REPUBLIC GLASS HOLDINGS CORPORATION

15 May 2012

Disclosure Department
Listings and Disclosure Group
Philippine Stock Exchange
3F Phil. Stock Exchange Plaza
Ayala Triangle, ayala Avenue
Makati City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Gentlemen:

We submit the attached report of Republic Glass Holdings Corporation for the first quarter ending March 31, 2012 (SEC Form 17-Q), in compliance with Section 17 of the Revenue Regulation Code and SRC Rule 17(2) (b).

Very truly yours,

Florence Wong
Corporate Information Officer

6th Floor, Republic Glass Building, 196 Salcedo Street, Legaspi Village, Makati City 1229
Tel. Nos. 817-5011 to 13 • Fax No. 818-9733

COVER SHEET

11603
SEC Registration Number

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES
(Company's Full Name)

6th Floor, Republic Glass Building, 196 Salcedo Street, Legaspi Village, Makati City
(Business Address: No. Street City/Town/Province)

Ms. Florence Wong	817-5011
(Contact Person)	(Company Telephone Number)

12 31	17Q	04 30
Month *Day* (Fiscal Year)	(Form Type)	*Month* *Day* (Annual Meeting)

–
(Secondary License Type, If Applicable)

–	–
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

1,288	–	–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

ANNUAL REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE AND
SRC RULE 17(2)(b) THEREUNDER

1 **March 31, 2012**
For Fiscal Year ended

2 **11603**
SEC Identification Number

3 **047-000-141-079**
BIR Identification Number

4 **REPUBLIC GLASS HOLDINGS CORPORATION**
Exact name of registrant as specified in its charter

5 **Manila, Philippines**
Incorporated in

6
Industry Classification Code

7 **6th Floor Republic Glass Bldg, 196 Salcedo St.,**
Legaspi Village, Makati City,1229
Address of principal office

8 **(632)817-5011 to 13**
Registrant's Telephone number, including area code

9 **N.A.**
Former name or former address, if changed since last report

10 **Securities registered pursuant to Section 4 and 8 of RSA**

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares Par P1.00 par value	**682,065,632**

11 **Are any or all of the securities listed on the Philippine Stock Exchange**
Yes { ✔ } ***No { }***
If yes, state the name of such Stock Exchange and the class/es of securities listed therein.
Philippine Stock Exchange **Common Stock**

12 Indicate by check mark whether the registrant:

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements. **Please see attachments**

Item II. Management's Discussion and Analysis of Financial Condition and Results of Operations. **Please see attachments**

PART II- OTHER INFORMATION

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

SIGNATURES

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

Issuer **GERONIMO B. VELASCO, JR.**

Signature and Title Chief Executive Officer
Date 15 May 2012

Issuer **FLORENCE WONG**

Signature and Title Chief Financial Officer
Date **15 May 2012**

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	March 31	**December 31**
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱338,930**	₱344,591
Short-term investments (Note 6)	**2,233**	1,923
Financial assets at fair value through profit or loss (Note 7)	**535,389**	508,576
Receivables - net (Note 8)	**14,063**	13,554
Other current assets (Note 9)	**3,585**	3,165
Total Current Assets	**894,200**	871,809
Noncurrent Assets		
Investment subject to a repurchase agreement (Note 10)	**219,175**	219,175
Available-for-sale financial assets (Note 11)	**11,559**	11,559
Investment properties - net (Note 12)	**204,065**	204,065
Property and equipment - net	**19,489**	20,194
Deferred tax assets	**3,496**	3,496
Total Noncurrent Assets	**457,784**	458,489
	₱1,351,984	₱1,330,298
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	**₱1,548**	₱2,629
Overdraft facility (Note 14)	**11,210**	17,791
Dividends payable	**24,070**	24,128
Rental deposits	**12,545**	9,745
Income tax payable	**504**	464
Total Current Liabilities	**49,877**	54,757
Noncurrent Liabilities		
Accrued retirement costs	**7,565**	7,565
Equity		
Capital stock (Note 15)	**738,314**	738,314
Additional paid-in capital	**9,103**	9,103
Cumulative translation adjustments of a foreign subsidiary	**(18,018)**	(10,714)
Cumulative unrealized gain on valuation of available-for-sale financial assets	**533**	533
Retained earnings (Note 15):		
Appropriated	**100,000**	100,000
Unappropriated	**558,520**	524,649
Treasury stocks (Note 15)	**(93,910)**	(93,910)
Net Equity	**1,294,542**	1,267,975
	₱1,351,984	₱1,330,298

See accompanying Notes to Consolidated Financial Statements.

