880	125,242,184
Other assets (Notes 2, 3, 4 and 13)	91,566,200	89,309,989	91,681,172
<b>Total Noncurrent Assets</b>	<b>421,173,905</b>	<b>433,467,586</b>	<b>426,475,134</b>
	<b>P883,764,960</b>	<b>P875,217,447</b>	<b>P869,046,414</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accruals (Notes 2, 3, 4 and 14)	P7,777,019	P28,550,567	P7,869,901
Due to parent company (Notes 2, 3, 4, 15 and 25)	7,588,913	–	7,588,913
Other payables (Notes 2, 3, 4 and 16)	1,577,889	2,048,380	1,701,352
<b>Total Current Liabilities</b>	<b>16,943,821</b>	<b>30,598,947</b>	<b>17,160,166</b>
<b>Noncurrent Liability</b>			
Deposit for future subscription (Notes 2, 13 and 25)	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)	28,933,478	8,503,357	15,289,098
Deficit (Notes 2 and 4)	(177,397,593)	(179,170,111)	(178,688,104)
<b>Total Equity</b>	<b>847,927,139</b>	<b>825,724,500</b>	<b>832,992,248</b>
	<b>P883,764,960</b>	<b>P875,217,447</b>	<b>P869,046,414</b>

See accompanying Notes to Financial Statements.

**PHILCOMSAT HOLDINGS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

	From January 1 to March 31, 2013	From January 1 to March 31, 2012
<b>REVENUE</b> (Notes 2 and 18)	<b>P9,837,203</b>	P7,469,250
<b>COST OF SERVICE</b> (Notes 2 and 19)	<b>(1,079,674)</b>	-
<b>GROSS PROFIT</b>	<b>8,757,529</b>	7,469,250
<b>GENERAL AND ADMINISTRATIVE COSTS</b> (Notes 2 and 20)	<b>(5,563,027)</b>	(5,938,360)
<b>OTHER EXPENSES</b> (Notes 2 and 21)	<b>(1,829,464)</b>	-
<b>INCOME BEFORE INCOME TAX</b>	<b>1,365,038</b>	1,530,890
<b>PROVISION FOR INCOME TAX</b> (Notes 2, 3 and 22)	<b>(74,527)</b>	-
<b>NET INCOME</b>	<b>1,290,511</b>	1,530,890
<b>UNREALIZED GAIN ON CHANGES IN FAIR VALUES OF AFS FINANCIAL ASSETS</b> (Notes 2 and 9)	<b>12,954,571</b>	7,810,316
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P14,245,082</b>	P9,341,206
<b>INCOME PER SHARE</b> (Notes 2 and 24)	<b>P0.0013</b>	P0.0015

See accompanying Notes to Financial Statements.

**PHILCOMSAT HOLDINGS CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**AS OF MARCH 31, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

	March 31, 2013	March 31, 2012
<b>SHARE CAPITAL</b> (Notes 2, 4 and 17)	<b>P996,391,254</b>	P996,391,254
<b>UNREALIZED GAIN ON CHANGES IN FAIR VALUES OF AFS FINANCIAL ASSETS</b> (Notes 2 and 9)	<b>28,933,478</b>	8,503,357
<b>DEFICIT</b> (Notes 2 and 4)		
Balance at beginning of year	(178,688,104)	(180,701,001)
Net income for the period	1,290,511	1,530,890
Balance at end of one quarter	(177,397,593)	(179,170,111)
<b>TOTAL EQUITY</b>	<b>P847,927,139</b>	P825,724,500

*See accompanying Notes to Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**AS OF MARCH 31, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

	March 31, 2013	March 31, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	P1,365,038	P1,530,890
Adjustments for:		
Depreciation (Notes 2, 3, 11 and 12)	1,097,503	-
Realized exchange loss on sale of available-for-sale financial assets and held to maturity investments (Note 21)	1,826,746	-
Gain on sale of held to maturity investments (Note 18)	(429,088)	-
Gain on sale of available-for-sale financial assets (Note 18)	(1,054,479)	-
Income before working capital changes	2,805,720	1,530,890
Decrease (increase) in:		
Receivables (Notes 2, 3, 4, 7 and 25)	640,073	(210,200)
Prepayments (Note 2)	335,640	330,293
Other assets	(74,527)	-
Increase (decrease) in other payable (Notes 2, 3, 4 and 16)	(123,463)	135,383
Net cash provided by operations	3,490,561	1,786,366
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of available-for-sale financial assets (Notes 2, 3, 4 and 9)	32,735,273	-
Proceeds from retirement of held to maturity investments (Notes 2, 3, 4 and 10)	7,744,244	-
Additions to available-for-sale financial assets (Notes 2, 3, 4 and 9)	(23,070,892)	-
Additions to property and equipment (Notes 2, 3 and 11)	(18,670)	-
Other assets (Note 13)	114,972	(305,002)
Net cash provided by (used in) investing activities	17,504,927	(305,002)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>20,995,488</b>	<b>1,481,364</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>129,424,351</b>	<b>401,428,135</b>
<b>CASH AND CASH EQUIVALENTS AT END OF ONE QUARTER</b>	<b>P150,419,839</b>	<b>P402,909,499</b>
<b>CASH AND CASH EQUIVALENTS AT END OF ONE QUARTER CONSISTS OF:</b>		
Cash on hand and in banks	P4,244,301	P856,788
Money market placements	145,755,189	395,440,189
Dollar time deposits	420,349	6,612,522
	<b>P150,419,839</b>	<b>P402,909,499</b>

See accompanying Notes to Financial Statements.

