

17-A 2014

PHILCOMSAT HOLDINGS CORPORATION

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

April 15, 2014

Philippine Stock Exchange
2/F Tower One
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

We are pleased to transmit herewith the Corporation's Annual Report for the year ended December 31, 2013.

Thank you.

Very truly yours,


JAVIER MIGUEL T. IBAZETA
Corporate Information Officer

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

815-8406

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC Form 17-A

FORM TYPE

Any day in May

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

996,391,254

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

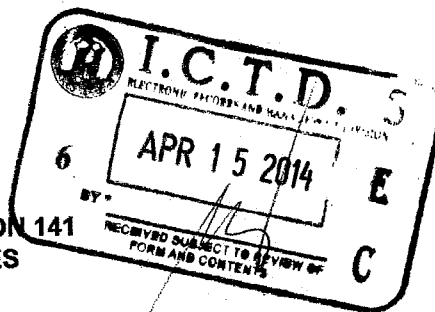
STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended 31 December 2013
2. SEC Identification Number 11163
3. BIR Tax Identification No. 000-473-206-000
4. Exact name of issuer as specified in its charter *Philcomsat Holdings Corporation*
5. *Philippines*
Province, Country or other jurisdiction of incorporation or organization
6. XXXXXXXXXX (SEC Use Only)
Industry Classification Code:
7. *12/F Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City* 1200
Address of principal office Postal Code
8. *(632) 815-8406*
Issuer's telephone number, including area code
9.
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

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

11. Are any or all of these securities listed on a Stock Exchange.

Yes [x] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

The total authorized capital stock of the Corporation is 1,000,000,000 of which 60,000,000 common shares are listed at the Exchange. The remaining 940,000,000 common shares were registered with the SEC on August 31, 2000. On August 20, 2001, the PSE deemed the Corporation's application for listing abandoned and any re-application shall be treated as a new application after payment of a new processing fee. The Corporation intends to pursue the listing of the said 940,000,000 common shares.

12. Check whether the issuer:

The Corporation submitted its Annual Report (17-A) for the period ended December 31, 2012 on April 12, 2013. It likewise submitted its quarterly reports for March 2013, June 2013, and September 2013 on May 10, 2013, August 14, 2013 and November 14, 2013, respectively.

13. State the aggregate market value of the voting stock held by non-affiliates of the Corporation.

Per the last disclosure of previous Management, the aggregate market value of the voting stock held by non-affiliates of the Corporation as of 31 December 2005, is P193,719,464.19. On 2 May 2007, trading of the Corporation's shares was suspended. As a result of the losses, disbursements and expenses incurred by previous Management, and the cost of recovery of such losses, the present aggregate market value of the voting stock held by non-affiliates of the Corporation is P180,540,060.70.

DOCUMENTS INCORPORATED BY REFERENCE

14. Documents incorporated by reference:

Annex "A"- Statement of Management's Responsibility for Financial Statements and Audited Financial Statements for the fiscal period ending 31 December 2013.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) ***Business Development***

(a) **Form and Year of Organization of the Corporation**

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, exploitation, development and exploration of mineral oils, petroleum in its natural state, rock or carbon oils, natural 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 and were approved by the SEC on July 23 and September 12, 1997 respectively. The authorized capital of the Corporation is One Billion Pesos (P1,000,000,000.00) 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). While the SEC approved the registration of the remaining 940,000,000 shares on August 31, 2000, the PSE considered the Corporation's application abandoned. A later attempt to revive the Corporation's application for listing at the PSE was deferred at the request of PCGG Chairman Camilo Sabio, in his letter dated March 1, 2005 to the PSE. During the 2006 House Committee investigation into the anomalous losses of PHC, PCGG Chair Sabio promised to withdraw his objection to the listing of the said shares, but he failed to made good on his promise. PHC is not, and was never been a sequestered corporation; hence, the improper and intrusive interference by the Commission into PHC's operation during 2005 to 2007 remains unexplainable. Several requests were made to new PCGG Chairman Andres Bautista to withdraw the PCGG's objection to the listing of the shares but he has not acted on them.

(b) **Bankruptcy, Receivership or Similar Proceeding**

The Corporation is not involved in any bankruptcy, receivership or similar proceeding.

(c) **Material Reclassification, Merger, Consolidation, Purchase/
Sale of Assets not in the Ordinary Course of Business**

The Corporation is not involved in any material reclassification, merger, consolidation, purchase or sale of assets not in the ordinary course of business.

(2) Business of the Corporation

(a) Description

(i) Products/Services/Facilities

The Corporation holds investments in money market placements. It also owns real estate properties, specifically, the 2/F Pacific Star Building, Sen. Gil Puyat Avenue, Makati City. It has no product or service that contributes ten percent (10%) or more to sales or revenue.

The Corporation is a subsidiary of the Philippine Communications Satellite Corporation ("Philcomsat") which owns seventy nine percent (79%) of the outstanding capital stock of the Corporation.

(ii) Foreign Sales

The Corporation does not have any foreign sales or revenues.

(iii) Distribution of Products and Services

The Corporation does not distribute any facility, product and service.

(iv) Status of Publicly Announced New Product

The Corporation does not have a publicly announced new product.

(v) Competition

The Corporation does not have direct competitors for its money market operations. Insofar as its Pacific Star property is concerned, the same is already subject of a long-term lease.

(v) Raw Materials and Supplies

The Corporation's facilities, services and products do not require the use of raw materials and supplies.

(vii) Major Customers

This disclosure is not applicable to the Corporation's business.

(viii) Related Parties

The Corporation entered into a Memorandum of Agreement on 26 November 1999 allegedly with Philcomsat whereby the Corporation agreed to finance the purchase of vehicles for the officers and managers of Philcomsat to the extent of P20,000,000.00 with interest at the rate of 3% over and above the average lending rate of commercial banks. The Corporation (as Lessor) and Philcomsat (as alleged Lessee) entered into a lease agreement for each vehicle. The term of each lease was three years, reckoned from the date of purchase of the vehicle or upon early repayment in full by and at the option of the latter, whichever comes first. The members of the Brodett-Araneta-Poblador-Lokin-Locsin Group represented both the Corporation and Philcomsat on this Agreement, which has since been abrogated by the present Board of Directors. There is no record of any payment made by Philcomsat (Brodett-Araneta-Poblador-Lokin-Locsin) to the Corporation, nor is there record of full payment on the majority of the cars purchased under the Agreement by the members of the Brodett-Araneta-Poblador-Lokin-Locsin Group who availed of the privilege.

At the stockholders' meeting held on 19 December 2013, the stockholders approved the setting up of a 100% owned subsidiary. The said subsidiary is in the process of incorporation.

(ix) Patents, Trademarks, Licenses, etc.

The Corporation does not own any patent, trademark, license or franchise.

(x) Government Approval

The Corporation obtains all requisite national and local government licenses, permits and fees for its operations.

(xi) Effect of Governmental Regulations

The Corporation does not expect to be affected by any existing or probable governmental regulations aside from those issued by the PSE and the SEC.

(xii) Research and Development Activities

The Corporation has no expenditures for research and development for the last three (3) fiscal years.

(xiii) Environmental Laws

This disclosure is not applicable to the Corporation's business and concerns.

(xiv) Number of Employees

As of 31 December 2013, the present Board of Directors has not engaged any regular employee. The Corporation's businesses and concerns were managed and handled by the executives, staff members and consultants of Philcomsat, the 79% owner of the Corporation.

The Corporation has no collective bargaining agreement and there had been no strikes or threats of strike within the past three (3) years.

The Corporation may consider employing full-time staff within the next twelve (12) months should the need arise. Management does not foresee granting any supplemental benefit or incentive arrangement with future employees.

(xv) Major risks

Being involved in money market operations, the major risks of the Corporation are the fluctuation of money market fund rates and inflation. Management carefully evaluates its placements to ensure that the Corporation's investments are typically safe and liquid and provide decent returns.

Item 2. Properties

The Corporation owns one (1) unit located at the 2/F Pacific Star Building, Sen. Gil Puyat Avenue, Makati City with an area of 1830.80 sqm. and covered by CCT No. 40895. This property is free from all liens and encumbrances. There are no limitations on ownership and usage of this property. The Corporation has no plans at the present time to acquire new properties.

The Corporation currently leases its office space at its current business address at the 12/F Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City with a floor area of 127.55 sq. m. at a total price of P74,813.00 per month.

Item 3. Legal Proceedings

The Corporation is a party to the following legal actions and proceedings which are not expected to have a material effect on its financial position.

1. As Plaintiff/Complainant/Petitioner

a. PHC vs. BPI (Civil Case No. 07-840), RTC Makati Branch 62

This is a case filed on 11 September 2007 to compel BPI to recognize the present Board of Directors as the owner and manager of deposit accounts in BPI in the amounts of P11.69 million and US\$1.4 million as of December 2007. The RTC issued a writ of preliminary injunction preventing BPI from allowing withdrawals from the said accounts. However, upon Petition by Enrique Locsin, the said injunction was annulled. The Court rendered a decision in favor of PHC Bildner Group on 25 September 2013. BPI and PHC Bildner Group entered into a Compromise Agreement whereby the latter was paid most of its claims, and the former agreed to withdraw its Notice of Appeal. The Court deemed the Notice of Appeal withdrawn on 12 December 2013. The case is now closed and terminated.

b. PHC vs. BPI and PHC (CA G.R. Sp. No. 102437), Court of Appeals

This is a Petition filed by PHC (represented by Enrique L. Locsin) on 19 February 2008 to nullify the writ of preliminary injunction issued by the RTC in Civil Case No. 07-840. The Court of Appeals found in favor of the petitioner and PHC (represented by Erlinda I. Bildner) elevated the case to the Supreme Court on 13 March 2009 and docketed as SC G.R. No. 186590. On 3 July 2013, the Supreme Court in GR Nos. 184622, 184712-14, 186066 and 186590 ruled in favor of the Bildner Group and affirmed the Court of Appeals Decision issued in CA GR SP Nos. 98097 and 98399 and dated 30 September 2008, which declared the Bildner group as the legitimate board of directors of PHC. The 3 July 2013 Decision attained finality on 23 October 2013 when the Supreme Court issued a Resolution denying the Motions for Reconsideration filed by the opposing parties.

c. PHC vs. Araneta & Lokin (Civil Case No. 10-525), RTC Makati, Br. 56

On 26 May 2010, PHC filed a collection suit against respondents Lokin and Araneta for the sum of P35.3 Million. This amount was the deposit of PHC with Bankwise, which was utilized by Araneta as a guarantee and eventually the payment of his personal loan from said bank. The use of this deposit by Araneta was made possible through the help of Lokin who issued a Secretary's Certificate evidencing the spurious authority. Lokin and Araneta assailed the jurisdiction of the trial court claiming that it should be Sandiganbayan which has jurisdiction. They elevated their petition for certiorari regarding the issue on jurisdiction with the Court of Appeals. Their separate petitions therein docketed as CA G. R. SP Nos. 120311 and 120354 are now consolidated and pending for resolution. In the meantime, the case before the RTC is likewise pending.

**d. PHC vs. Emerald Registry & Transfers Corporation, et al., (Civil Case No. 10-529)
RTC Makati, Br. 149**

PHC filed a complaint against defendants seeking for the return of all corporate books and records in its possession including the list of all stockholders of PHC. The same is undergoing trial.

e. PHC vs. Poblador (I.S. No. 08-B-1665), Office of the City Prosecutor of Makati

This is a complaint for estafa filed by PHC (represented by Jose Ma. Ozamiz) against Concepcion A. Poblador on 12 February 2008 to compel her to account for the P16.7 million advances she received. On 9 February 2009, the case was dismissed by the City Prosecutor. On 5 March 2009, PHC filed a Petition for Review with the Department of Justice. The DOJ issued a Resolution finding probable cause against Poblador but only for P247,093.00. PHC filed a partial motion for reconsideration and Poblador filed her own motion for reconsideration. On 30 October 2013, our Motion for Reconsideration were denied with finality. Based on records, it appears that an Information for P247,093.00 was filed with the Regional Trial Court of Makati, Branch 59, docketed as Criminal Case No. 13-310. The matter will be elevated to the Court of Appeals through a Petition for Certiorari due for filing on or before 7 January 2014.

f. People vs. Brodett, Ortega, Campa, Quintos, (Criminal Case No. 09-409), RTC Makati

This is a complaint for estafa filed by PHC (represented by Jose Ma. Ozamiz) on 8 May 2008 against Philip G. Brodett etc. for the misappropriation of P66.8 million in company funds. The Makati City Prosecutor recommended the filing of a criminal information against Philip G. Brodett, Leonardo Val Ortega, Vicente Campa and Javier Quintos. On 24 April 2009, an Information was filed against Brodett, Ortega, Campa and Quintos with the RTC- Makati and warrants of arrest to be issued against the defendants. On 22 October 2009, the accused were arraigned. The case is now at the trial stage.

g. PHC vs. Locsin, Brodett, Araneta, Lokin, Andal, Jalandoni and de Leon (I.S. No. 08-E-4465), Office of the City Prosecutor of Makati

This is a complaint for estafa filed by PHC (represented by Erlinda I Bildner) on 23 May 2008 against Enrique L. Locsin etc. for the P122.2 million misappropriated by the Enrique L. Locsin, Philip G. Brodett, Benito V. Araneta, Luis K. Lokin, Jr., Manuel D. Andal, Julio J. Jalandoni and Guy S. de Leon by making it appear that PHC made advances to its affiliates Philcomsat and POTC when such amount was not received either by Philcomsat or POTC. The case was dismissed by the DOJ. PHC filed a petition for certiorari assailing the resolution with the CA, which petition is docketed as CA GR No. 127282, and is now deemed submitted for resolution.

h. PHC vs. Araneta (I.S. No. 08-E-4466), Office of the City Prosecutor of Makati

This is a complaint for estafa filed by PHC (represented by Erlinda I. Bildner) on 23 May 2008 against Benito V. Araneta for misappropriating a total of P82.6 million. The complaint alleges that Mr. Araneta received the said amount supposedly for money market placements on behalf of PHC. After formal demand, Mr. Araneta failed to show proof that the same was placed nor was he able to account for the same. The City Prosecutor dismissed the Compliant on the ground that the intra-corporate issues are still pending in the courts. On 4 March 2009, PHC filed a Petition for Review with the Department of Justice. The case remains pending.

i. PHC vs. Ansear Realty and Development Inc. et al. (Civil Case No. 10-744), RTC Makati, Br. 62

This is a case for collection of a sum of money against Ansear and Antonio Araneta and prays that the defendants pay the Corporation approximately P600 million as payment of their loan with interest and penalties. The court issued a writ of preliminary attachment against the properties of the defendants as security for the Corporation's claim. The case is now on the trial stage.