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Quarters Ended March 31	
	2012	2011
REVENUE		
Investment income	₱8,866	₱10,979
Rental income	724	3,933
Dividend income	272	158
	9,862	15,070
MARK-TO-MARKET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	35,512	4,485
FOREIGN EXCHANGE GAIN (LOSS) - Net	(4,486)	2,692
GENERAL AND ADMINISTRATIVE EXPENSES	(6,479)	(6,378)
OTHER INCOME	147	368
INCOME (LOSS) BEFORE INCOME TAX	34,556	16,237
PROVISION FOR INCOME TAX	686	1,007
NET INCOME (LOSS)	₱33,870	₱15,230
Basic/Diluted Earnings (Loss) Per Share	₱0.05	₱0.02

See accompanying Notes to Consolidated Financial Statements.

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Quarters Ended March 31	
	2012	2011
NET INCOME (LOSS)	₱33,870	₱15,230
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in cumulative translation adjustments of a foreign subsidiary	(7,304)	(3,516)
	(7,304)	(3,516)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱26,566	₱11,714

See accompanying Notes to Consolidated Financial Statements.

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Par Value and Cash Dividends Per Share)

	Capital Stock - ₱1 par value	Additional Paid-in Capital	Cumulative Translation Adjustments of a Foreign Subsidiary	Cumulative Unrealized Gain on Valuation of Available-for-Sale Financial Assets	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stocks	Net Equity
Balance at January 31, 2012	**₱738,314**	**₱9,103**	**(₱10,714)**	**₱533**	**₱100,000**	**₱524,650**	**(₱93,910)**	**₱1,267,976**
Total comprehensive income for the period	**–**	**–**	**(7,304)**	**–**	**–**	**33,870**	**–**	**26,566**
Balance at March 31, 2012	**₱738,314**	**₱9,103**	**(₱18,018)**	**₱533**	**₱100,000**	**₱558,520**	**(₱93,910)**	**₱1,294,542**
Balance at January 31, 2011	₱738,314	₱9,103	(₱10,714)	₱483	₱200,000	₱499,113	(₱93,910)	₱1,342,389
Total comprehensive income for the period	–	–	(3,516)	–	–	15,230	–	11,714
Balance at March 31, 2011	₱738,314	₱9,103	(₱14,230)	₱483	₱200,000	₱514,343	(₱93,910)	₱1,354,104
Balance at December 31, 2010	₱738,314	₱9,103	(₱10,714)	₱483	₱200,000	₱499,111	(₱93,910)	₱1,342,387
Total comprehensive income for the year	–	–	–	50	–	78,930	–	78,980
Reversals of appropriation for business acquisitions for the year (Note 18)	–	–	–	–	(100,000)	100,000	–	–
Cash dividends - ₱0.225 per share (Note 18)	–	–	–	–	–	(153,391)	–	(153,391)
Balance at December 31, 2011	₱738,314	₱9,103	(₱10,714)	₱533	₱100,000	₱524,650	(₱93,910)	₱1,267,976

See accompanying Notes to Consolidated Financial Statements.