**PHILCOMSAT HOLDINGS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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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 12th Floor, Telecom 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.

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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 1 (Amendments)	Presentation of Items of Other Comprehensive Income (OCI)
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 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
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.

Amendments to PAS 1, *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)*, 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 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.

Amendments to PAS 12, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*, clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

PAS 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, 2013, 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.

- 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.

#### *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.

Changes in Accounting Policies

The following are the amended standards that are effective and adopted as of 2013 for it is relevant to the Company's operations, however, did not have significant impact on the financial statements:

- 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.

#### 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 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), clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the 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 2013 reporting ahead of its effectivity date on January 15, 2015, therefore, the financial statements as at and for the three months ended March 31, 2013 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, 2013.

#### *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.

The Company will assess and evaluate the impact of this standard and comply with such changes once it becomes effective.

In 2013 and 2012, 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 March 31, 2013, 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-subsiary 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 estimated of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

#### 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 received payment is established.

Gain or loss on sale of financial assets through FVPL, availavble-for-sale financial assets and held-to-maturity investments are 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.

#### Income per Share

Income per share is calculated by dividing the income 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 P2,948,670 and P2,265,615 in March 31, 2013 and 2012, respectively (see Note 18).

Rent expense recognized in the statements of comprehensive income amounted to P224,439 and P213,751 in March 31, 2013 and 2012, 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 March 31, 2013 and 2012 and December 31, 2012.

Receivables amounted to P21,698,931, P26,131,977 and P22,339,982 as of March 31, 2013 and 2012 and December 31, 2012, respectively (see Note 7).

Notes receivables amounted to P44,305,002, net of allowance for doubtful accounts, as of March 31, 2013 and 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 P178,417,540 as of March 31, 2013, P162,250,326 as of March 31, 2012 and P175,737,758 as of December 31, 2012 (see Note 9). There was no impairment loss recognized related to available-for-sale financial assets in March 31, 2013.

#### *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 P27,000,000 as of March 31, 2013, P52,253,831 as of March 31, 2011 and P33,787,206 as of December 31, 2012 (see Note 10). There was no impairment loss recognized related to held to maturity investments in March 31, 2013.

#### *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 P26,655 as of March 31, 2013, P92,560 as of March 31, 2012 and P26,814 as of December 31, 2012 (see Note 11).

The carrying values of investment properties amounted to P124,162,510 as of March 31, 2013, P129,560,880 as of March 31, 2012 and P125,242,184 as of December 31, 2012 (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 March 31, 2013.

#### *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 March 31, 2013.

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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-subsiary, 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:

	March 31, 2013	March 31, 2012	December 31, 2012
Cash and cash equivalents	P150,409,839	P402,899,499	P129,414,351
Short-term investments	245,301,632	–	245,301,632
Receivable	21,698,931	26,131,977	22,339,004
Notes receivable	44,305,002	–	44,305,002
Due from parent company	–	11,851,647	–
Due from co-subsiary	306,250	306,250	306,250
Available-for-sale financial assets	178,417,540	162,250,326	175,737,758
Held to maturity investments	27,000,000	52,253,831	33,787,206
Time deposits with BPI	86,489,093	86,489,093	86,489,093
	<b>P753,928,287</b>	<b>P742,182,623</b>	<b>P737,680,296</b>

The table below shows the analysis of age of financial assets that are past due but are not impaired as of March 31, 2013 and 2012 and December 31, 2012:

	March 31, 2013				Past due and impaired	Total
	Neither past due nor impaired	Past-due but not impaired				
		31 to 90 days	91 to 180 days	More than 180 days		
Cash and cash equivalents	P150,419,839	P–	P–	P–	P–	P150,419,839
Short-term investments	245,301,632	–	–	–	–	245,301,632
Receivables						
Trade	549,240	144,714	–	1,336,255	–	2,030,209
Interest receivable - other related party	24,438	146,788	129,111	–	–	300,337
Interest receivable	484,701	–	–	–	–	484,701
Dividend receivable	287,118	–	–	–	–	287,118
Others	121,716	–	13,861	18,460,989	–	18,596,566
Notes receivable	44,305,002	–	–	–	–	44,305,002
Due from co-subsiary	–	–	–	306,250	–	306,250
Available-for-sale financial assets	178,417,540	–	–	–	–	178,417,540
Held to maturity investments	27,000,000	–	–	–	–	27,000,000
Other assets	–	–	–	86,489,093	–	86,489,093
	<b>P646,911,226</b>	<b>P291,502</b>	<b>P142,972</b>	<b>P106,592,587</b>	<b>P–</b>	<b>P753,938,287</b>