2. As Defendant/Respondent

a. Philcomsat vs. PHC, Lokin, Locsin and Brodett (Civil Case No. 04-1049), RTC-Makati, Br. 138 (SC G.R. No. 186066 , 184712-14)

This is an election contest filed on 10 September 2004 pursuant to the Interim Rules of Procedure for Intra Corporate Controversies. Philcomsat (represented by Victor Africa) filed the election contest to question the invalidation of the proxy issued in favor of Atty. Africa by the PHC Nomelec, the validity of the elections held during the 31 August 2004 PHC Annual Stockholders' Meeting and the title and legitimacy of the person then elected. On 14 October 2006, the RTC found in favor of Philcomsat and on 12 April 2007 nullified the election of the members of the Brodett-Araneta-Poblador-Lokin-Locsin Group as directors of PHC and installed members of the Africa-Bildner-Lokin-Locsin group as its legitimate directors. The Brodett-Araneta-Poblador-Lokin-Locsin Group filed two (2) petitions with the Court of Appeals to nullify the RTC Decision. The members of the Africa-Bildner-Enrile Group promptly organized themselves as the PHC Board pursuant to the writ of execution issued by the RTC. After the sheriff had issued a return certifying as to the satisfaction of the writ of execution, the Court of Appeals issued a TRO against the execution of the RTC Decision (which later became a preliminary injunction). In September 2008, the Court of Appeals issued a Decision lifting the preliminary injunction and affirming the Decision of the RTC and at the same time rebuking the Brodett-Araneta-Poblador-Lokin-Locsin Group for filing multiple cases at multiple fora using multiple variations of the same issues. While the Brodett-Araneta-Poblador-Lokin-Locsin Group elevated the CA Decision to the Supreme Court, the Supreme Court refused to issue an injunction to restrain the Decision of the Court of Appeals. On 3 July 2013, the Supreme Court in GR Nos. 184622, 184712-14, 186066 and 186590 ruled in favor of the Bildner Group and affirmed the Court of Appeals Decision issued in CA GR SP Nos. 98097 and 98399 and dated 30 September 2008, which declared the Bildner group as the legitimate board of directors of PHC. The 3 July 2013 Decision attained finality on 23 October 2013 when the Supreme Court issued a Resolution denying the Motions for Reconsideration filed by the opposing parties.

- b. **Philcomsat vs. Andal, Jalandoni, Lokin, Nieto, Brodett, Laperal, SanJose, Locsin, Somera, Araneta and Abad (Civil Case No. 06-095), RTC Makati Br. 61**

This is a case filed by Philcomsat against the Manuel D. Andal, etc. in their capacities as then directors and officers of PHC for the inspection of books and records of PHC. The RTC dismissed the case for lack of jurisdiction. The case has been elevated to the Court of Appeals. The Court of Appeals has since remanded the case to the RTC for trial. The respondents however assailed the CA's ruling to the Supreme Court, as a result of which, trial at the RTC is held in abeyance.

- c. **BPI vs. PHC and PHC (Civil Case No. 08-649), RTC Makati, Br. 62**

This is a case for interpleader filed by BPI against the 2 groups claiming to be the legitimate board of directors of the Corporation and prays that they litigate among themselves as to who is entitled to the Corporation's deposits. The case was consolidated with Civil Case No. 07-840. The Court rendered a decision in favor of PHC Bildner Group on 24 September 2013, declaring PHC Bildner Group as the legitimate and valid PHC Board. PHC Locsin Group, through Concepcion Poblador, filed a Notice of Appeal of the Decision dated 24 September 2013.

- d. **Victor V. Africa vs. de los Reyes and PHC (Civil Case No. 11-1260), RTC Makati Br. 49**

This is an intra-corporate controversy case filed by certain Victor Africa against PHC and its Corporate Secretary for mandamus. He prays that the court issue a writ of mandamus to compel the Corporate Secretary to allow him to inspect and copy corporate documents and to award him damages in the amount of P250,000.00. Mr. Africa sent a request for written interrogatories to the Corporate Secretary who in turn filed a motion to quash the same. The RTC allowed the request and such ruling was subject of a Petition for Certiorari with the Court of Appeals, docketed as CA G. R. No. 127847. The Petition is pending resolution. The RTC also granted Africa's request for inspection, which was assailed by PHC in the Court of Appeals, through a Petition for Certiorari, docketed as CA G. R. No. 133083, the Petition is likewise pending resolution. Mr. Africa owns 5,500 shares with a total par value of P5,500.00 and current book value of approximately P4,950.00. The case is currently pending trial.

- e. **Victor V. Africa vs. V. de los Reyes, John/Jane Does and PHC (Civil Case No. 13-900), RTC Makati Br. 66**

This is an intra-corporate controversy case filed by certain Victor Africa against PHC, its Corporate Secretary and unidentified persons for inspection of corporate records. Mr. Africa prays that an order be issued compelling defendants to turn over corporate records specified in the complaint for inspection and copying, and that the court award him damages of P200,000.00 and attorney's fees of P50,000.00 plus P5,000.00 per appearance. The Corporation and its secretary filed their Answer to the complaint. The Corporation is currently awaiting orders for the case to be set for mediation and/or pre-trial. As above-stated, Mr. Africa owns 5,500 shares with a total par value of P5,500.00 and current book value of approximately P4,950.00.

3. Others

a. In Re : Contempt Proceedings vs. Johnny Tan, Manuel Nieto, Philip Brodett, Enrique Locsin, Luis Lokin and Sikini Labastilla (SB-07-SCA-005), Sandiganbayan

This is a case initiated motu proprio by the Sandiganbayan on 26 June 2007 against Johnny Tan, Manuel Nieto, Philip Brodett, Enrique Locsin, Luis Lokin and Sikini Labastilla following the recommendation of the Senate in the Report of the Committee of Government Corporations and Public Enterprises. The Senate found that a PHC checkbook entry contained the notation that P2 million was disbursed alleged for a TRO obtained from the Sandiganbayan. PHC (represented by Erlinda Bildner) sought to intervene in order to formally present evidence. While its Motion for Intervention was denied, Ms. Bildner was summoned as a resource person. Luis K. Lokin, Jr. and Sikini C. Labastilla were found guilty of indirect contempt and sentenced to suffer 6 months imprisonment and to each pay a fine of P30,000.00. On 27 May 2009, Lokin filed a Motion for Reconsideration. The said motion has not been resolved. Labastilla filed a Petition for Review with the Supreme Court to question the decision but the same was denied. Labastilla's Motions for Reconsideration were likewise denied. Labastilla filed with the Sandiganbayan a Motion to Hold in Abeyance, which is also pending to date.

b. In Re: Philcomsat Holdings Corporation (SEC Case No. 02-06-113), SEC

This refers to a complaint filed by Mr. Jose Ma. Ozamiz to compel the Corporation to hold its 2005 Annual Stockholders' Meeting. The SEC ordered the holding of the meeting on 4 May 2006 and constituted a Nomelec to validate proxies which included SEC Director Jose P. Aquino. Among the proxies submitted for validation were two conflicting proxies issued by Philcomsat. On 3 May 2006, the Nomelec validated the proxy in favor of the present Board of Directors and invalidated the proxy in favor of the Poblador-Locsin group. On the same day, the PCGG, through then Comm. Ricardo Abcede, filed an Appeal with the SEC en banc who immediately issued an order indefinitely postponing the annual stockholders' meeting and allowed only the calling of a special stockholders' meeting for the sole purpose of extending the Corporation's life.

c. In Re: Philcomsat Holdings Corporation (undocketed), SEC

This refers to several letters-complaint filed by Mr. Jose Ma. Ozamiz between 2005-2006 praying that the SEC issue a cease and desist order against the Brodett-Araneta-Poblador-Lokin-Locsin group to restrain it from disbursing corporate funds and that a Management Committee be constituted to manage the operations of the Corporation. The SEC did not act on the said letters-complaint.

The Corporation is currently studying other possible civil, criminal and administrative cases against PCGG, its nominees and the members of the Brodett-Araneta-Poblador-Lokin-Locsin Group, their cohorts, agents and accomplices.

Item 4. Submission of Matters to a Vote of Security Holders

At the last Annual Stockholders' Meeting, the Corporation proposed the setting up of a 100%-owned subsidiary. Inasmuch as the Corporation's primary purpose prohibits the Corporation from pursuing such opportunities, the subsidiary will be able to take advantage of investment and business opportunities that have come to the attention of the Board, the Investment and Business Development Committee and Management. The stockholders approved the setting up of such subsidiary.

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

The Corporation's shares of stock are listed on the Philippine Stock Exchange, though not currently traded due to the suspension imposed by the Exchange. The authorized capital stock of the Corporation is one billion (1,000,000,000) shares, with a par value of P1.00 per share, of which sixty million (60,000,000) is listed in the Exchange. The SEC approved the registration of the remaining 940,000,000 shares on August 31, 2000 but the PSE deferred action on the Corporation's application at the request of then PCGG Chairman Camilo Sabio.

The principal market for the Corporation's common equity is the Philippine Stock Exchange. Trading of the corporation's shares has been suspended since May 2007, thus there have been no high and low sales prices within the last two (2) fiscal years and any subsequent period for which Financial Statements are required by SRC Rule 68.

(2) Holders

The following are the top 20 stockholders of the Corporation:

Name	No. of Shares	Percentage
Philippine Communications Satellite Corp.	796,590,390	79.94%
Prudencio Somera Jr.	100,000,100	10.04%
Oliverio Laperal	49,556,500	4.97%
PCD Nominee Corporation	15,095,534	1.52%
RCBC T/As	7,871,213	0.79%
E. R. Yap	4,000,000	0.40%
Marino Olondriz y Cia	2,985,600	0.30%
Jose Ma. Ozamiz	2,700,000	0.27%
Philippine Oil Development Corporation	1,500,000	0.15%
Imperial Resources, Inc.	800,000	0.08%
Oliverio Laperal Jr.	786,743	0.08%
Benjamin Co Ca & Co., Inc.	504,300	0.05%
Regina Concepcion	481,000	0.05%
Rosa Maria Laperal	448,000	0.04%
Alexandra Laperal	440,000	0.04%
Ansaldo Godinez & Co., Inc.	368,250	0.04%
Nenita Dacillo	320,000	0.03%
Bridgestone Securities Corporation	307,425	0.03%
Platinum Securities, Inc.	250,000	0.03%
Alfonso Olondriz	205,000	0.02%

(3) Dividends

The Corporation has not declared any dividends on any class of its common equity in the two most recent fiscal years and any subsequent interim period for which financial statements are to be presented in accordance with SRC Rule 68. There are no restrictions that limit the payment of dividends on common shares at present, or in the future.

(4) Recent sales of Unregistered Securities or Exempt Securities; Recent Issuance of Securities Constituting an Exempt Transaction

There has been no security sold or reacquired within the past three (3) years that is not registered under the Code. There has likewise been no issuance of new securities, securities issued in exchange for property, services or other securities, and new securities resulting from the modification of outstanding securities.

Item 6. Management's Discussion and Analysis or Plan of Operation.

(1) Management's Discussions and Analysis

From August 31, 2004, and throughout 2005, 2006 and 2007, PHC was under the control of the nominees of the Presidential Commission on Good Government (PCGG), namely Enrique L. Locsin, Manuel A. Andal, Julio Jalandoni, Guy de Leon and ex-nominee Benito Araneta each of whom received "I desire" letters from the President to represent PCGG on the boards of POTC and/or Philcomsat, the 81% owner of PHC. The PCGG Nominees, together with Philip Brodett, Atty. Luis Lokin, Amb. Manuel H. Nieto, Jr. and Concepcion Poblador, spent recklessly, invested in and made advances to failed ventures, mismanaged and dissipated the Company's funds totaling over a half billion pesos – in just three and a half years. The independent external auditors have uncovered huge losses and recommended write-offs for PHC totaling over P570 million.

In 2007, after eleven Senate Investigation hearings pursuant to SR No. 455 filed by Sen. Miriam Defensor Santiago, into the "anomalous losses" "due to alleged improprieties by PHC", the Senate Committee on Public Corporations and Government Enterprises found "overwhelming mismanagement by the PCGG and its nominees over POTC, Philcomsat and PHC resulting in deterioration of the financial condition of these corporations. Most notable of which are the soaring operating expenses of PHC, the generous compensation packages for government nominees, the PHC advances to its affiliates beyond the reach of PCGG comptrollers, and the existence of suspicious bank accounts." Citing "the lack of transparency and accountability", the Committee expressed "an urgent need to put an end to [this] fraud, abuse and wastage."

In his 2008 Privilege Speech "Ali Baba and the Forty Thieves", Sen. Juan Ponce Enrile exposed the PCGG, the PCGG Nominees and, their cohorts, lawyers, "PR" agents, and the alleged cash payments to the judiciary and other branches of government as responsible for the P481.2 million looting and plunder of the Company.

The Company's astounding losses as a result of the fraud and overwhelming mismanagement from 2004 through 2007 are all the more egregious given that the August 31, 2004 election to the PHC Board of Directors of the members of the Brodett-Araneta-Poblador-Lokin-Locsin Group had been invalidated by the following:

- Makati RTC Branch 138 Decision dated October 14, 2006 which invalidated the proxy of Enrique Locsin for the election of the members of the Brodett-Araneta-Poblador-Lokin-Locsin Group to the PHC Board of Directors on August 31, 2004
- Writ of Execution dated April 20, 2007, which ordered the implementation of the Makati RTC Decision, including directing the Brodett-Araneta-Poblador-Lokin-Locsin Group to "*render an accounting of funds of PHC since 2004 up to the present.*"
- Consolidated Decision of the Court of Appeals, dated September 30, 2008, which affirmed the RTC Decision that invalidated the proxy issued in favor of Enrique Locsin and/or Manuel H. Nieto for purposes of the Annual Stockholders' Meeting (ASM) in August 31, 2004, and declared the proxy issued in favor of the incumbent Board of Directors of PHC for the said purpose, valid.

Under the management of Brodett-Araneta-Poblador-Lokin-Locsin Group, the Company's more than P600M in losses and write-offs caused the erosion of Shareholders' Equity from P1,458 million as of December 31, 2004 to P855.5 million as of December 31, 2009 - a 41% plunge. PHC's Book Value per share plummeted from P1.46 to P0.85, below the par value per share of P1.00.

Upon the present management's taking control of PHC from the illegitimate Brodett-Araneta-Poblador-Lokin-Locsin Group, SGV & Co., were commissioned to identify and inventory the accounting records and documents of the Company under the former Management from 2005 to 2007. Thereafter, an independent audit was conducted beginning with the year 2005. PHC has just released its Audited Financial Statements (AFS) for fiscal years ending 2006, 2007, 2008 AND 2009. As a result of the significant disclosures and substantial write-offs, PHC's independent external auditor, Mendoza Querido & Co., has issued a clean, unqualified opinion on the Company's AFS.