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Quarter Ended March 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱34,556**	₱16,237
Adjustments for:		
Marked-to-market loss (gain) on financial assets at fair value through profit or loss	**(35,512)**	(4,485)
Interest income	**(8,866)**	(10,979)
Unrealized foreign exchange loss (gain) - net	**4,486**	(2,692)
Depreciation	**705**	715
Dividend income	**(272)**	(159)
Interest and bank charges	**220**	223
Loss before working capital changes	**(4,683)**	(1,140)
Decrease (increase) in:		
Financial assets at fair value through profit or loss	**(3,059)**	(214,275)
Receivables	**(634)**	(419)
Other current assets	**(420)**	(10,251)
Increase (decrease) in:		
Rental deposits	**2,800**	
Accounts payable and other current liabilities	**(1,081)**	(2,164)
Net cash generated from operations	**(7,077)**	(228,249)
Interest received	**8,991**	8,247
Income taxes paid	**(646)**	(1,006)
Receipt of:		
Income from investment	**-**	16,962
Dividend income	**272**	159
Net cash provided by (used in) operating activities	**1,540**	(203,887)

(Forward)

	Quarter Ended March 31	
	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Short-term investments	**(310)**	**-**
Available-for-sale financial assets	**-**	**166,111**
Net cash used in investing activities	**(310)**	**166,111**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Dividends	**(57)**	**(749)**
Interest and bank charges	**(220)**	**(223)**
Increase (decrease) in overdraft facility	**(6,581)**	**(12)**
Net cash provided by (used in) financing activities	**(6,858)**	(984)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(33)**	**193**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,661)**	**(38,567)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**344,591**	**410,398**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱338,930**	**₱371,831**

See accompanying Notes to Consolidated Financial Statements.

(Amounts in Thousands, Except Par Value and Per Share Amounts)

1. General Information

Corporate Information
Republic Glass Holdings Corporation (the Parent Company) and its wholly owned subsidiaries, except Hollington Management Limited (collectively referred to as “the Company”), are incorporated in the Philippines. Hollington Management Limited (HML) is incorporated in British Virgin Island. The registered office address of the Parent Company is 6th Floor, Republic Glass Building, 196 Salcedo Street, Legaspi Village, Makati City.

The Parent Company is involved in purchasing, leasing, and selling securities of every kind, business and properties.

On October 29, 2004, the Philippine Securities and Exchange Commission (SEC) approved the Parent Company’s application for the extension of its corporate term, which expired on August 23, 2006, for another 50 years.

As of December 31, 2011, the Company is 67.11%-owned (previously 66.88% in 2010) by Gervel, Inc., the ultimate parent company, also incorporated in the Philippines.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The accompanying consolidated financial statements are prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company’s functional currency. All values are rounded to the nearest thousand pesos (₱000), except when otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its wholly owned subsidiaries as at March 31,2012 and December 31, 2011 .

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. All significant intercompany balances, transactions, income and expense and profits and losses from intercompany transactions are eliminated in full in the consolidation.

The consolidated subsidiaries (Subsidiaries) include:

Subsidiaries	Principal Activities	Place of Incorporation	Percentage of Ownership
RGC Investment Corporation (RIC)	Investing	Philippines	100

HML*	Investing	British Virgin Island	100
RGC Marine Transport Corporation (RMTC)***	Shipping	Philippines	100

** Incorporated in 2006.*
**** Ceased commercial operations in 1999.*

3. **Summary of Significant Accounting Policies**

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 amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Short-term Investments
Short-term investments include highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but not more than one year from dates of acquisition and are subject to an insignificant risk of change in value.

Time Deposits
Time deposits include highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than one year from dates of acquisition and are subject to an insignificant risk of change in value.

Financial Assets and Liabilities
Date of Recognition. The Company recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Assets and Financial Liabilities. Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments at FVPL.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Determination of Fair Value. The fair value for financial instruments that are actively traded in organized financial markets is determined by reference to quoted market price or dealer quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking price are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of transaction.

For financial instruments where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models.

In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.

"Day 1" Difference. When 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 (a "Day 1" difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the 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.

Amortized Cost of Financial Assets and Financial Liabilities. Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Categories of Financial Instruments

The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, AFS financial assets and held-to-maturity (HTM) investments. Financial liabilities are further classified as financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Company has no HTM investment and financial liability at FVPL as of December 31, 2009 and 2008.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL and derivative instruments.