March 31, 2012						
	Neither past due nor impaired	Past-due but not impaired			Past due and impaired	Total
		31 to 90 days	91 to 180 days	More than 180 days		
Cash and cash equivalents	P402,909,499	P-	P-	P-	P-	P402,909,499
Receivables						
Trade	-	2,501,134	-	1,344,686	-	3,845,820
Interest receivable - parent company	268,191	-	-	2,507,233	-	2,775,424
Dividend receivable	186,667	-	-	-	-	186,667
Others	-	210,200	-	19,113,866	-	19,324,066
Due from parent company	-	-	-	11,851,647	-	11,851,647
Due from co-subsiary	-	-	-	306,250	-	306,250
Available-for-sale financial assets	162,250,326	-	-	-	-	162,250,326
Held to maturity investments	52,253,831	-	-	-	-	52,253,831
Other assets	-	-	-	86,489,093	-	86,489,093
	P617,868,514	P2,711,334	P-	P121,612,775	P-	P742,192,623

December 31, 2012						
	Neither past due nor impaired	Past-due but not impaired			Past due and impaired	Total
		31 to 90 days	91 to 180 days	More than 180 days		
Cash and cash equivalents	P129,424,351	P-	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	-	-	18,460,259	-	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
	P630,164,087	P690,399	P243,953	P106,591,857	P-	P737,690,296

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties and industry segments as of March 31, 2013 and 2012 and December 31, 2012.

#### *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 March 31, 2013	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial assets:</b>						
Cash and cash equivalents	P150,419,839	P-	P-	P-	P-	P150,419,839
Short-term investments	245,301,632	-	-	-	-	245,301,632
<b>Receivables</b>						
Trade receivables	2,030,209	-	-	-	-	2,030,209
Interest receivable - other related party	300,337	-	-	-	-	300,337
Interest receivable	484,701	-	-	-	-	484,701
Dividend receivable	287,118	-	-	-	-	287,118
Others	18,596,566	-	-	-	-	18,596,566
Note receivables	44,305,002	-	-	-	-	44,305,002
Due from co-subsiary	306,250	-	-	-	-	306,250
Available-for-sale financial assets	-	-	53,233,730	1,021,722	124,162,088	178,417,540
Held to maturity investments	-	10,000,000	15,000,000	2,000,000	-	27,000,000
Other assets	86,489,093	-	-	-	-	86,489,093
	<b>P548,520,747</b>	<b>P10,000,000</b>	<b>P68,233,730</b>	<b>P3,021,722</b>	<b>P124,162,088</b>	<b>P753,938,287</b>

As of March 31, 2013	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial liabilities:</b>						
Accounts payable and accruals	P7,777,019	P-	P-	P-	P-	P7,777,019
Due to parent company	7,588,913	-	-	-	-	7,588,913
Other payables	1,577,889	-	-	-	-	1,577,889
	<b>P16,943,821</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P16,943,821</b>

As of March 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	P402,909,499	P-	P-	P-	P-	P402,909,499
<b>Receivables</b>						
Trade receivables	3,845,820	-	-	-	-	3,845,820
Interest receivable - parent company	2,775,424	-	-	-	-	2,775,424
Dividend receivable	186,667	-	-	-	-	186,667
Others	19,324,066	-	-	-	-	19,324,066
Due from parent company	11,851,647	-	-	-	-	11,851,647
Due from co-subsiary	306,250	-	-	-	-	306,250
Available-for-sale financial assets	-	-	51,702,068	-	110,548,258	162,250,326
Held to maturity investments	-	30,000,000	15,000,000	7,253,831	-	52,253,831
Other assets	86,489,093	-	-	-	-	86,489,093
	<b>P527,688,466</b>	<b>P30,000,000</b>	<b>P66,702,068</b>	<b>P7,253,831</b>	<b>P110,548,258</b>	<b>P742,192,623</b>

As of March 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	P28,550,567	P-	P-	P-	P-	P28,550,567
Other payables	850,944	-	-	-	-	850,944
	<b>P29,401,511</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P29,401,511</b>

As of December 31, 2012	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Cash and cash equivalents	P129,424,351	P-	P-	P-	P-	P129,424,351
Short-term investments	245,301,632	-	-	-	-	245,301,632
Receivables						
Trade receivables	2,513,884	-	-	-	-	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-subsiary	306,250	-	-	-	-	306,250
Available-for-sale financial assets	-	-	51,761,976	996,647	122,979,135	175,737,758
Held to maturity investments	10,000,000	15,000,000	-	8,787,206	-	33,787,206
Other assets	86,489,093	-	-	-	-	86,489,093
	P538,165,332	P15,000,000	P51,761,976	P9,783,853	P122,979,135	P737,690,296