Pursuant to the Senate Committee recommendations stemming from the "*overwhelming mismanagement*" of, "*improprieties*" by, and anomalous losses attributed to PHC's former "Directors and Officers", the Sandiganbayan, in its *moto proprio* investigation, has cited ex-PHC counsel and former director, Luis K. Lokin and ex-PHC counsel Sikini Labastilla in contempt and imposed upon each a sentence of six months and a fine of P30,000.00. In its ongoing investigation, the Supreme Court has found Atty. Luis Lokin to be "*blatantly lying and obviously hiding the truth*". The RTC Makati Branch #148 is conducting a trial on estafa charges involving Philip G. Brodett and certain officers of the now defunct Bankwise, where the former PHC management entrusted the substantial portion of its deposits.

In May 2007, PHC shares were suspended from trading due to the failure of its former Board of Directors and Management to file Audited Financial Statements with the SEC and PSE. The incumbent Board of Directors is exerting its best efforts to submit the reportorial requirements that the former Board failed to submit in order for the PSE to lift the restriction on the trading of the Corporation's stock.

The Corporation's incumbent directors and officers will continue to seek justice for its stockholders by filing cases to recover the company funds lost through the misappropriation, looting and plunder of the Brodett-Araneta-Poblador-Lokin-Locsin Group.

The Corporation's incumbent directors and officers will continue to seek justice for its stockholders by filing cases to recover the company funds from the Brodett-Araneta-Poblador-Lokin-Locsin Group.

Results of Operations

Operations and Financial Condition for the last three (3) Fiscal Years

Revenues: In the fiscal year ended December 31, 2013, the Registrant generated Revenues of P33.8 Million compared to P31.3 Million in the year ended December 31, 2012 and P32.1 Million in 2011. Interest income from money market placements and deposits for the year 2013 was P16.5 Million compared to the P18.3 Million in 2012 and P17.8 Million in 2010. Interest income from money market placements and deposits has traditionally represented the bulk of the Company's revenues. Despite the marked decrease in interest income due to lower interest rates in 2013, total revenues increased by 6.5% because of higher rental rates and dividend income as well as gain on sale of financial instruments.

Rental income reached P12.8 Million in 2013, up by 29% from the previous year's P9.9 Million and P9.6 Million in 2011; this is derived from leasing out of the Registrant's office space in the second floor of the Pacific Star Building which was fully leased out since 2009.

Total comprehensive income increased considerably, by 300%, from P16.6 Million in 2012 to P66.7 Million in 2013. This is a result of a Compromise Agreement entered into with the Bank of the Philippine Islands (BPI) which led to a recovery of deposits amounting to P86 Million.

Expenses: Cost of service remained the same from 2011 to 2013 at P4.3 Million.

General and Administrative costs, on the other hand, increased by about 73% from P23.4 Million in 2012 to P40.5 Million in 2013. The difference can be attributed to expenses related to the Compromise Agreement as well as a donation to the Philippine National Red Cross for the victims of Typhoon Yolanda.

Operating and Net Loss: As previously stated, the company's operations consisted mainly of interest income on its money market placements and bank deposits, gains from securities trading, as well as rental income from its office condominium unit in Pacific Star Building. In 2013, the Registrant realized Other Income of P84 Million from the Compromise Agreement thereby allowing the Registrant to register a net income of P73 Million before Other Income/Expenses.

In 2013, Other Comprehensive Loss was recorded in the amount of P6.2 Million due to net unrealized loss in financial assets compared to a net unrealized gain in 2012 of P14.6 Million and P.7 Million in 2011.

Income Statement (P million)

(in millions)	2011	2012	2013
Revenue	32.1	31.3	33.8
Cost of Service	4.3	4.3	4.3
Gross Profit	27.8	27.0	29.5
General & Administrative	24.3	23.4	(40.5)
Other Income (Expenses)	(38.8)	(1.4)	84.2
Provision for Tax	.233	.129	.212
Net Income (Loss)	(35.5)	2.0	73.0
Unrealized Gain on Changes in Fair Values of AFS Financial Assets	.693	14.6	(6.242)
NET INCOME/(LOSS)	(34.9)	16.6	66.7

Financial Position

The company's comparative balance sheet is summarized below:

Balance Sheet (PMillion)

	2011	2012	2013
Current Assets	428.2	444.3	412.5
Available-for-sale financial assets	154.4	175.7	303.4
Held to Maturity Investments	52.2	33.8	-
Property & Equipment	.09	.03	.02
Investment in Properties	129.6	125.2	120.9
Investment in and Advances to TCI	-	-	-
Due from Affiliates	12.2	-	-
Receivables	38.1	66.9	51.2
Other Assets	87.7	89.9	89.9
Total Assets	865.7	869.0	931.7
Liabilities	30.4	17.2	12.4
Deposit for Future Subscription	18.9	18.9	18.9
Unrealized gain on changes in fair values of AFS financial assets	.7	15.3	9.7
Stockholders Equity	816.4	833.0	900.4

Balance Sheet Accounts

Current Assets: Current assets of the Registrant as of December 31, 2013 totalled P412.5 Million compared to P444.3 Million in 2012 and P441.6 Million in 2011. The Registrant has sufficient cash resources to meet any expected requirement during the next twelve (12) months. Cash and cash equivalents totalled P313.3 Million at year-end 2013 compared to P129.4 Million as of year-end 2012. AFS financial assets increased by 73% to P303 Million in 2013, from P175.7 Million in 2012 as new bonds were acquired and held to maturity assets were reclassified to AFS.

Due from Affiliates: This account has been reclassified to Receivables.

Liabilities: The Registrant is substantially debt-free and has no material commitments for capital expenditures. Accounts Payable in 2013, 2012, and 2011 are P30.4 Million, P17.2 Million and P12.5 Million, respectively. This refers to accrued expenses, including accrual of professional fees, deposits taxes and SSS loans payable.

Deposit for Future Subscription: This represents the excess amount of the market value of the two properties which Philcomsat contributed in exchange for the number of the Registrant's shares received; as such, this amount is for the account of Philcomsat's future subscription to Registrant's common shares.

Stockholders Equity : This is the residual balance sheet amount after subtracting Liabilities from Assets. Due to extraordinary income generated in 2013, Stockholders Equity increased to P900.4 Million compared to the previous year's P833.0 Million.

Key Performance Indicators ("KPI")

The Company's KPI for the years ended December 31, 2013, 2012 and 2011 follow:

Performance Indicator	Formula	CY 2013	CY 2012	CY 2011
Liquidity				
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	33.25:1	25.79:1	14.46:1
Leverage				
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$.03:1	.04:1	.06:1
Profitability				
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Revenue}}$	87.23%	86.187%	86.54%
Net Income Margin	$\frac{\text{Net Income from Operations}}{\text{Gross Profit}}$	247.37%	7.47%	NA

Liquidity

The Company's current ratio increased significantly, from 25.89:1 in 2012 to 33.25 in 2013 as cash increased due to the recovery of deposits . The Company's liquidity position remains strong.

Leverage

Leverage decreased slightly to .03:1 in 2013 from .04:1 in 2012. The Company's leverage position is negligible.

Notes to Financial Statements

Accounting Policies and Principles

The financial statements of PHC for the years 2013 and 2012 are presented in accordance with generally accepted accounting principles applied on a consistent basis.

Seasonality Aspects of the Business

The operations of PHC were not affected by seasonality or cyclicity.

Material changes in Balance Sheet Accounts 5% or more

- 1) Reason for Losses from Operations – Not applicable
- 2) Past and Future Financial condition and Results of Operations
- 3) Material Changes
 - (a) Any Known Trends, Events or Uncertainties (material impact on Liquidity)
None

- (b) Event that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation
None.
- (c) 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.
None.
- (d) Material Commitments for capital expenditures and expected sources of funds for such expenditures.
None.
- (e) Any Known Trends, events or Uncertainties (Material Impact on Sales)
None.
- (f) Any Significant Elements of Income or Loss (from continuing operations)
None.
- (g) Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%)

Cash and cash equivalents increase by 142.6% due to recovery of deposits and maturity of some bonds.

Short-term Investments consist of time deposits; this decreased by 81.6% as investments in other instruments were made.

Receivables decreased by 23.5% due to settlement of due from parent company.

Other current assets increased by 11% due to an increase in creditable withholding tax.

Non-Current Receivables is comprised of Metrobank bonds which were previously classified as Held to Maturity asset.

Available for Sale financial assets increased by 73% due to reclassification of Held to Maturity to Available for Sale financial assets.

Held to Maturity investments became nil in 2013 since these were reclassified to available for sale financial assets as a result of sale of one of the held to maturity investments.

Property and equipment decreased by 33% due to depreciation.

Due to Parent Company became nil in 2013 due to settlement of accounts.

Other payables increased by 154% mainly due to an increase in creditable withholding tax payable.

- (h) Seasonal Aspects that have a Material Effect on the FS
None.

INFORMATION ON INDEPENDENT ACCOUNTANT

(1) External Audit Fees and Services

(a) Audit-related Fees

1. The audit of the Corporation's annual financial statements or services that are normally provided with statutory and regulatory filings or engagements for those fiscal years:

The Corporation engaged the services of the independent auditors Mendoza Querido & Co. to audit its financial statements which comprise the statement of financial position, statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information and to render an opinion on the said statements for the two (2) years ended December 2013 and 2012 and for which the aggregate amount billed in Philippine Pesos on each year are as follows:

2013	2012
510,000.00	445,000.00

2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

For the year 2013, none.

For the year 2012, none.

(b) Tax Fees

The Corporation did not engage the services of the external auditors on the services described above for the two (2) years 2013 and 2012.

(c) All Other Fees

The Corporation did not need any products or services described above, hence there were no fees paid to the external auditor/s other than those reported under (a) and (b) above for the two (2) years 2013 and 2012.

Item 7. Financial Statements

The report of independent accountants and the audited financial statements of the Corporation for the fiscal year ending 31 December 2013 are attached hereto as Annex "A".

Item 8. Information on Independent Accountant and Other Related Matters

The Audit Committee's specific responsibilities include the approval of all the terms of engagement of the independent auditors, including the audit services within the scope of the engagements, and the fees to be paid to the independent auditors and review the appointment and fee arrangements with any other external auditors employed for other specific audit purposes.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The investigation conducted by the Senate yielded several questionable transactions in the audited financial statements of the former external auditor, Virgilio R. Santos & Co. (VRS) who was engaged by the Brodett-Araneta-Poblador-Lokin-Locsin Group to audit the Corporation. VRS issued an unqualified opinion on the financial statements of the Corporation for 2000-2005. Based on the findings of the Senate as well as on the findings of the SEC's own auditors in their report to the Senate Committee entitled "Summary Findings on the Financial Statements of Philcomsat Holdings Corporation" dated 15 January 2007 and upon the complaint of Ms. Erlinda I. Bildner, the SEC found VRS guilty of negligence in the audit of the Corporation and suspended his accreditation effective November 30, 2007.

In 2009, the Corporation engaged the services of Mendoza Querido & Associates to reconstruct the financial statements of the Corporation for the years 2006 to 2009. The reconstruction was completed in 2010 and since then, the Corporation has been religiously filing its annual and quarterly financial statements.

There have been no changes in or disagreements with the corporation's new external auditors on accounting and financial disclosure for the last two (2) fiscal years.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Name and Age	Position	Period Served**	Professional and Business Experience
Katrina C. Ponce-Enrile, 54	Chairman	December 2013 to present	President and CEO- Philippine Overseas Telecommunications Corporation President and CEO- Montemar Resort and Development Corporation, President and CEO-Montemar Beach Club, Inc., Director and CFO-Philippine Communications Satellite Corporation, President and CEO-JAKA Group of Companies
Ramon P. Jacinto, 69	Director/ President	December 2013 to present	Chairman and CEO - RJ Group of Companies, Rajah Broadcasting Work, RJ Music City, RJ Holdings, Inc., and RJ Venture Realty, Inc.
Erlinda I. Bildner, 68	Director/ Treasurer/ CFO	December 2013 to present	President and CEO-Philippine Communications Satellite Corporation, Vice-Chair and Director- Philippine Overseas Telecommunications Corporation, Director and CFO- Montemar Resort and Development Corporation, Director-Montemar Beach Club, Inc., Director and Chair, Finance Committee – Baguio Country Club
Daniel C. Gutierrez, 59	Director	December 2013 to present	Partner-Soo Gutierrez Leogardo & Lee Law Offices; Law Professor and Bar Reviewer- Arellano University, Director-IBP.

Robert Jude B. Jaworski, Jr., 43	Director	December 2013 to present	Former Representative, Lone District of Pasig; President, Shaahan, Reonick, Le Calier, Inc.; President Asiacon Management Development Corporation; President, Team America Sports, Inc.; President, Asian Center for Foreign Languages; Member, Board of Trustees, Brent International School.
Abraham R. Abesamis, 64	Director	December 2013 to present	Former Commissioner, National Telecommunications Commission, Chairman, Philippine Navy Board of Senior Officers, Member, BOSO – Headquarters Philippine Navy, Member, General Court Martial, Deputy Chief of Staff or Communications, Electronics and Information Systems, Proprietor of Abesamis Drugstore and GPA Pawnshop.
Pablo L. Lobregat, 61	Director	December 2013 to present	President-Crystal Sugar Co., Inc., President/Chairman-Oceanic Wireless Network, Inc., President-Aerocom Investors & Managers, Inc., Vice-Chairman/Director –Philippine Communications Satellite Corporation, Director-Philippine Overseas Telecommunications Corporation
Marietta K. Ilusorio, 63	Director	December 2013 to present	Vice-President and Director, POTC Vice-President and Director, Philcomsat Director, Montemar Beach Club, Inc.
Santiago J. Ranada, 77 *	Director	December 2013 to present	Partner, Ranada Malaya Sanchez & Simpao, 28 years of service in the Philippine judiciary as RTC Judge and CA Justice
Prudencio C. Somera, 71	Director	December 2013 to present	Director- Basic Consolidated, Inc., Steel Alliance, Inc., Financial Services Consultant, Licensed Stockbroker, Charter President & Paul Harris Fellow-Rotary Club of Pasig West, Rotary International, Lifetime Member – UP MBA Society, Columnist – Business World, Resource Speaker on capital market, investments, stock market trading, investment banking and other financial services subject in various industry seminars, colleges and graduate schools lectures.
Jose Roman C. Ozamiz, 55 *	Director	December 2013 to present	Surgeon – Makati Medical Center, 22 years of practice; Diplomate, Philippine Board of Surger; Fellow, Philippine College of Surgeons, Member, Philippine Medical Association, Makati Medical Society and Philippine Society of General Surgeons

**Independent director.*

*** Term of Office – The Directors were elected during the Annual Stockholders' Meeting on December 19, 2013 and are expected to hold office for a period of one (1) year and until the election and qualification of their successors.*

(2) *Significant Employees*

As the Corporation has no regular employees at present, the executives and consultants of Philcomsat (the owner of more than 79% of the Corporation) are expected to make a significant contribution in enhancing the business of the Corporation and efficiently managing its operations.