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

### 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:

	March 31, 2013		March 31, 2012		December 31, 2012	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Cash in bank	\$482	P19,719	\$482	P19,841	\$482	P19,841
Time deposits	10,268	420,349	150,545	6,612,522	10,238	421,717
Available-for-sale financial assets	-	-	617,814	26,516,563	809,518	33,345,682
Held to maturity investments	-	-	165,130	7,253,831	164,770	6,787,206
	\$10,750	P440,068	\$933,971	P40,402,757	\$985,008	P40,574,446

With the translation of this foreign currency-denominated assets, the Company reported net foreign exchange loss amounting to P1,829,464 in March 31, 2013. These resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
March 31, 2013	40.8000
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:

	March 31, 2013	March 31, 2012	December 31, 2012
Share capital	P996,391,254	P996,391,254	P996,391,254
Deficit	(177,397,593)	(179,170,111)	(178,688,104)
	<b>P818,993,661</b>	<b>P817,221,143</b>	<b>P817,703,150</b>

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 2013 and 2012.

### Financial Assets and Financial Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of March 31, 2013 and 2012 and December 31, 2012 are presented below:

	March 31, 2013		March 31, 2012		December 31, 2012	
	Carrying amounts	Fair values	Carrying amounts	Fair values	Carrying amounts	Fair values
<b>Financial assets:</b>						
Cash and cash equivalents	P150,419,839	P150,419,839	P402,909,499	P402,909,499	P129,424,351	P129,424,351
Short-term investments	245,301,632	245,301,632	-	-	245,301,632	245,301,632
Receivables	21,698,931	21,698,931	26,131,977	26,131,977	22,339,004	22,339,004
Notes receivable	44,305,002	44,305,002	-	-	44,305,002	44,305,002
Due from parent company	-	-	11,851,647	11,851,647	-	-
Due from co-subsiary	306,250	306,250	306,250	306,250	306,250	306,250
Available-for-sale	178,417,540	178,417,540	162,250,326	162,250,326	175,737,758	175,737,758
Held to maturity	27,000,000	27,000,000	52,253,831	52,253,831	33,787,206	33,787,206
Other assets	86,489,093	86,489,093	86,489,093	86,489,093	86,489,093	86,489,093
	<b>P753,938,287</b>	<b>P753,938,287</b>	<b>P742,192,623</b>	<b>P742,192,623</b>	<b>P737,690,296</b>	<b>P737,690,296</b>
<b>Financial liabilities:</b>						
Accounts payable and accruals	P7,777,019	P7,777,019	P28,550,567	P28,550,567	P7,869,901	P7,869,901
Other payables	1,577,889	1,577,889	850,944	850,944	850,944	850,944
Due to parent company	7,588,913	7,588,913	-	-	10,468,953	7,588,913
	<b>P16,943,821</b>	<b>P16,943,821</b>	<b>P29,401,511</b>	<b>P29,401,511</b>	<b>P19,189,798</b>	<b>P16,309,758</b>

#### *Assumption used to estimate fair values*

The carrying amounts of cash and cash equivalents, short-term investments, receivables, notes receivable, due from co-subsiary, 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)

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## 5. Cash and Cash Equivalents

This account consists of:

	March 31, 2013	March 31, 2012	December 31, 2012
Cash on hand and in banks	P4,244,301	P856,788	P3,757,819
Money market placements	145,755,189	395,440,189	125,244,815
Dollar time deposits	420,349	6,612,522	421,717
	<b>P150,419,839</b>	<b>P402,909,499</b>	<b>P129,424,351</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 P1,003,569 for the quarter ended March 31, 2013.

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).

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## 6. Short-term Investments

This account pertains to time deposits with Planters Development Bank (PDB) amounting to P245,301,632 as of March 31, 2013 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 P2,433,143 for the quarter ended March 31, 2013.

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## 7. Receivables

This account consists of:

	March 31, 2013	March 31, 2012	December 31, 2012
Trade receivable	P2,030,209	P3,845,820	P2,513,884
Interest receivable	484,701	–	637,524
Interest receivable - other related party (Note 25)	300,337	–	129,111
Dividend receivable	287,118	186,667	573,996
Interest receivable - parent company (Notes 25)	–	2,775,424	–
Others	18,596,566	19,324,066	18,484,489
	<b>P21,698,931</b>	<b>P26,131,977</b>	<b>P22,339,004</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

	March 31, 2013	March 31, 2012	December 31, 2012
Principal	<b>P169,305,002</b>	P125,000,000	P169,305,002
Less: Allowance for probable losses	<b>125,000,000</b>	125,000,000	125,000,000
Net	<b>P44,305,002</b>	P-	P44,305,002

Principal amount of notes receivable are as follows:

Maker	Value Date	Term	Rate	Cost
Antonio Araneta				<b>P125,000,000</b>
PCCI Finance Corporation	29-Jan-13	180 days	6.00%	<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 at the trial stage awaiting the presentation of evidence by Ansear and Mr. Araneta.

## 9. Available-for-sale Financial Assets

Available-for-sale financial assets consist of:

	March 31, 2013	March 31, 2012	December 31, 2012
Philam Strategic Growth Fund	P52,957,377	P28,998,616	P30,951,152
UITF Peso Bond Fund	38,461,466	33,595,562	35,217,244
SMC Purefood Preferred Shares	31,260,000	30,600,000	30,540,000
Sun Life Prosperity Balanced Fund	22,958,221	12,932,686	14,501,893
Retail Treasury Bonds	21,973,730	21,102,068	21,221,976
Sun Life Prosperity GS Fund	9,785,024	8,504,830	8,963,164
SM Investment Corp. Bonds	1,021,722	-	996,647
PAMI Asia Balanced Fund Inc Dollar	-	16,997,799	17,126,712
UITF Dollar Bond Fund	-	9,518,765	9,913,634
Sun Life Prosperity Dollar Abundance Fund	-	-	6,305,336
	<b>P178,417,540</b>	<b>P162,250,326</b>	<b>P175,737,758</b>

Interest earned from these investments amounted to P250,750 for the quarter ended March 31, 2013.

Dividend earned from these investments amounted to P574,238 for the quarter ended March 31, 2013.

Available-for-sale financial assets sold as of March 31, 2013 amounted to P33,345,682.

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

	March 31, 2013	March 31, 2012	December 31, 2012
Balance at beginning of year	P15,289,098	P693,041	693,041
Fair value changes during the year recognized in other comprehensive income	12,954,571	7,810,316	14,596,057
Reversal of fair value changes of AFS sold	689,809	-	-
	<b>P28,933,478</b>	<b>P8,503,357</b>	<b>P15,289,098</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:

*March 31, 2013*

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
Filinvest Land Inc. Bonds	08-Jun-12	08-Jun-19	5.0185%	2,000,000
				<b>P27,000,000</b>

*March 31, 2012*

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>

*December 31, 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	5.02%	2,000,000
				<b>P33,787,206</b>

Interest earned from these investments amounted to P381,484 for the quarter ended March 31, 2013.

## 11. Property and Equipment

This account consists of:

	December 31, 2012	Additions	Reversals	March 31, 2013
Cost				
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	229,045	18,670	-	<b>247,715</b>
	8,608,216	18,670	-	<b>8,626,886</b>

*Forward*

Less accumulated depreciation				3,486,626
Furniture and fixtures	3,486,626	-	-	4,892,545
Transportation equipment	4,892,545	-	-	220,060
Office equipment	202,231	17,829	-	8,599,231
	8,581,402	17,829	-	8,599,231
	P26,814			P27,655

	December 31, 2011	Additions	Reversals	March 31, 2012
Cost				
Furniture and fixtures	P3,486,626	P-	P-	P3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	220,563	-	-	220,563
	8,599,734	-	-	8,599,734
Less accumulated depreciation				
Furniture and fixtures	3,486,626	-	-	3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	128,003	-	-	128,003
	8,507,174	-	-	8,507,174
	P92,560			P92,560

	December 31, 2011	Additions	Reversals	December 31, 2012
Cost				
Furniture and fixtures	P3,486,626	P-	P-	P3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	220,563	8,482	-	229,045
	8,599,734	8,482	-	8,608,216
Less accumulated depreciation				
Furniture and fixtures	3,486,626	-	-	3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	128,003	74,228	-	202,231
	8,507,174	74,228	-	8,581,402
	P92,560			P26,814

Depreciation amounting to P17,829 was included in General and Administrative Costs in the Statements of Comprehensive Income for the quarter ended March 31, 2013.

All fully depreciated property and equipment amounting to P8,469,544 as of March 31, 2013 are still in use and not retired from active use.

No impairment loss was recognized for the quarter ended March 31, 2013.

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

## 12. Investment Properties

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

	December 31, 2012	Additions	Reversals	March 31, 2013
Condominium unit	P164,772,000	P-	P-	<b>P164,772,000</b>
Less accumulated depreciation	39,529,816	1,079,674	-	<b>40,609,490</b>
	<b>P125,242,184</b>			<b>P124,162,510</b>

	December 31, 2011	Additions	Reversals	March 31, 2012
Condominium unit	P164,772,000	P-	P-	P164,772,000
Less accumulated depreciation	35,211,120	-	-	35,211,120
	<b>P129,560,880</b>			<b>P129,560,880</b>

	December 31, 2011	Additions	Reversals	December 31, 2012
Condominium unit	P164,772,000	P-	P-	P164,772,000
Less accumulated depreciation	35,211,120	4,318,696	-	39,529,816
	<b>P129,560,880</b>			<b>P125,242,184</b>

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

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

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

The condominium unit is being leased out to third parties. Rent income derived from the rental of condominium unit amounted to P2,948,670 in March 31, 2013. Expenses paid for the condominium units that are being leased out amounted to P631,903, which represents real property tax, insurance, repairs and maintenance and dues and subscription.

Depreciation amounting to P1,079,674 was charged to Cost of Service in the Statements of Comprehensive Income for the quarter ended March 31, 2013 (see Note 19).

No impairment loss was recognized for the quarter ended March 31, 2013.