(3) *Family Relationships*

None of the above-named directors and executive officers is related to another within the fourth (4th) civil degree of consanguinity or affinity, aside from Ms. Erlinda I. Bildner and Ms. Marietta K. Ilusorio who are sisters.

(4) *Involvement in Certain Legal Proceedings*

During the past five (5) years no incumbent director or executive officer was involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; any conviction by final judgment in a criminal proceeding, domestic or foreign; any order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; or was found by a domestic or foreign court of competent jurisdiction in a civil action, the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

(1) and (2) *Executive Officers*

Name	Position	Salary	Allowance	Bonus	Total
Ramon Jacinto	President				
Erlinda Bildner	Treasurer				
Victoria de los Reyes	Corp. Secretary				
All the above-named officers as a group		3,185,000.00		2,411,765.00	5,596,765.00
All the other officers as a group unnamed		1,560,000.00		1,160,131.00	2,720,131.00
Total		3,745,000.00		3,571,896	8,316,896.00

(3) *Compensation of Directors*

Name	Position	Salary	Allowance	Bonus	Total
Katrina C. Ponce Enrile	Director				
Ramon P. Jacinto	Director				
Erlinda I. Bildner	Director				
Daniel C. Gutierrez	Director				
Pablo L. Lobregat	Director				
Abraham R. Abesamis	Director				
Robert Jude B. Jaworski, Jr.	Director				
Marietta K. Ilusorio	Director				
Jose Ma. Ozamiz*	Director				
Oliverio G. Laperal*	Director				
Prudencio C. Somera, Jr.	Director				
Total		3,550,000.00	2,430,000.00	4,117,647.00	10,097,647.00

*until June 2013

Aside from the foregoing, there are no other arrangements and contracts pursuant to which any director was or is to be compensated directly or indirectly during the last fiscal year and the ensuing year.

(4) *Employment Contracts/Termination of Employment/Change-in-Control Arrangements*

There are no employment contracts between the Corporation and any of its executive officers. There are likewise no compensatory plans or arrangements with respect to any executive officer which result or will result from his resignation, retirement or any other termination of his employment or from any change in control of the Corporation or a change in the executive officer's responsibilities following any change in control of the Corporation.

(5) *Warrants and Options Outstanding*

There are no outstanding warrants or options held by the Corporation's executive officers and directors. There is no action proposed to be taken with regard to any bonus, profit-sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director or executive officer of the Corporation will participate, any pension or retirement plan in which any such person will participate, and any granting or extension to any such person of any options, warrants or rights to purchase any securities.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) *Security Ownership of Certain Record and Beneficial Owners*

As of 31 December 2013, and based on the latest available information, except for Philcomsat and Mr. Prudencio C. Somera, Jr., there is no other person or group, directly or indirectly appearing as stockholder on record or beneficial owner of more than 5% of any class of voting shares of the Corporation.

Class	Name, Address of Record Owner and Relationship with Issuer	Name, Address of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	%
n/a	n/a	n/a	n/a	n/a	n/a

(2) *Security Ownership of Management*

As of 31 December 2013, and based on the latest available information, except for Ms. Bildner, Ms. Ilusorio, Ms. Ponce-Enrile, Mr. Jacinto and Mr. Somera, the remaining directors are nominees of Philcomsat and have been assigned at least 100 shares each to qualify as a director of the Corporation.

Class	Name	Nature of Ownership	Citizenship	Percentage
Common	Prudencio C. Somera, Jr.	(R)	Filipino	10.94%
Common	Erlinda I. Bildner	(R)	Filipino	-negligible-
Common	Katrina C. Ponce-Enrile	(R)	Filipino	-negligible-
Common	Ramon P. Jacinto	(R)	Filipino	-negligible-
Common	Marietta K. Ilusorio	(R)	Filipino	-negligible-
Common	Directors and Officers as a Group Unnamed	(R)	Filipino	<11%

(3) *Voting Trust Holders*

There are no persons holding more than 5% of a class under a voting trust agreement.

(4) *Changes in Control*

There are no arrangements that may result in a change in control of the Corporation.

Item 12. Certain Relationships and Related Transactions

In addition to the disclosures in the financial statements required under SFAS/IAS No. 24 on *Related Party Disclosures*, the following are the elements of the transactions under Note 25 of the 2012 Audited Financial Statements:

(1) **Business Purpose of Arrangement**

Financial Assistance to other corporations-members of the Philcomsat Group.

(2) **Identification of the Business and Nature of Relationship**

The Corporation provided loans to its mother company, Philcomsat, as well as to its sister companies, Montemar Resort Development Corporation and Montemar Beach Club, Inc.

(3) **Determination of Transaction Price**

Amount of loan depended on the needs of the related party.

(4) **Disclosures of Transactions**

None

(5) **Other Contractual Commitments as a result of arrangement**

None

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

a. Evaluation System established by the Company to measure level of compliance

The Corporation's Compliance Officer checks for compliance with the Board of Directors and Management with the Manual on Corporate Governance on a regular basis, and calls the attention of the director/officer concerned on possible risks of violation.

b. Measures undertaken to fully comply with adopted leading practices on good corporate governance

While the directors and key officers underwent a corporate governance seminar in 2010, pursuant to the new regulation of the Securities and Exchange Commission, the Corporation is negotiating with several SEC-accredited providers to conduct an annual corporate governance seminar for the board and management

c. Any deviation from the company's manual on corporate governance

There has been no deviation from the Corporation's Manual of Corporate Governance.

d. Any plan to improve corporate governance

The Board of Directors intends to engage consultants to evaluate the Corporation's current system of measuring compliance and to require its members to regularly undergo seminars on corporate governance. In addition, the Corporation intends to hold a yearly corporate governance seminar for its directors and key officers.

PART V - EXHIBITS AND SCHEDULES

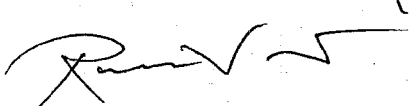
Item 14. Exhibits and Reports


- (a) Statement of Management's Responsibility
- (b) The Report of the Independent Accountants and Audited Financial Statements for the year ended 31 December 2013 is attached and incorporated by reference in this report as Exhibit "A"
- (c) Reports on SEC Form 17-C (May 31, June 21, June 25, July 31, August 6, November 8 and December 20, 2013)

SIGNATURES

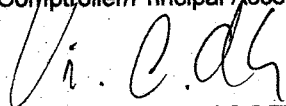
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 3, 2013

By:


RAMON P. JACINTO
 President/CEO


ERLINDA I. BILDNER
 Treasurer

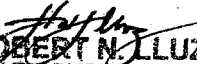

MARTINA D. LADAW
 Comptroller/Principal Accounting Officer


VICTORIA C. DE LOS REYES
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this 3rd day of ^{APR 03 2014} April 2013 affiant(s) exhibiting to me the following identification, as follows:

NAMES	ID/PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Ramon P. Jacinto	EB8057474	May 8, 2013	DFA, Manila
Erlinda I. Bildner	482515523	March 25, 2011	USA
Martina D. Ladaw	DL No. N04-11-014217	Nov. 11, 2013	Quezon City
Victoria C. de los Reyes	EB5500975	May 29, 2012	DFA, Manila

Doc. No. 21
 Page No. 06
 Book No. 76
 Series of 2014.


ATTY. ROBERT N. ILLUZ
 NOTARY PUBLIC
 Until December 31, 2015
 Appt. No. M-44, Makati City
 IBP #942830, Nov. 12, 2013-RSM
 PTR #422542, Jan. 02, 2014-Makati
 S.C. Roll No. 89597
 MCLE Compliance No. IV-0011330
 Unit 6E City and Herrera Tower
 #88 Rufino St. cor. Valero St.
 Salcedo Village, Makati City

PHILCOMSAT HOLDINGS CORPORATION

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

April 3, 2014


Securities and Exchange Commission
SEC Building
Mandaluyong City

The management of Philcomsat Holdings Corporation is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013, 2012 and 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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


KATRINA PONCE ENRILE
Chairman of the Board


RAMON JACINTO
Chief Executive Officer/President


ERLINDA I. BILDNER
Chief Financial Officer/Treasurer

APR 07 2014


MAKATI CITY

SUBSCRIBED AND SWORN TO, before me this _____ day of _____, at _____,
exhibiting to me his/her Community Tax Certificate number _____, issued on _____ in

Doc. No.
Page No.
Book No.
Series of

228
47
76
2014

KATRINA P. ENRILE /PASSPORT NO. XX3483526
RAMON JACINTO / PASSPORT NO. EB8057474
ERLINDA I. BILDNER /PASSPORT NO. 482515523


ATTY. ROBERT M. LLUZA
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #942830, Nov. 12, 2013-RSM
PTR #4225542, Jan. 02, 2014-Makati
S.C. Roll No. 59597

MOORE STEPHENS



Mendoza Querido & Co.

A member firm of Moore Stephens International Limited

19th Floor, The Salcedo Towers
169 H.V. de la Costa St.
Salcedo Village, Makati City 1227 Philippines

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PRC/BOA Accreditation No. 0966
February 20, 2012, valid until December 31, 2014
SEC Accreditation No. 0268-F (Group A)
May 23, 2013, valid until May 22, 2016

To the Stockholders and the Board of Directors
Philcomsat Holdings Corporation
12th Floor, Telecoms Plaza Building,
316 Sen. Gil Puyat Avenue, Makati City

We have examined the financial statements of Philcomsat Holdings Corporation for year ended December 31, 2013, on which we have rendered the attached report dated April 3, 2014.

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

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

A handwritten signature in black ink, appearing to read 'R. Querido'.

RICHARD S. QUERIDO

Partner

CPA Certificate No. 84807

SEC Accreditation No. 1319-A (Group A)

May 23, 2013, valid until May 22, 2016

TIN 102-094-633

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

October 23, 2012, valid until October 22, 2015

PTR No. 4245785, January 12, 2014, Makati City

April 3, 2014

19th Floor, The Salcedo Towers
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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Philcomsat Holdings Corporation
12th Floor, Telecoms Plaza Building,
316 Sen. Gil Puyat Avenue, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Philcomsat Holdings Corporation, which comprise the statements of financial position as at December 31, 2013, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

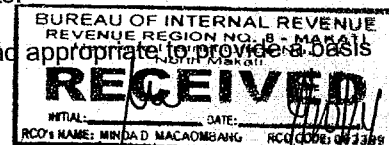
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

Auditor's Responsibility

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

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

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



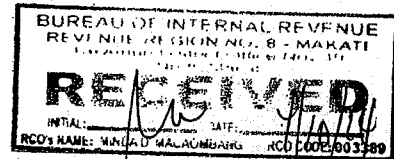
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Philcomsat Holdings Corporation as at December 31, 2013, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Bureau of the Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, license fees and schedules prescribed under existing revenue issuances in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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



A handwritten signature in black ink, appearing to read "RSQ", written over a light blue horizontal line.

RICHARD S. QUERIDO

Partner

CPA Certificate No. 84807

SEC Accreditation No. 1319-A (Group A)

May 23, 2013, valid until May 22, 2016

TIN 102-094-633

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

October 23, 2012, valid until October 22, 2015

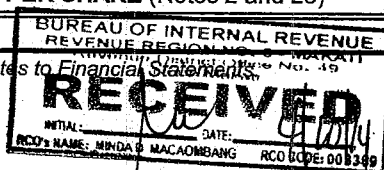
PTR No. 4245785, January 12, 2014, Makati City

April 3, 2014

PHILCOMSAT HOLDINGS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	2013	2012	2011
REVENUE (Notes 2 and 17)	P33,819,807	P31,253,163	P32,094,934
COST OF SERVICE (Notes 2 and 18)	4,318,696	4,318,696	4,318,696
GROSS PROFIT	29,501,111	26,934,467	27,776,238
GENERAL AND ADMINISTRATIVE COSTS (Notes 2 and 19)	(40,481,853)	(23,440,849)	(24,287,003)
OTHER INCOME (EXPENSES) - net (Notes 2 and 20)	84,169,765	(1,351,205)	(38,799,900)
INCOME (LOSS) BEFORE INCOME TAX	73,189,023	2,142,413	(35,310,665)
PROVISION FOR INCOME TAX (Notes 2, 3 and 21)	212,353	129,516	233,732
NET INCOME (LOSS)	72,976,670	2,012,897	(35,544,397)
OTHER COMPREHENSIVE INCOME (LOSS) <i>Item that will be reclassified subsequently to profit or loss</i> Net unrealized gain (loss) on AFS financial assets (Notes 2 and 9)	(6,242,276)	14,596,057	693,041
TOTAL COMPREHENSIVE INCOME (LOSS)	P66,734,394	P16,608,954	(P34,851,356)
EARNINGS (LOSS) PER SHARE (Notes 2 and 23)	P0.0732	P0.0020	(P0.0357)

See accompanying Notes to Financial Statements



PHILCOMSAT HOLDINGS CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	2013	2012	2011
SHARE CAPITAL (Notes 2, 4 and 16)	P996,391,254	P996,391,254	P996,391,254
NET UNREALIZED GAIN ON			
AFS FINANCIAL ASSETS (Notes 2 and 9)	9,736,631	15,289,098	693,041
DEFICIT (Notes 2 and 4)			
Balance at beginning of year	(178,688,104)	(180,701,001)	(145,156,604)
Net income (loss) for the year	72,976,670	2,012,897	(35,544,397)
Balance at end of year	(105,711,434)	(178,688,104)	(180,701,001)
TOTAL EQUITY	P900,416,451	P832,992,248	P816,383,294

See accompanying Notes to Financial Statements.

PHILCOMSAT HOLDINGS CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	P73,189,023	P2,142,413	(P35,310,665)
Adjustments for:			
Depreciation (Notes 2, 3, 11 and 12)	4,346,268	4,392,924	4,392,217
Loss on foreign exchange in AFS and HTM (Note 20)	1,826,746	1,042,433	-
Gain on sale of available-for-sale financial assets (Note 17)	(429,088)	-	-
Gain on sale of held to maturity investments (Note 17)	(1,054,479)	-	-
Income (loss) before working capital changes	77,878,470	7,577,770	(30,918,448)
Decrease (increase) in:			
Short-term investments (Notes 2, 3, 4 and 6)	200,322,757	(245,301,632)	-
Receivables (Notes 2, 3, 4, 7 and 24)	15,715,215	(28,870,582)	167,290,402
Other current assets	(513,171)	(143,776)	(990,963)
Increase (decrease) in:			
Accounts payable and accruals (Notes 2, 3, 4 and 14)	211,674	(20,680,665)	19,765,146
Due to parent company (Notes 2, 3, 4 and 24)	(7,588,913)	7,588,913	-
Other payables (Notes 2, 3, 4 and 15)	2,622,786	(211,645)	104,615
Net cash provided by (used in) operations	288,648,818	(280,041,617)	155,250,752
CASH FLOWS FROM INVESTING ACTIVITIES			
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	-	-
Retirement of held to maturity investment (Notes 2, 3, 4 and 10)	-	20,000,000	-
Availment of held to maturity investment (Notes 2, 3, 4 and 10)	-	(2,000,000)	(7,253,831)
Issuance of note receivable (Notes 2, 3, 4 and 8)	(5,000,000)	-	-
Acquisition of available-for-sale financial assets (Notes 2, 3, 4 and 9)	(140,212,500)	(7,277,500)	(153,746,968)
Additions to property and equipment (Notes 2, 3 and 11)	(18,670)	(8,482)	-
Other assets (Note 13)	40,247	(2,676,185)	(1,191,231)
Net cash provided by (used in) investing activities	(104,711,406)	8,037,833	(162,192,030)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	183,937,412	(272,003,784)	(6,941,278)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	129,424,351	401,428,135	408,369,413
CASH AND CASH EQUIVALENTS AT END OF YEAR	P313,361,763	P129,424,351	P401,428,135

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

Cash on hand and in banks	P16,836,401	P3,757,819	P2,941,637
Money market placements	296,525,362	125,244,815	391,900,319
Dollar time deposits	-	421,717	6,586,179
	P313,361,763	P129,424,351	P401,428,135

NONCASH INVESTING ACTIVITY

Transfer from held to maturity investment to available-for-sale financial assets	P27,000,000	P-	P-
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See accompanying Notes to Financial Statements.

PHILCOMSAT HOLDINGS CORPORATION

NOTES TO FINANCIAL STATEMENTS

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, Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City. The Company does not have any regular employees. The accounting and management services are under the management of Philippine Communications Satellite Corporation.

The Board of Directors authorized the financial statements for the year ended December 31, 2013 for issue on April 3, 2014.

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 Company's functional and presentation currency. 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 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.

Amendment 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.

Improvements to PFRSs

The following are the interpretations and improved standards that are effective as of 2013 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.

New Accounting Standards Effective Beginning January 1, 2013

- PAS 19, "*Employee Benefits*" (Revised 2011), becomes effective for annual periods beginning on or after January 1, 2013. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

The standard has no impact on the Company's financial statements for the Company does not have employees.

- PAS 27 (Revised 2011), "*Separate Financial Statements*", becomes effective on or after January 1, 2013, amended version of PAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from PAS 27, "*Consolidated and Separate Financial Statements*". Requirements for consolidated financial statements are now contained in PFRS 10, "*Consolidated Financial Statements*".

The standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with PFRS 9, "*Financial Instruments*".

The standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

The standard has no impact on the Company's financial position or performance.

- PAS 28, "*Investment in Associates and Joint Ventures*" (2011), becomes effective on or after January 1, 2013, supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, "*Noncurrent Assets Held for Sale and Discontinued Operations*", applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

The standard has no impact on the Company's financial statements for the Company did not have an investment that meets the criteria to be classified as held for sale or an investment in associates or a joint venture.

- Amendments to PFRS 1, "*First-time Adoption of Philippine Financial Reporting Standards – Government Loans*", becomes effective for annual periods 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.

The amendment has no impact on the Company's financial statements for the Company is not a first-time adopter and has no government loans.

- Amendments to PFRS 7, "*Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*". The amendments to PFRS 7 are applied retrospectively for annual periods beginning on or after January 1, 2013. These amendments require an entity to disclose information about rights of offset and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are offset in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- (a) The gross amounts of those recognized financial assets and recognized financial liabilities
- (b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the balance sheet
- (c) The net amounts presented in the balance sheet

(d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

- i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32
- ii. Amounts related to financial collateral (including cash collateral)

(e) The net amount after deducting the amounts in (d) from the amounts in (c) above

The amendment has no impact significant impact on the Company's financial statements for there is no financial asset offsetted against financial liabilities or vice versa.

- PFRS 10 (Revised 2010), "*Consolidated Financial Statements*", becomes effective on or after January 1, 2013, requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in PAS 27, "*Consolidated and Separate Financial Statements*" and SIC-12 "*Consolidation – Special Purpose Entities*". The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under PFRS 10, control is based on whether an investor has (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the returns.

The amendment has no impact significant impact on the Company's financial statements for there is no additional entities that need to be consolidated nor the subsidiary that need to be deconsolidated.

- PFRS 11, "*Joint Arrangements*", and PAS 28, "*Investments in Associates and Joint Ventures*", PFRS 11 replaces PAS 31, "*Interests in Joint Ventures*", and Philippine Interpretation SIC-13, "*Jointly Controlled Entities – Non-monetary Contributions by Venturers*". PFRS 11 and PAS 28 (amended in 2011), becomes effective for annual periods beginning on or after January 1, 2013. The new standard focuses on the nature of the rights and obligations arising from the arrangement. It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. As a consequence, PAS 28 was amended and renamed as PAS 28, "*Investments in Associates and Joint Ventures*", to describe the application of the equity method to investments in joint ventures in addition to associates.

The amendment has no impact significant impact on the Company's financial statements for the Company does not have any jointly controlled entities.

- PFRS 12, "*Disclosure of Interests in Other Entities*", becomes effective on or after January 1, 2013, requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. In high-level terms, the required disclosures are grouped into the following broad categories: (a) Significant judgements and assumptions - such as how control, joint control, significant influence has been determined; (b) Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on; (c) Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information); (d) Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

The standard affects disclosures only and has no impact on the Company's financial position or performance.

- PFRS 13, "*Fair Value Measurement*", becomes effective beginning on or after January 1, 2013, replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The PFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, PFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

PFRS 13 applies when another PFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs: (i) Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date; (ii) Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; (iii) Level 3 - unobservable inputs for the asset or liability. Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

The standard affects disclosures only and has no impact on the Company's financial position or performance.

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

The standard has no impact on the Company's financial position or performance for the Company has no surface mining activity.

- The Annual Improvements to PFRS (2009 to 2011 cycle) contain non-urgent but necessary amendments to PFRS. The Company adopted these amendments in 2013.

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 Information for Total Assets and Liabilities"

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.

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

- Amendments to PFRS 10, "*Consolidated Financial Statements*", PFRS 12, "*Disclosure of Interests in Other Entities*" and PAS 27, "*Separate Financial Statements, Investment Entities*", as amendments to PFRS 10, "*Consolidated Financial Statements*", PFRS 12, "*Disclosure of Interests in Other Entities*" and PAS 27, "*Separate Financial Statements*", will become effective for annual periods beginning on or after January 1, 2014. The amendments require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating them. New disclosure requirements relating to investment entities were added in PFRS 12 and PAS 27.
- Amendments to PAS 32, "*Financial Instruments: Presentation – Offsetting Financial Assets and Financial liabilities*". The amendments to PAS 32 are to be applied retrospectively for annual periods beginning on or after January 1, 2014. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to offset" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.
- Amendments to PAS 36, "*Impairment of Assets – Recoverable Amount Disclosures for Nonfinancial Assets*". The amendments to PAS 36 are to be applied retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is applied. The amendments remove unintended consequence of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period.
- Amendments to PAS 39, "*Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*". The amendments to PAS 39 are effective for annual periods beginning on or after January 1, 2014. The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.
- Philippine Interpretation IFRIC-21, "*Levies*", will become effective for annual periods beginning on or after January 1, 2014. The Interpretation provides guidance on how to account for levies within the scope of PAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*". It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

Effective 2015

- Amendments to PAS 19, "*Employee Benefits – Define Benefit Plans: Employee Contributions*". The amendments to PAS 19 are effective for annual periods beginning on or after July 1, 2014 with earlier application permitted. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.
- The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 2, "Share-based Payment – Definition of Vesting Condition"

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be effective prospectively applied to share-based payment transactions for which grant date is on or after July 1, 2014. This amendment does not apply to the Company as it currently has no share-based payments.

PFRS 3, "Business Combinations – Accounting for Contingent Consideration in a Business Combination"

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment if there will be future business combinations.

PFRS 8, "Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets"

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. The disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendment will have no impact on the Company's financial position or performance.

PFRS 13, "Fair Value Measurement – Short-term Receivables and Payables"

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment is effective immediately.

PAS 16, "Property, Plant and Equipment: Revaluation Method – Proportionate Restatement of Accumulated Depreciation"

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Company's financial position or performance.

PAS 24, "Related Party Disclosures – Key Management Personnel"

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will have no impact on the Company's financial position or performance.

PAS 38, "Intangible Assets: Revaluation Method – Proportionate Restatement of Accumulated Amortization"

The amendment clarifies that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Company's financial position or performance.

- The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 1, "First-time Adoption of Philippine Financial Reporting Standards – Meaning of Effective PFRS"

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

PFRS 3, "Business Combinations – Scope Exceptions for Joint Arrangements"

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PFRS 13, "Fair Value Measurement – Portfolio Exception"

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Company's financial position or performance.

PAS 40, "Investment Property"

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgement is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Company's financial position or performance.

New Standard with No Mandatory Effective Date

- PFRS 9, "*Financial Instruments: Classification and Measurement*", reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value through OCI or profit or loss. Entity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge a accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and criteria for using the FVO.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The Company, however, has yet to conduct a quantification of the full impact of this standard. The Company will quantify the effect of this standard in conjunction with the other phases, when issued, to present a more comprehensive picture.

Deferred

- Philippine Interpretation IFRIC 15, "Agreement for Construction of Real Estate" (effectivity date to be determined), covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine 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 rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Significant Accounting Policies

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Inputs are unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

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 statements of financial position 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 statements of comprehensive income under "other income" or "finance cost" account unless it qualifies for recognition as some other type of asset. In cases, where data used are not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Classification and Measurement

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

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

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

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

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

As of December 31, 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.

Included in this category are cash and cash equivalents, short-term investments, receivables and time deposits with BPI under other assets.

c. *Held-to-maturity*

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 statements of financial position date.

Held-to-maturity investments account is included in this category.

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 statements of financial position. Changes in the fair value of such assets are accounted for in equity until the investments are derecognized from the statements of financial position or until the investments are determined to be impaired at which time the cumulative gains or losses previously reported in equity are transferred to the statements of comprehensive income. 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 statements of financial position date.

Available-for-sale investments account is included in this category.

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 statements 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.

Included in this category are 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 or 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 instrument 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 statements 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 statements 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

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 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 statements of comprehensive income.

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

Other Current Assets

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.

Prepayments

Prepayments include expenses already paid but not yet incurred. These are measured at cost less amortization.

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. This cost 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 statements 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.

Input Tax

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

Short-term and non-interest bearing financial liabilities are subsequently measured at cost 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 statements of financial position date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset or cash generating unit to which the asset belongs is written down to its recoverable amount.

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

Provisions, Contingent Liabilities and Contingent Assets

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

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the statements 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 statements of comprehensive income.

Unrealized Gain on Changes in Fair Values of AFS Financial Assets

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

Revenue and Cost Recognition

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

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

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

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

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

Gain or loss on sale of financial assets through FVPL, available-for-sale financial assets and held to maturity investments are computed on 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 statements 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 statements 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 Company's 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 statements of financial position date. All differences are taken to the statements 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 statements of financial position date.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statements 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 statements 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 statements of comprehensive income.

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

Value-added Tax

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

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

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

Earnings (Loss) per Share

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

Events After the End of the Reporting Period

Post-year-end events that provide additional information about the Company's position at the statements 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.

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 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 statements 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 P12,834,990, P9,968,706 and P9,624,104 in 2013, 2012 and 2011, respectively (see Note 17).

Rent expense recognized in the statements of comprehensive income amounted to P897,756, P834,648 and P846,979 in 2013, 2012 and 2011, respectively (see Note 19).

Estimates

The key estimates concerning the future and other key sources of estimation uncertainty as at statements 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

The Company reviews its 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 statements of comprehensive income in the form of provision for doubtful accounts.

The allowance for doubtful accounts amounted to P125,000,000 as of December 31, 2013, 2012 and 2011.

Receivables amounted to P56,235,041, P66,950,256 and P38,079,674 as of December 31, 2013, 2012 and 2011, respectively (see Note 7).

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 P303,362,301, P175,737,758 and P154,440,009 as of December 31, 2013, 2012 and 2011, respectively (see Note 9). There was no impairment loss recognized related to available-for-sale financial assets in 2013, 2012 and 2011.

Impairment of Held to Maturity Investments

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

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

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 P17,912, P26,814 and P92,560 as of December 31, 2013, 2012 and 2011, respectively (see Note 11).

The carrying values of investment properties amounted to P120,923,488, P125,242,184 and P129,560,880 as of December 31, 2013, 2012 and 2011, respectively (see Note 12).

Impairment of Nonfinancial Assets

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

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

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

No impairment was recognized in 2013, 2012 and 2011.

Realizability of Deferred Tax Assets

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

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

Provisions and Contingencies

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

No provisions have been recorded as of December 31, 2013, 2012 and 2011.