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:

	March 31, 2013	March 31, 2012	December 31, 2012
Time deposits with BPI	P86,489,093	P86,489,093	P86,489,093
Input tax	3,257,053	1,442,858	3,425,719
Creditable withholding tax	1,820,054	1,378,038	1,766,360
	<b>P91,566,200</b>	<b>P89,309,989</b>	<b>P91,681,172</b>

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 the continued weakening of the US dollar, the Company requested BPI to convert 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 secure the necessary Court order for that purpose. In the Order dated June 17, 2011, the Court granted the conversion of the dollar deposits to Philippine pesos.

The time deposits with BPI are short-term investments with periods of thirty five (35) days at an interest rate of 2.5% per annum as August 11, 2011.

### 14. Accounts Payable and Accruals

This account consists of:

	March 31, 2013	March 31, 2012	December 31, 2012
Accounts payable - trade	P2,268,642	P2,268,642	P2,268,642
Accrued expenses	5,062,508	25,836,055	5,062,508
Accounts payable - others (Note 28)	445,869	445,870	538,751
	<b>P7,777,019</b>	<b>P28,550,567</b>	<b>P7,869,901</b>

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.

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

For the quarter ending March 31, 2013 and year ending December 31, 2012, due to parent company amounted to P7,588,913, and for the quarter ending March 31, 2012, due from parent company amounted to P11,851,647. The account is composed mainly of non interest bearing advances to / from Philcomsat.

#### 16. Other Payables

This account consists of:	March 31, 2013	March 31, 2012	December 31, 2012
Deposit (Note 23)	<b>P686,550</b>	P686,550	P686,550
Withholding tax expanded	<b>711,949</b>	892,985	835,412
Subscribers' deposit	<b>139,394</b>	139,394	139,394
Documentary stamp tax payable	<b>10,201</b>	51,746	10,201
Advances from officers and employees	<b>25,000</b>	25,000	25,000
SSS loans payable	<b>4,795</b>	4,795	4,795
Output tax	<b>-</b>	247,910	-
	<b>P1,577,889</b>	P2,048,380	P1,701,352

#### 17. Share Capital

This account consists of:

	March 31, 2013	March 31, 2012	December 31, 2012
Authorized share capital			
1,000,000,000 common shares at P1 par value	<b>P1,000,000,000</b>	P1,000,000,000	P1,000,000,000
Issued and outstanding			
996,391,254 common shares at P1 par value	<b>P996,391,254</b>	P996,391,254	P996,391,254

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 March 31, 2013.

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**18. Revenue**

This account consists of:

	From January 1 to March 31, 2013	From January 1 to March 31, 2012
Interest income subjected to final tax	P4,456,946	P5,086,135
Rent income (Note 23)	2,948,670	2,265,615
Gain on sale of held to maturity investments	1,054,479	-
Dividend income	574,238	-
Gain on sale of available-for-sale financial assets	429,088	-
Interest income not subjected to final tax	248,782	-
Miscellaneous	125,000	117,500
	<b>P9,837,203</b>	<b>P7,469,250</b>

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**19. Cost of Service**

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

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**20. General and Administrative Costs**

This account consists of:

	From January 1 to March 31, 2013	From January 1 to March 31, 2012
Director's fee (Note 25)	P1,725,000	P1,725,000
Professional fees	1,673,804	1,521,087
Taxes and licenses	708,642	696,540
Management fee - legal fee	396,608	706,667
Rental (Note 23)	224,439	213,751
Dues and subscription	103,650	58,050
Representation and entertainment	70,172	51,808
Communication, light and water	53,838	62,152
Depreciation (Note 11)	17,829	-
Advertising, publication and promotion	48,060	376,277
Insurance	377,168	372,942
Repairs and maintenance	121,367	118,610
Stationery, print and office supplies	14,429	3,544
Seminar and training	-	8,250
Travel and transportation	10,027	14,861
Miscellaneous	17,994	8,822
	<b>P5,563,027</b>	<b>P5,938,360</b>

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## 21. Other Expenses

This account consists of:

	From January 1 to March 31, 2013	From January 1 to March 31, 2012
Realized loss on foreign exchange	P1,826,746	P-
Unrealized loss on foreign exchange	2,718	-
	<b>P1,829,464</b>	<b>P-</b>

## 22. Income Tax

The provision for income tax represents the minimum corporate income tax.