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, available-for-sale financial assets, held to maturity investments, accounts payable and accruals, other payables and due to parent company 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 statements of financial position:

	2013	2012	2011
Cash and cash equivalents	P313,351,763	P129,414,351	P401,418,135
Short-term investments	44,978,875	245,301,632	-
Receivables	176,235,041	191,950,256	163,079,674
Receivables - noncurrent	5,000,000	-	-
Available-for-sale financial assets	303,362,301	175,737,758	154,440,009
Held to maturity investments	-	33,787,206	52,253,831
Time deposits with BPI	86,489,093	86,489,093	86,489,093
	P929,417,073	P862,680,296	P857,680,742

The table below shows the analysis of age of financial assets as of December 31, 2013, 2012 and 2011:

	2013				Total	
	Neither past due nor impaired	Past-due but not impaired				Past due and impaired
		31 to 90 days	91 to 180 days	More than 180 days		
Cash and cash equivalents	P313,361,763	P-	P-	P-	P-	P313,361,763
Short-term investments	44,978,875	-	-	-	-	44,978,875
Receivables						
Notes	14,305,002	-	-	-	125,000,000	139,305,002
Trade	606,806	115,132	218,173	1,617,394	-	2,557,505
Due from parent company	14,218,524	-	-	-	-	14,218,524
Due from co-subsidiary	-	-	-	306,250	-	306,250
Interest receivable - other related party	363,011	-	-	-	-	363,011
Interest receivable	326,543	-	-	-	-	326,543
Dividend receivable	96,197	-	-	-	-	96,197
Others	250,000	68,772	120,346	18,622,891	-	19,062,009
Receivables - noncurrent	5,000,000	-	-	-	-	5,000,000
Available-for-sale financial assets	303,362,301	-	-	-	-	303,362,301
Other assets	-	-	-	86,489,093	-	86,489,093
	P696,869,022	P183,904	P338,519	P107,035,628	P125,000,000	P929,427,073

	2012					Total
	Neither past due nor impaired	Past-due but not impaired			Past due and impaired	
		31 to 90 days	91 to 180 days	More than 180 days		
Cash and cash equivalents	P129,424,351	P-	P-	P-	P-	P129,424,351
Short-term investments	245,301,632	-	-	-	-	245,301,632
Receivables						
Notes receivable	44,305,002	-	-	-	125,000,000	169,305,002
Trade receivable	243,277	690,399	243,953	1,336,255	-	2,513,884
Due from co-sub sidiary	-	-	-	306,250	-	306,250
Interest receivable - other related party	129,111	-	-	-	-	129,111
Interest receivable	637,524	-	-	-	-	637,524
Dividend receivable	573,996	-	-	-	-	573,996
Others	24,230	-	-	18,460,269	-	18,484,489
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	P125,000,000	P862,690,296

	2011					Total
	Neither past due nor impaired	Past-due but not impaired			Past due and impaired	
		31 to 90 days	91 to 180 days	More than 180 days		
Cash and cash equivalents	P401,428,135	P-	P-	P-	P-	P401,428,135
Receivables						
Notes	-	-	-	-	125,000,000	125,000,000
Trade receivable	-	2,501,134	-	1,344,666	-	3,845,820
Due from parent company	-	-	-	11,851,647	-	11,851,647
Due from co- subsidiary	-	-	-	306,250	-	306,250
Interest receivable - parent company	-	-	-	2,507,233	-	2,507,233
Interest receivable	-	268,191	-	-	-	268,191
Dividend receivable	-	186,667	-	-	-	186,667
Others	-	-	-	19,113,866	-	19,113,866
Available-for-sale financial assets	154,440,009	-	-	-	-	154,440,009
Held to maturity investments	52,253,831	-	-	-	-	52,253,831
Other assets	-	-	-	86,489,093	-	86,489,093
	P608,121,975	P2,955,992	P-	P121,812,775	P125,000,000	P857,690,742

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties and industry segments as of December 31, 2013, 2012 and 2011.

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 statements 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 statements of financial position dates to their contractual maturities or expected repayment dates:

As of December 31, 2013	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash and cash equivalents	P313,361,763	P-	P-	P-	P-	P313,361,763
Short-term investments	44,978,875	-	-	-	-	44,978,875
Receivables						
Notes	14,305,002	-	-	-	-	14,305,002
Trade	2,557,505	-	-	-	-	2,557,505
Due from parent company	14,218,524	-	-	-	-	14,218,524
Due from co-subsi-dary	306,250	-	-	-	-	306,250
Interest receivable - other related party	363,011	-	-	-	-	363,011
Interest receivable	326,543	-	-	-	-	326,543
Dividend receivable	96,197	-	-	-	-	96,197
Others	19,062,009	-	-	-	-	19,062,009
Receivables - noncurrent	-	-	-	5,000,000	-	5,000,000
Available-for-sale	10,332,922	15,542,709	52,996,546	20,978,864	203,511,260	303,362,301
Other assets	86,489,093	-	-	-	-	86,489,093
	P506,397,694	P15,542,709	P52,996,546	P25,978,864	P203,511,260	P804,427,073

As of December 31, 2013	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial liabilities:						
Accounts payable and accruals	P8,081,575	P-	P-	P-	P-	P8,081,575
Other payables	1,262,874	-	-	-	-	1,262,874
	P9,344,449	P-	P-	P-	P-	P9,344,449

As of December 31, 2012	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash and cash equivalents	P129,424,351	P-	P-	P-	P-	P129,424,351
Short-term investments	245,301,632	-	-	-	-	245,301,632
Receivables						
Notes	44,305,002	-	-	-	-	44,305,002
Trade	2,513,884	-	-	-	-	2,513,884
Due from co-subsi-dary	306,250	-	-	-	-	306,250
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
Available-for-sale	-	-	51,761,976	996,647.00	122,979,135	175,737,758
Held to maturity	10,000,000	15,000,000	-	8,787,206	-	33,787,206
Other assets	86,489,093	-	-	-	-	86,489,093
	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
Other payables	850,944	-	-	-	-	850,944
Due to parent company	7,588,913	-	-	-	-	7,588,913
	P16,309,758	P-	P-	P-	P-	P16,309,758

As of December 31, 2011	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash and cash equivalents	P401,428,135	P-	P-	P-	P-	P401,428,135
Receivables						
Trade	3,845,820	-	-	-	-	3,845,820
Due from parent company	-	-	-	-	11,851,847	11,851,847
Due from co-subsidiary	-	-	-	-	306,250	306,250
Interest receivable - parent company	2,507,233	-	-	-	-	2,507,233
Interest receivable	268,191	-	-	-	-	268,191
Dividend receivable	186,667	-	-	-	-	186,667
Others	19,113,866	-	-	-	-	19,113,866
Available-for-sale	-	-	51,702,068	-	102,737,941	154,440,009
Held to maturity	20,000,000	10,000,000	15,000,000	7,253,831	-	52,253,831
Other assets	86,489,093	-	-	-	-	86,489,093
	P633,839,005	P10,000,000	P66,702,068	P7,253,831	P114,895,838	P732,690,742

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

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:

	2013		2012		2011	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Cash in bank	\$482	P21,393	\$482	P19,841	\$481	P21,122
Time deposits	-	-	10,238	421,717	149,931	6,586,179
Available-for-sale financial assets	-	-	809,518	33,345,682	587,457	25,805,831
Held to maturity investments	-	-	164,770	6,787,206	165,130	7,253,831
Time Deposits	\$482	P21,393	\$985,008	P40,574,446	\$902,999	P39,666,963

With the translation of this foreign currency-denominated assets, the Company reported net foreign exchange loss amounting to P1,830,235, P1,351,205 and P990,650 in 2013, 2012 and 2011, respectively (see Note 20). These resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2011	43.9280
December 31, 2012	41.1920
December 31, 2013	44.4140

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:

	2013	2012	2011
Share capital	P996,391,254	P996,391,254	P996,391,254
Deficit	(105,711,434)	(178,688,104)	(180,701,001)
	P890,679,820	P817,703,150	P815,690,253

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, 2012 and 2011.

Financial Assets and Financial Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of December 31, 2013, 2012 and 2011 are presented below:

	2013		2012		2011	
	Carrying amounts	Fair values	Carrying amounts	Fair values	Carrying amounts	Fair values
Financial assets:						
Cash and cash equivalents	P313,361,763	P313,361,763	P129,424,351	P129,424,351	P401,428,135	P401,428,135
Short-term investments	44,978,875	44,978,875	245,301,632.00	245,301,632.00	-	-
Receivables	51,235,041	51,235,041	66,950,256	66,950,256	38,079,674	38,079,674
Receivables - noncurrent	5,000,000	5,000,000	-	-	-	-
Available-for-sale	303,362,301	303,362,301	175,737,758	175,737,758	154,440,009	154,440,009
Held to maturity	-	-	33,787,206	33,787,206	52,253,831	52,253,831
Other assets	86,489,093	86,489,093	86,489,093	86,489,093	86,489,093	86,489,093
	P804,427,073	P804,427,073	P737,690,296	P737,690,296	P732,690,742	P732,690,742
Financial liabilities:						
Accounts payable and accruals	P8,081,575	P8,081,575	P7,869,901	P7,869,901	P28,550,566	P28,550,566
Other payables	1,262,874	1,262,874	850,944	850,944	850,944	850,944
Due to parent company	-	-	7,588,913	7,588,913	-	-
	P9,344,449	P9,344,449	P16,309,758	P16,309,758	P29,401,510	P29,401,510

Assumption used to estimate fair values

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

The fair values of available-for-sale financial assets that are publicly traded instruments are determined by reference to quoted market prices as at the end of each reporting period. Investments in unquoted equity securities are carried at cost, net of any impairment value.

Fair values of notes receivable - non current 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:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Inputs are unobservable inputs for the asset or liability

As at December 31, 2013, the fair value of available-for-sale financial assets amounting to P303,012,301 are determined using quoted (unadjusted) market prices in active markets for identical assets (Level 1).

As at December 31, 2013, the Company does not have financial instruments whose fair values are determined using inputs other than quoted prices that are either directly or indirectly observable for the assets or liabilities (Level 2) and financial instruments whose fair values are determined using inputs that are not based on observable market data (Level 3).

There were no reclassifications made between the different fair value hierarchy levels in 2013.

5. Cash and Cash Equivalents

This account consists of:

	2013	2012	2011
Cash on hand and in banks	P16,836,401	P3,757,819	P2,941,637
Money market placements	296,525,362	125,244,815	391,900,319
Dollar time deposits	-	421,717	6,586,179
	P313,361,763	P129,424,351	P401,428,135

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 P3,625,902 in 2013, P13,162,781 in 2012 and P13,197,396 in 2011.

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

6. Short-term Investments

This account pertains to time deposits with Planters Development Bank (PDB) and Sterling Bank amounting to P44,978,875 and P245,301,632 as of December 31, 2013 and 2012, respectively, with fixed interest rates of 2.6% to 5.0694% per annum and terms of 120 days to 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 P8,568,547 in 2013 and P1,610,832 in 2012.

7. Receivables

This account consists of:

	2013	2012	2011
Notes	P144,305,002	P169,305,002	P125,000,000
Less noncurrent amount	(5,000,000)	-	-
Current amount	139,305,002	169,305,002	125,000,000
Less allowance for doubtful accounts	(125,000,000)	(125,000,000)	(125,000,000)
Net	14,305,002	44,305,002	-
Trade	2,557,505	2,513,884	3,845,820
Due from parent company (Note 24)	14,218,524	-	11,851,647
Due from co-subsiary (Note 24)	306,250	306,250	306,250
Interest receivable - parent company (Note 24)	-	-	2,507,233
Interest receivable - other related party (Note 24)	363,011	129,111	-
Interest receivable	326,543	637,524	268,191
Dividend receivable	96,197	573,996	186,667
Others	19,062,009	18,484,489	19,113,866
	P51,235,041	P66,950,256	P38,079,674

Principal amount of notes receivable are as follows:

Maker	Value Date	Term	Rate	Cost
Antonio Araneta				P125,000,000
Montemar Beach Club Inc. (Note 24)	13-Sep-13	one year	7.00%	6,000,000
Montemar Beach Club Inc. (Note 24)	22-Oct-13	one year	7.00%	4,000,000
Montemar Beach Club Inc. (Note 24)	20-Dec-13	one year	7.00%	4,305,002
Metrobank Card Corporation	20-Dec-13	ten years	6.21%	5,000,000
				P144,305,002

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. The total amount due as of year end 2013 is P2.006 Billion, inclusive of principal, interest and penalty.

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

On July 29, 2010, the Company filed a complaint against Ansear and Mr. Araneta for a collection of sum of money, with prayer for preliminary attachment, which the Court granted on August 27, 2010. The case is now on trial. The Company had already terminated its presentation of evidence. Defendant Araneta is due for re-direct examination on May 23, 2014.

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.

8. Other Current Assets

This account consists of:

	2013	2012	2011
Prepayments	P761,035	P895,041	P880,781
Creditable withholding tax	2,201,184	1,766,360	1,258,882
	P2,962,219	P2,661,401	P2,139,663

9. Available-for-sale Financial Assets

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

	2013	2012	2011
UITF Peso Bond Fund	P53,238,325	P35,217,244	P32,944,934
Philam Strategic Growth Fund	50,703,770	30,951,152	23,961,764
Sun Life Prosperity Balanced Fund	42,751,915	14,501,893	11,568,287
SMC Purefood Preferred Shares	31,560,000	30,540,000	30,600,000
Retail Treasury Bonds	21,436,546	21,221,976	21,102,068
PSALM Bonds	15,542,709	-	-
Sun Life Prosperity Philippine Equity Fund	13,470,517	-	-
EWB UITF Peso Bond	12,935,624	-	-
PIID0514I080	10,332,922	-	-
Meralco Bonds	9,975,390	-	-
Sun Life Prosperity GS Fund	9,173,913	8,963,164	8,457,125
Philam Bond Fund	9,101,431	-	-
SMC Preferred Shares	7,835,835	-	-
Aboitiz Bonds	4,996,906	-	-
Ayala Land Inc. Bonds	1,996,175	-	-
Filinvest Land Inc. Bonds	1,981,442	-	-
Ayala Corp. Preferred Shares	1,958,960	-	-
First Gen Corp. Preferred Shares	1,202,900	-	-
SM Investment Corp. Bonds	1,029,384	996,647	-
Filinvest Bonds	999,567	-	-
Petron Corp. Preferred Shares	788,070	-	-
Makati Sports Club, Inc.	350,000	-	-
PAMI Asia Balanced Fund Inc Dollar	-	17,126,712	16,212,253
UITF Dollar Bond Fund	-	9,913,634	9,593,578
Sun Life Prosperity Dollar Abundance Fund	-	6,305,336	-
	P303,362,301	P175,737,758	P154,440,009

Interest earned from these investments amounted to P2,480,314 in 2013, P936,867 in 2012 and P747,000 in 2011.

Dividend earned from these investments amounted to P2,369,328 in 2013, P2,119,829 in 2012 and P1,919,167 in 2011.

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

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

	2013	2012	2011
Balance at beginning of year	P15,289,098	P693,041	P-
Fair value changes during the year recognized in other comprehensive income	(6,242,276)	14,596,057	693,041
Reversal of fair value changes of AFS sold	689,809	-	-
	P9,736,631	P15,289,098	P693,041

10. Held to Maturity Investments

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

2012

Bond Number	Issue Date	Maturity Date	Coupon Rate	Amortized 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
				P33,787,206

2011

Bond Number	Issue Date	Maturity Date	Coupon Rate	Amortized 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
				P52,253,831

Held to maturity investments with carrying amount of P27,000,000 was reclassified to available-for-sale financial asset account as a result of sale of one of the held to maturity investments. The reclassified financial assets were remeasured at fair value.

Interest earned from these investments amounted to P42,730 in 2013, P2,388,972 in 2012 and P2,240,423 in 2011.

11. Property and Equipment

This account consists of:

	2012	Additions	Disposals	2013
Cost				
Furniture and fixtures	P3,486,626	P-	P-	P3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	229,045	18,670	-	247,715
	8,608,216	18,670	-	8,626,886
Less accumulated depreciation				
Furniture and fixtures	3,486,626	-	-	3,486,626
Transportation equipment	4,892,545	-	-	4,892,545
Office equipment	202,231	27,572	-	229,803
	8,581,402	27,572	-	8,608,974
	P26,814			P17,912

	2011	Additions	Disposals	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

	2010	Additions	Disposals	2011
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	54,482	73,521	-	128,003
	8,433,653	73,521	-	8,507,174
	P166,081			P92,560

Depreciation amounting to P27,572, P74,228 and P73,521 were included in General and Administrative Costs in the Statements of Comprehensive Income in 2013, 2012 and 2011, respectively.

All fully depreciated property and equipment amounting to P8,599,734, P8,389,207 and P8,379,171 in 2013, 2012 and 2011, respectively, are still in use and not retired from active use.

No impairment loss was recognized in 2013, 2012 and 2011.

12. Investment Properties

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

	2012	Additions	Disposals	2013
Cost	P164,772,000	P-	P-	P164,772,000
Less accumulated depreciation	39,529,816	4,318,696	-	43,848,512
	P125,242,184			P120,923,488

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

	2010	Additions	Disposals	2011
Cost	P164,772,000	P-	P-	P164,772,000
Less accumulated depreciation	30,892,424	4,318,696	-	35,211,120
	P133,879,576			P129,560,880

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.

The condominium unit is being leased out to a third party. Rent income derived from the rental of condominium unit amounted to P12,834,990, P9,968,706 and P9,624,104 in 2013, 2012 and 2011, respectively (see Note 17). Expenses paid for the land and condominium units that are being leased out amounted to P1,323,389, P1,322,592 and P1,616,479 in 2013, 2012 and 2011, respectively, which represents real property tax, insurance, repairs and maintenance and dues and subscription.

Depreciation amounting to P4,318,696 were charged to Cost of Service in the Statements of Comprehensive Income in 2013, 2012 and 2011 (see Note 18).

No impairment loss was recognized in 2013, 2012 and 2010.

Fair value as of March 18, 2013 amounted to P167,364,000 based on the valuation of independent appraisers using sales comparison approach. The valuation undertaken considered the sales of similar or substitute properties and related market data and established estimated value by processes involving comparison.

13. Other Assets

This account consists of:

	2013	2012	2011
Time deposits with BPI	P86,489,093	P86,489,093	P86,489,093
Input tax	3,385,472	3,425,719	1,257,012
	P89,874,565	P89,914,812	P87,746,105

Included in this account are the peso and US dollar time deposits with the 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.

On September 24, 2013, the RTC of Makati, Branch 62, issued a Decision in Civil Case No. 08-649, declaring the Bildner Group as the legitimate and duly constituted Board of Directors of PHC entitled to the remaining time deposits and current accounts with BPI. Interpleader defendant Concepcion Poblador file a Notice of Appeal on October 18, 2013.

On September 25, 2013, the RTC of Makati, Branch 62, issued a Decision in a Civil Case No. 07-840, ordering the defendant BPI to pay PHC the amount of P102M as and by way of actual damages. BPI filed a Notice of Appeal on October 4, 2013.

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

The time deposit at BPI is a short-term investment with an initial period of 35 days earning an interest rate of 2.5% p.a. This is subject to automatic renewal and interest rate resetting by BPI upon maturity. Interest income earned from time deposits on BPI amounted to P1,240,409 in 2011.

To date, BPI has not given the Company the latest Statement of Accounts pending the resolution of its Motion for Clarification with the RTC-138 of Makati City despite the finality of the Supreme Court decision dated July 3, 2013 in G.R. No. 184712-14 declaring the Company's board (Bildner Group) as the valid and duly constituted board of PHC.

14. Accounts Payable and Accruals

This account consists of:

	2013	2012	2011
Accounts payable - trade	P2,538,198	P2,268,642	P2,268,642
Accrued expenses	5,482,508	5,062,508	25,836,055
Accounts payable - others	60,869	538,751	445,869
	P8,081,575	P7,869,901	P28,550,566

The accrued expenses includes a provision for management fee to Philcomsat in relation to land disposal amounting to P20,000,000, which management believes to be reasonable, pending final determination of liability to Philcomsat (see Note 20). The accrued expense was paid in 2012.

The accounts payable others includes accrual of professional fees.

15. Other Payables

This account consists of:

	2013	2012	2011
Deposit (Note 22)	P1,098,480	P686,550	P686,550
Withholding tax expanded	3,046,268	835,412	1,005,512
Subscribers' deposit	139,394	139,394	139,394
Advances from officers and employees	25,000	25,000	25,000
Documentary stamp tax payable	10,201	10,201	51,746
SSS loans payable	4,795	4,795	4,795
	P4,324,138	P1,701,352	P1,912,997

16. Share Capital

This account consists of:

	2013	2012	2011
Authorized share capital			
1,000,000,000 common shares at			
P1 par value	P1,000,000,000	P1,000,000,000	P1,000,000,000
Issued and outstanding			
996,391,254 common shares at			
P1 par value	P996,391,254	P996,391,254	P996,391,254

Track record of registration:

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

There are 60,000,000 listed shares. The number of holders of listed shares is approximately 1,173 as of December 31, 2013. The number of holders of listed shares was, however, not included in the documents turned-over by the former stock transfer agent.

17. Revenue

This account consists of:

	2013	2012	2011
Interest income subjected to final tax (Note 24)	P16,514,122	P18,338,847	P17,792,728
Rent income (Note 22)	12,834,990	9,968,706	9,624,104
Dividend income	2,369,328	2,119,829	1,919,167
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 subjected to final tax	-	372,807	608,536
Gain on sale of financial asset through FVPL	-	-	1,705,399
Miscellaneous	617,800	452,974	445,000
	P33,819,807	P31,253,163	P32,094,934

18. Cost of Service

Cost of services consist mainly of the depreciation of investment property being leased out to tenants (see Note 12).

19. General and Administrative Costs

This account consists of:

	2013	2012	2011
Professional fees	P14,929,251	P7,231,800	P7,315,357
Director's fee (Note 24)	11,022,941	7,245,000	7,245,000
Management fee - legal fee	7,761,388	2,825,740	2,764,407
Taxes and licenses	1,259,360	1,079,332	1,399,723
Donations	1,000,000	-	-
Rental (Note 22)	897,756	834,648	846,979
Representation and entertainment	704,211	201,730	531,049
Dues and subscription (Note 24)	393,600	232,200	232,200
Light and water (Note 24)	95,624	147,327	147,208
Depreciation (Note 11)	27,572	74,228	73,521
Interest	-	239,527	43,372
Court filings	-	-	2,079,409
Others	2,390,150	3,329,317	1,608,778
	P40,481,853	P23,440,849	P24,287,003

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

20. Other Income (Expenses)

This account consists of:

	2013	2012	2011
Recovery from losses	P86,000,000	P-	P-
Loss on foreign exchange	(1,830,235)	(1,351,205)	(990,650)
Other expenses on disposal of land:			
Notarial fee	-	-	(632,050)
Processing and documentation	-	-	(1,000,000)
Relocation and titling expense	-	-	(1,500,000)
Commission	-	-	(14,677,200)
Provision for management fee	-	-	(20,000,000)
	P84,169,765	(P1,351,205)	(P38,799,900)

In 2007, the Company filed a complaint against BPI for allowing the illegal board to withdraw funds from the corporate accounts. The case was docketed as Civil Case No. 07-840 and was heard and tried by the RTC-62 Makati City, which issued a Decision finding BPI liable to pay the Company P102M in actual damages. By way of amicable settlement, the Company and BPI executed a Compromise Agreement dated November 20, 2013 whereby BPI paid the Company P86M as and by way of settlement amount in exchange for the withdrawal of the complaint separately filed against officers of BPI then pending with the Banko Sentral ng Pilipinas (BSP) and MTC-32, Quezon City.

The other expenses on the disposal of land represents additional expenses incurred in connection with the land disposal. In 2011, the Company accrued a provision for management fee to Philcomsat in relation to land disposal amounting to P20,000,000, which management believes to be reasonable, pending final determination of liability to Philcomsat (see Note 14).

21. Income Tax

The provision for income tax in 2013, 2012 and 2011 represents the minimum corporate income tax.

The following are the computation of regular corporate income tax:

	2013	2012	2011
Net Income (loss)	P73,189,023	P2,142,413	(P35,310,665)
Add (deduct) permanent differences:			
Nondeductible representation expense	569,683	93,785	252,431
Penalty	64,850	18,885	73,143
Dividend income	(2,369,328)	(2,119,829)	(1,919,167)
Interest income subjected to final tax	(16,514,122)	(18,338,847)	(17,792,728)
Recovery from losses	(86,000,000)	-	-
Add (deduct) temporary differences:			
Provision for management fee	-	(20,000,000)	20,000,000
Unrealized forex loss (gain) for current year	(1,552)	1,038,466	(544,862)
Realized forex gain (loss) from last year	(1,038,465)	-	3,622,232
Taxable loss	(P32,099,911)	(P37,165,127)	(P31,619,616)
Tax due at 30%	P-	P-	P-

The following are the computation of minimum corporate income tax:

	2013	2012	2011
Rent income	P12,834,990	P9,968,706	P9,624,104
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	-	372,807	608,536
Realized gain from last year	-	-	3,622,232
Gain on sale of financial asset through FVPL	-	-	1,705,399
Miscellaneous	617,800	452,974	445,000
Total income	14,936,357	10,794,487	16,005,271
Less depreciation of condominium unit	4,318,696	4,318,696	4,318,696
Taxable income	P10,617,661	P6,475,791	P11,686,575
Tax due at 2%	P212,353	P129,516	P233,732

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, 2013	P32,099,911	P-	P32,099,911	2016
December 31, 2012	37,165,127	-	37,165,127	2015
December 31, 2011	31,619,616	-	31,619,616	2014
December 31, 2010	13,485,113	13,485,113	-	2013
	P114,369,767	P13,485,113	P100,884,654	

The management believes that the Company will not be able to realize the NOLCO in the future. Thus no deferred tax asset was set up for NOLCO.

22. Leases

The Company As a Lessor

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

In February 28, 2013, the Company renewed its lease agreement with Insbrooks Holdings Co., Inc. at a monthly rental of P1,098,480. The renewed term of lease is for the period of 18 months commencing on March 15, 2013 to September 14, 2014, renewable upon approval of the lessor.

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

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

	2013	2012	2011
Due within one year	P9,337,080	P1,661,451	P9,951,843
Due within five years but not within one year	-	-	1,661,451
	P9,337,080	P1,661,451	P11,613,294

Rent income recognized for the lease of the condominium unit amounted to P12,834,990 in 2013, P9,968,706 in 2012 and P9,624,104 in 2011.

The Company As a Lessee

In 2012, the Company renewed its lease agreement with Philcomsat for its office space located at 12th Floor Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City at a monthly rental of P74,813 with 5% escalation fee on the second year of the lease. The renewed term of lease is for the period of one year commencing on January 1, 2013 to December 31, 2013, renewable upon mutual agreement of both parties.

At the year end, the Company has no outstanding commitments under non-cancellable operating leases that fall due within one year and later than one year but within 5 years. The lease is for a period of one year and renewable for another year upon expiration.

Rent expense recognized for the lease of the office space amounted to P897,756, P834,648 in 2012 and P846,979 in 2011.

23. Earnings (Loss) Per Share

	2013	2012	2011
Net income (loss)	P72,976,670	P2,012,897	(P35,544,397)
Weighted average no. of shares outstanding	996,391,254	996,391,254	996,391,254
	P0.0732	P0.0020	(P0.0357)

24. Related Party Transactions

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

As of December 31, 2013

	Classifications	Terms and Condition	Allowance for bad debts/ Bad debts for the year	Amount of the Transaction	Oustanding Balance
<i>(a) Parent Company</i>					
Philippine Communications Satellite Corporation	Due from parent company	unsecured, nonInterest-bearing, no term, payable in cash, no guarantees	none	P14,218,524	P14,218,524
	Deposit for future subscription	unsecured, nonInterest-bearing, no term, payable in exchange for shares of stock, no guarantees	none	-	18,894,000
	Rental		none	897,756	-
	Dues and subscription		none	134,400	-
	Light and water		none	95,624	-
<i>(b) Co-Subsidiary</i>					
Montemar Resort Development Corp.	Due from co-subsidiary	unsecured, nonInterest-bearing, no term, payable in cash, no guarantees	none	-	306,250

Forward

(c) Other Related Party

Montemar Beach Club Inc.	Notes receivable	unsecured, 7% per annum, one year, payable in cash, no guarantees	none	14,305,002	14,305,002
	Interest receivable	unsecured, payable in cash and upon maturity of the note receivable, no guarantees	none	924,004	363,011

As of December 31, 2012

	Classifications	Terms and Condition	Allowance for bad debts/ Bad debts for the year	Amount of the Transaction	Outstanding Balance
(a) Parent Company					
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 / Accrued expenses	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	834,648	-
	Light and water		none	147,327	-
(b) Co-Subsidiary					
Montemar Beach Club Inc.	Notes receivable	unsecured, 7% per annum, one year, payable in cash, no guarantees	none	14,305,002	14,305,002
	Interest receivable	unsecured, payable in cash and upon maturity of the note receivable, no guarantees	none	129,111	129,111

As of December 31, 2011

	Classifications	Terms and Condition	Allowance for bad debts/ Bad debts for the year	Amount of the Transaction	Outstanding Balance
(a) Parent Company					
Philippine Communications Satellite Corporation	Due from parent company	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	P-	P11,851,647
	Interest receivable	unsecured, no term, payable in cash, no guarantees	none	-	2,507,233
	Deposit for future subscription	unsecured, noninterest-bearing, no term, payable in exchange for shares of stock, no guarantees	none	-	18,894,000
	Rental / Accrued expenses	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	848,979	20,357
	Light and water		none	147,208	-
(b) Co-Subsidiary					
Montemar Resort Development Corp.	Due from co-subsidiary	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	43,750	308,250

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-subidiary	provide/avail a non-interest bearing advances for investing and/or working capital purposes	none
Montemar Beach Club Inc.	co-subidiary	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:

	2013	2012	2011
Director's fee	P11,022,941	P7,245,000	P7,245,000

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.