The following is the computation of regular corporate income tax:

	From January 1 to March 31, 2013	From January 1 to March 31, 2012
Net income	P1,365,038	P1,530,890
Add (deduct) permanent differences:		
Nondeductible representation expense	22,111	27,977
Dividend income	(574,238)	-
Interest income subjected to final tax	(4,456,946)	(5,086,135)
Add (deduct) temporary differences:		
Unrealized forex loss for current year	2,718	-
Realized forex loss from last year	(279,613)	-
Taxable loss	<b>(P3,920,930)</b>	<b>(P3,527,268)</b>
Tax due at 30%	<b>P-</b>	<b>P-</b>

The following is the computation of minimum corporate income tax:

	From January 1 to March 31, 2013	From January 1 to March 31, 2012
Rent income	P2,948,670	P-
Gain on sale of held to maturity investments	1,054,479	-
Gain on sale of available-for-sale financial assets	429,088	-
Interest income not subject to final tax	248,782	-
Miscellaneous	125,000	-
Total income	4,806,019	-
Less depreciation of condominium unit	1,079,674	-
Taxable income	<b>P3,726,345</b>	<b>P-</b>
Tax due at 2%	<b>P74,527</b>	<b>P-</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	-	13,485,113	2013
December 31, 2009	17,571,118	17,571,118	-	2012
	<b>P99,840,974</b>	<b>P17,571,118</b>	<b>P82,269,856</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

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, 2013 to September 14, 2014. Monthly rental fee for the leased space is P1,098,480. The leased space has an area of one thousand eight hundred thirty point eighty (1,830.80) square meters. The contract of lease provides for security deposit equivalent to one (1) month rent.

Rent income recognized for the lease of the condominium unit amounted to P2,948,670 for the quarter ended March 31, 2013 and P2,265,615 for the quarter ended March 31, 2012.

#### The Company As a Lessee

On 2013, the Company renewed its lease agreement with Philcomsat for its office space with an area of one hundred sixty (160) square meters located at 12th Floor Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City at a monthly rental of P80,049.91. The renewed term of lease is for a period of one year commencing on January 1, 2013 to December 31, 2013, renewable upon mutual agreement of both parties.

Rent expense recognized for the lease of the office space amounted to P224,439 for the quarter ended March 31, 2013 and P213,751 for the quarter ended March 31, 2012.

### 24. Income Per Share

	From January 1 to March 31, 2013	From January 1 to March 31, 2012
Net income	<b>P1,290,511</b>	P1,530,890
Weighted average no. of shares outstanding	<b>996,391,254</b>	996,391,254
	<b>P0.0013</b>	P0.0015

## 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 March 31, 2013

	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	P-	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
	Rental expense			224,439	-
<b>(b) Co-Subsidiaries</b>					
Montemar Resort Development Corp.	Due from co-subsidiary	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
	Interest receivable	unsecured, payable in cash and upon maturity of the note receivable, no guarantees	none	248,782	300,337

### As of March 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 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	268,191	2,775,424
	Deposit for future subscription	unsecured, noninterest-bearing, no term, payable in exchange for shares of stock, no guarantees	none	-	18,894,000
	Rental expense			213,751	-
<b>(b) Co-Subsidiaries</b>					
Montemar Resort Development Corp.	Due from co-subsidiary	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	-	306,250

As of December 31, 2012

	Classifications	Terms and Condition	Allowance for bad debts/ Bad debts for the year	Amount of the Transaction	Outstanding Balance
<i>(a) Parent Company</i>					
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	-
<i>(b) Co-Subsidiaries</i>					
Montemar Resort Development Corp.	Due from co-subsidiary	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	-	306,250
<i>(c) Other Related Parties</i>					
Montemar Beach Club Inc.	Notes receivable	unsecured, 7% per annum, one year, payable in cash, no guarantees	none	-	14,305,002
	Interest receivable	unsecured, payable in cash and upon maturity of the note receivable, no guarantees	none	129,111	129,111

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 provide/avail a non-interest bearing advances for investing and/or working capital purposes	lease contract (Note 23) none
Montemar Resort Development Corp.	co-subsidiary	provide/avail a non-interest bearing advances for investing and/or working capital purposes	none
Montemar Beach Club Inc.	other related party	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:

	March 31, 2013	March 31, 2012
Director's fee	P1,725,000	P1,725,000

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.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*Key Performance Indicators (KPI)*

The Company's KPI for the quarters ended March 31, 2013 and 2012 are as follows:

Performance Indicator	Formula	March 31, 2013	March 31, 2012
<i>Liquidity</i>			
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	27.30:1	14.44:1
<i>Leverage</i>			
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	.04:1	.06:1
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	1.04:1	1.06:1
<i>Profitability</i>			
Gross Profit Ratio	$\frac{\text{Gross Profit}}{\text{Revenue}}$	.89:1	1:1
Net Profit Ratio	$\frac{\text{Net Profit}}{\text{Revenue}}$	.13:1	.20:1
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	.15%	.17%
Return on Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$	.15%	.19%
<i>Efficiency</i>			
Operating Expense Ratio	$\frac{\text{Operating Expenses}}{\text{Gross Operating Income}}$	64%	80%
Interest Rate Coverage Ratio	$\frac{\text{Earnings before Interest Expense and Taxes}}{\text{Interest Expense}}$	NA	NA

*Liquidity*

The Company's current assets of P462,591,055 as of March 31, 2013 and current liabilities of P16,943,821 resulted in an improved liquidity ratio of 27.30:1 compared to the same quarter of previous year wherein the ratio was at 14.44:1. Investments in bonds, mutual funds and preferred shares totaling P205,417,540 were classified under non-currents assets and therefore not included in the computation of this ratio.