25. Civil Cases

An action was filed in the Sandiganbayan 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. The Supreme Court consolidated this case with three other cases. On July 3, 2013, the Supreme Court in GR Nos. 184622, 184712-14, 186066 and 186590 ruled in favor of the Bildner Group and declared the Bildner group as the legitimate board of directors of PHC. The July 3, 2013 Decision attained finality on October 23, 2013 when the Supreme Court issued a Resolution denying the Motions for Reconsideration filed by the opposing parties. In the opinion of Management and its legal counsel, any adverse decision on this case against the Company, if any, will not materially affect the financial statements. The Company also filed cases for the recovery of advances made by former directors and officers of the Company. These civil cases are now pending resolution with the Department of Justice.

26. Litigation

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

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

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

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. 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. The DOJ issued a Resolution finding Poblador liable only for P247,093, thus, we filed a Motion for Reconsideration. On October 30, 2013, our Motion for Reconsideration was denied with finality. Based on records, it appears that an Information for P247,093 was filed with the Regional Trial Court of Makati, Branch 59, docketed as Criminal Case No. 13-310. The matter will be elevated to the Court of Appeals through a Petition for Certiorari due for filing on or before January 7, 2014.

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 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.

27. Reclassification of Accounts

The following accounts in 2012 and 2011 have been reclassified to conform with the 2013 financial statement presentation:

Reclassified From	Reclassified To	2012	2011
Notes receivables	Notes receivables (included as part of receivables)	P44,305,002	P-
Due from parent company	Due from parent company (included as part of receivables)	-	11,851,647
Due from co-subsiary	Due from co-subsiary (included as part of receivables)	306,250	306,250
Prepayments	Prepayments (included as part of other current assets)	895,041	880,781
Creditable withholding tax (included as part of other assets)	Creditable withholding tax (included as part of other current assets)	1,766,360	1,258,882

28. Supplemental Information Required Under Revenue Regulations

Revenue Regulation 15-2010

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

VAT Output Tax

The amount of VAT output declared amounted to P1,604,907 based on receipts amounting to P13,374,222 in 2013, P1,401,737 based on receipts amounting to P11,681,145 in 2012 and P1,045,171 based on receipts amounting to P8,709,755 in 2011.

VAT Input Tax

The amount of VAT input taxes claimed broken down into:

	2013	2012	2011
Balance at January 1	P3,425,719	P1,257,012	P1,247,200
Current year's domestic purchases/payments for:			
Goods other than for resale or manufacture	52,522	16,143	18,109
Services lodged under other accounts	1,454,879	3,160,221	607,881
Total	4,933,120	4,433,376	1,873,190
Less tax credit	1,547,648	1,007,657	616,178
	P3,385,472	P3,425,719	P1,257,012

Taxes on Importation

The Company has not imported goods for business use. No customs duties and tariff fees were accrued or paid during the years 2013, 2012 and 2011.

Excise Tax

The Company does not have excise tax in 2013, 2012 and 2011 since it does not have any transactions which are subject to excise tax.

Taxes and Licenses

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

	2013	2012	2011
Real property tax	P436,570	P436,570	P740,978
Business permit	341,458	354,870	91,643
PSE annual listing	250,000	250,000	250,000
Documentary stamp tax	151,009	6,270	172,560
Others	80,323	31,622	144,542
	P1,259,360	P1,079,332	P1,399,723

Withholding Taxes

The details of total withholding taxes for are as follows:

	2013	2012	2011
Compensation and benefits	P-	P-	P-
Creditable	4,389,170	5,128,935	2,108,305
	P4,389,170	P5,128,935	P2,108,305

Deficiency Tax Assessment

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

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

Revenue Regulation 19-2011

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

The following are the schedules prescribed under existing revenue issuances applicable to the Company as of December 31, 2012:

Revenue

	Exempt	RCIT
Rent income	P-	P12,834,990
Gain on sale of held to maturity investments	-	1,054,479
Gain on sale of available-for-sale financial assets	-	429,088
Miscellaneous	-	617,800
	P-	P14,936,357

Cost of Service

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

	Exempt	RCIT
Depreciation	P-	P4,318,696

Non-operating and Taxable Other Income

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

Itemized Deductions

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

	Exempt	RCIT
Professional fees	P-	P14,929,251
Director's fee	-	11,022,941
Management fee - legal fee	-	7,761,388
Taxes and licenses	-	1,194,510
Donations	-	1,000,000
Rental	-	897,756
Dues and subscription	-	393,600
Light and water	-	95,624
Depreciation	-	27,572
Representation and entertainment	-	134,528
Realized foreign exchange loss - current year	-	1,831,787
Unrealized foreign exchange loss from previous year deemed realized	-	1,038,465
Others	-	2,390,150
	P-	P42,717,572

Taxes and Licenses

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

Real property tax	P436,570
Business permit	341,458
PSE annual listing	250,000
Documentary stamp tax	151,009
Others	80,323
	P1,259,360

MOORE STEPHENS

M&Q

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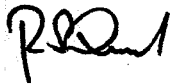
PRC/BOA Accreditation No. 0966
February 20, 2012, valid until December 31, 2014
SEC Accreditation No. 0268-F (Group A)
May 23, 2013, valid until May 22, 2016

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Philcomsat Holdings Corporation
12th Floor, Telecoms Plaza Building,
316 Sen. Gil Puyat Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philcomsat Holdings Corporation as at December 31, 2013, 2012 and 2011 and for each of the three years in the period ended December 31, 2013 and included our report thereon dated April 3, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules of Annex 68-E, Map of the Conglomerate, Key Performance Indicators and List of Philippine Financial Reporting Standards as at December 31, 2013 are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

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



RICHARD S. QUERIDO

Partner

CPA Certificate No. 84807

SEC Accreditation No. 1319-A (Group A)

May 23, 2013, valid until May 22, 2016

TIN 102-094-633

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

October 23, 2012, valid until October 22, 2015

PTR No. 4245785, January 12, 2014, Makati City

April 3, 2014

PHILCOMSAT HOLDINGS CORPORATION

Schedule A – Financial Assets

December 31, 2013

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount Shown in the Balance Sheet	Value based on Market Quotations at End of Reporting Period	Income Received and Accrued
<i>Short-term investments</i>				
Sterling Bank		P29,978,875	P29,978,875	P165,366
Planters Development Bank		15,000,000	15,000,000	8,403,181
		P44,978,875	P44,978,875	P8,568,547
<i>Notes receivable - current</i>				
Montemar Beach Club Inc.		P14,305,002	P14,305,002	P924,004
<i>Notes receivable - noncurrent</i>				
Metrobank Card Corp.		P5,000,000	P5,000,000	P8,625
<i>Available-for-sale financial assets</i>				
UB UITF Peso Bond	220,594.88 units	P53,238,325	P53,238,325	P-
Philam Strategic Growth Fund	110,408 shares	50,703,770	50,703,770	-
Sun Life Prosperity Balanced Fund	12,698,463 shares	42,751,915	42,751,915	-
SMC Purefood Preferred Shares	30,000 shares	31,560,000	31,560,000	2,250,448
Retail Treasury Bonds	P20,000,000	21,436,546	21,436,546	960,000
PSALM Bonds	P15,000,000	15,542,709	15,542,709	821,513
Sun Life Prosperity Philippine Equity Fund	3,878,305 shares	13,470,517	13,470,517	-
EWB UITF Peso Bond	7,258.55 shares	12,935,624	12,935,624	-
PIID0514I080	P10,000,000	10,332,922	10,332,922	498,428
Meralco Bonds	P10,000,000	9,975,390	9,975,390	17,500
Sun Life Prosperity GS Fund	6,038,647 shares	9,173,913	9,173,913	-
Philam Bond Fund	2,307,782 shares	9,101,431	9,101,431	-
SMC Preferred Shares	102,900 shares	7,835,835	7,835,835	99,233
Aboitiz Bonds	P5,000,000	4,996,906	4,996,906	19,121
Ayala Land Inc. Bonds	P2,000,000	1,996,175	1,996,175	18,222
Filinvest Land Inc. Bonds	P2,000,000	1,981,442	1,981,442	87,752
Ayala Corp. Preferred Shares	2,930 shares	1,958,960	1,958,960	7,925
First Gen Corp. Preferred Shares	7,560 shares	1,202,900	1,202,900	6,698
SM Investment Corp. Bonds	P1,000,000	1,029,384	1,029,384	45,500
Filinvest Bonds	P1,000,000	999,567	999,567	12,278
Petron Corp. Preferred Shares	7,230 shares	788,070	788,070	5,024
Makati Sports Club, Inc.	1 share	350,000	350,000	-
		P303,362,301	P303,362,301	P4,849,642

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

Notes receivable - noncurrent are based on amortized cost.

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

PHILCOMSAT HOLDINGS CORPORATION**Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties,
and Principal Stockholders****December 31, 2013**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Current	Not Current	Balance at End of Period
Notes receivable - other						
related party						
Montemar Beach Club Inc.	P14,305,002	P-	P-	P14,305,002	P-	P14,305,002
Due from parent company						
Philippines Communications						
Satellite Corporation	P-	P14,218,524	P-	P14,218,524	P-	P14,218,524
Due from co-subsiary						
Montemar Resort						
Development Corp.	P306,250	P-	P-	P306,250	P-	P306,250
Interest receivable						
Montemar Beach Club Inc.	P129,111	P233,900	P-	P363,011	P-	P363,011

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

PHILCOMSAT HOLDINGS CORPORATION

**Schedule C – Amounts Receivable from and Payable to Related Parties which are
Eliminated during the Consolidation of Financial Statements
December 31, 2013**

- Not applicable -

PHILCOMSAT HOLDINGS CORPORATION

Schedule D – Intangible Assets - Other Assets

December 31, 2013

- Nil -

PHILCOMSAT HOLDINGS CORPORATION

Schedule E – Long Term Debt

December 31, 2013

- Nil -

PHILCOMSAT HOLDINGS CORPORATION**Schedule F – Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2013**

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

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

PHILCOMSAT HOLDINGS CORPORATION

Schedule G – Guarantees of Securities and Other Issues

December 31, 2013

- Nil -

PHILCOMSAT HOLDINGS CORPORATION

Schedule H – Capital Stock

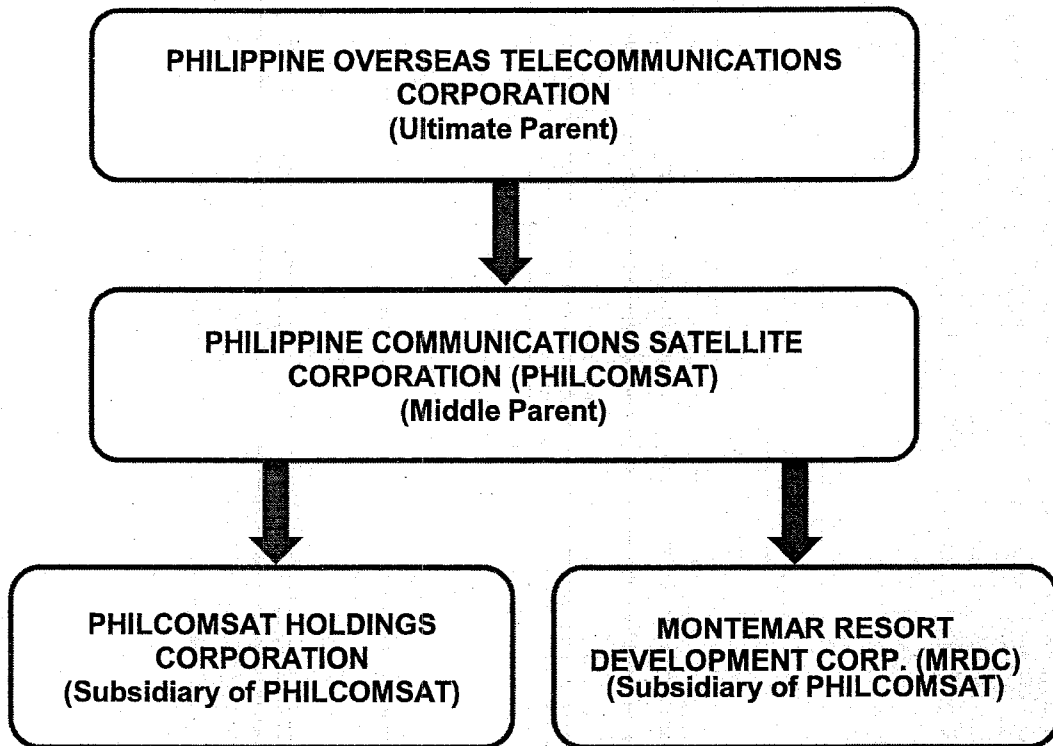
December 31, 2013

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common	1,000,000,000	996,391,254	–	796,590,990	100,021,300	99,778,964

PHILCOMSAT HOLDINGS CORPORATION

**Mapping of Relationships Between and Among the Company and
Its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries, and
Associates**

As of DECEMBER 31, 2013



PHILCOMSAT HOLDINGS CORPORATION**Key Performance Indicators**

For the Years Ended December 31, 2013, 2012, and 2011

		2013	2012	2011
Current ratio	Current assets over current liabilities	33.25:1	25.89:1	14.50:1
Solvency ratio	Total assets over total liability	29.77:1	24.10:1	17.54:1
Asset to equity ratio	Total assets over total equity	1.03:1	1.04:1	1.06:1
Debt-to-equity ratio	Debt over stockholder's equity	0.03:1	0.04:1	0.06:1
Net debt-to-equity ratio	Debt less cash and cash equivalents over stockholders' equity	-0.31:1	-0.11:1	-0.43:1
Gross profit ratio	Gross profit over gross revenue	87.23%	86.18%	86.54%
Net income from operations to profit margin ratio	Income from operations over gross profit	247.37%	7.47%	NA
Return on assets	Annualized net income over total assets during the period	7.83%	0.23%	NA
Return on equity	Annualized net income over ending stockholders' equity during the period	8.10%	0.24%	NA
Interest rate coverage ratio	Earnings before interest expense and taxes over interest expense	NA	NA	NA

PHILCOMSAT HOLDINGS CORPORATION

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2013				
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS	<i>Not early adopted</i>		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Period	<i>Not early adopted</i>		
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	<i>Not early adopted</i>		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements	<i>Not early adopted</i>		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	<i>Not early adopted</i>		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2013				
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segements' Assets to the Entity's Assets	Not early adopted		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Investment Entities	Not early adopted		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities	Not early adopted		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	Not early adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2013				
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities	Not early adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not early adopted		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	Not early adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Not early adopted		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	Not early adopted		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining whether an Arrangement contains a Lease	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2013				
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