*Leverage*

The Company's leverage ratios are negligible.

Gross profit ratio as of March 31, 2013 is .89:1 lower than March 31, 2012 which is 1:1.

Net Profit ratio as of March 31, 2013 is .13:1 lower than March 31, 2012 which is .20:1

Debt to equity ratio as of March 31, 2013 is .04:1 lower than March 31, 2012 which is .06:1.

Asset to equity ratio as of March 31, 2013 is 1.04:1 lower than March 31, 2012 which is 1.06:1.

*Profitability*

Return on assets and return on equity as of March 31, 2013 is .15% compared to the same quarter last year which is .17%.

### *Efficiency*

Operating efficiency for the quarter ended March 31, 2013 was lower than same quarter of previous year.

### **Results of Operations**

From 2000 to 2010, the Corporation was involved in an intra-corporate feud between the Brodett-Araneta-Lokin-Loecin-Poblador Group, who controlled the Corporation from 2000 to December 2007, present Management assumed control in December 2007.

Due to the hostile take-over, the Brodett Group withdrew the corporate funds, transferred corporate property and held the corporate funds. Thus, for the period between December 2007 and May 2010, present Management has not been able to focus on growing the business and operations of the Corporation as all efforts were geared towards recovering corporate assets.

Presently, the Company's investments remain in money market placements and other liquid financial instruments. It owns real estate properties, specifically the 2/F Pacific Star Building, Sen. Gil Puyat Avenue, Makati City from which the company derives rental income.

The following table shows the results of Philcomsat Holdings Corporation's operations for the quarter ended March 31, 2013 and 2012:

Results of Operations	For the quarter ended			YoY Change (%)
	March 31, 2013	March 31, 2012	Increase/ (Decrease)	
Revenues	P9,837,203	P7,469,250	P2,367,953	31.70%
Expenses	8,472,165	5,938,360	2,533,805	42.67%
Income from operations	P1,365,038	P1,530,890	(P165,852)	(10.83%)

The Company's income from operations amounted to P1,365,038 for this quarter ending March 31, 2013 compared to the same period in the previous year which is P1,530,890.

Despite the 31.7% increase in revenue, income from operations decreased by 10.8% because of losses incurred in the conversion of US Dollar denominated investments to Philippine Pesos.

Discussion and Analysis of Material Events and Uncertainties

- |   |             |
|---|-------------|
| i. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.                    | <b>None</b> |
| ii. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.   | <b>None</b> |
| iii. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. | <b>None</b> |
| iv. Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.  | <b>None</b> |
| v. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.          | <b>None</b> |
| vi. Any significant elements of income or loss that did not arise from the registrant's continuing operations   | <b>None</b> |
| vii. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.  | <b>None</b> |
| viii. Any seasonal aspects that had a material effect on the financial condition or results of operations.  | <b>None</b> |

### List of Top 20 Stockholders as of March 31, 2013

Rank	Name	Number of Common Shares	%
1	Philippine Communications Satellite Corp.	800,590,390	80%
2	Somera, Jr., Prudencio C.	100,000,100	10%
3	Laperal, Oliverio G.	49,556,500	5%
4	PCD Nominee Corporation (Filipino)	14,213,265	1%
5	RCBC T/A 236-235 A/C Oliverion Laperal	4,802,413	0%
6	Marino Olondriz Y Cia	3,075,600	0%
7	Ozamiz, Jose Ma.	2,700,000	0%
8	RCBC T/A 36-250 A/C Oliverio Laperal	2,689,000	0%
9	Phil. Oil Development Corp.	1,500,000	0%
10	Imperial Resources, Inc.	800,000	0%
11	Laperal, Jr., Oliverio	776,743	0%
12	Benjamin Co Ca & Co., Inc.	504,300	0%
13	Concepcion, Regina L.	481,000	0%
14	Laperal, Rosamaria L.	448,000	0%
15	Laperal, Alexandra L.	440,000	0%
16	Ansaldo, Godinez & Co., Inc.	369,250	0%
17	Dacillo, Nenita	320,000	0%
18	Bridgestone Securities Corporation	307,425	0%
19	Lee, Phillip &/or Gloria Lee	300,000	0%
20	Omico Corporation	300,000	0%

**As of March 31, 2013, the members of Board of Directors/Key Officers of Philcomsat Holdings Corporation are as follows:**

Katrina Ponce Enrile	Director and Chair
Daniel C. Gutierrez	Director and Vice-Chair
Ramon Jacinto	Director and President
Erlinda I. Bildner	Director and CFO/Treasurer
Marietta K. Ilusorio	Director
Jose Ma. Ozamiz	Director
Pablo L. Lobregat	Director
Abraham R. Abesamis	Director
Robert Jaworski Jr.	Director
Prudencio C. Somera	Director
Oliverio Laperal	Director
Victoria C. De los Reyes	Corporate Secretary
John Benedict Sioson	Assistant Corporate Secretary
Loma P. Kapunan	Chief Legal Counsel and Chief Compliance Officer