Financial assets are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statement of comprehensive income under "Marked-to-market gain (loss)" account. Interest income on financial assets at FVPL is included in the consolidated statement of comprehensive income under "Investment income" account.

Financial assets may be designated by management at initial recognition as at FVPL when the following criteria is met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets are part of a group of financial assets, which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

This category includes the Company's investment in corporate and government bonds, treasury notes and other equity securities

Derivative Financial Instruments
A derivative is a financial instrument or other contract with all three of the following characteristics:

a. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract (sometimes called the "underlying");
b.
c. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and,

d. it is settled at a future date.

Embedded Derivatives. Embedded derivatives are bifurcated from the host contract and accounted for as a derivative if the following conditions are met: (a) when the entire hybrid contracts (composed of the host and the embedded derivative) are not accounted for at FVPL; (b) the economic risks of the embedded derivatives are not closely related to those of their respective host contracts; and, (c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets at FVPL. Changes in fair values are included in the consolidated statement of comprehensive income. Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative.

The Company assesses whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

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 measurement, loans and receivables are carried at amortized cost using the effective interest method, less any allowance for impairment. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Company's cash and cash equivalents, short-term investments, receivables, investment subject to a repurchase agreement, and time deposits

AFS Financial Assets. AFS financial assets are those nonderivative financial assets that are designated as AFS financial assets or are not classified in any of the three preceding categories. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized as a separate component of other comprehensive income in the consolidated statement of comprehensive income until the investment is derecognized or determined to be impaired, at which time, the cumulative gain or loss previously recorded in equity is recognized as part of income for the year in the consolidated statement of comprehensive income.

Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a moving average basis. Interest earned on holding AFS financial assets are reported as interest income under “Investment income” account using the effective interest rate. Dividends earned on holding AFS investments are recognized in the consolidated statement of income when the right of payment has been established. The losses arising from impairment of such financial assets are recognized in the consolidated statement of income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from the reporting date.

This category includes the Company’s investments in quoted and unquoted corporate shares of stocks and golf shares.

Other Liabilities at Amortized Cost. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable and other current liabilities) or borrowings (e.g., loans payable and long-term debt).

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains or losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are included in current liabilities if maturity is within twelve months from the reporting date or the Company does not have an unconditional right to defer payment for at least twelve months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company’s accounts payable and other current liabilities, overdraft facility and dividends payable.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Current Versus Non-current Classification. Derivative instruments that are not a designated and effective hedging instrument are classified as current or noncurrent or separated into a current and noncurrent portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Company will hold a derivative as an economic hedge (and does not apply hedge accounting) for period of beyond 12 months after the reporting date, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.
-
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a noncurrent portion only if a reliable allocation can be made.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated statement of financial position.

<u>Impairment of Financial Assets</u>
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or 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 has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost. 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 it is determined that no objective evidence of impairment exists for an individually 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. Factors considered in individual assessment are payment history, past due status and term, development affecting companies and specific issues with respect to the accounts. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Changes in circumstances may cause future assessment of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance account. The Company also considers factors, such as, the type of assets, the financial condition or near term prospect of the related company or account, and the intent and ability to hold on the assets long enough to allow any anticipated recovery. 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 of impairment.

If there is objective evidence that an impairment loss on loans and receivables 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 of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the consolidated statement of income. Receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent year, the amount of the impairment loss increases or decreases and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Additional impairment loss is recognized in the consolidated statement of income. Any subsequent reversal of an impairment loss is also recognized in the consolidated statement of income, to the extent that carrying value of 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, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period 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 investment previously recognized in the consolidated statement of income) is removed from the consolidated statement of comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

<u>Derecognition of Financial Instruments</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the Company's right to receive cash flows from the asset has 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 right 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.

When the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, 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 a 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.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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 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 consolidated statement of income.

Investment Properties

Investment properties consist of parcels of land and other real estate properties which are being held by the Company for capital appreciation and for rental. Investment properties, except for land, are stated at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property when that cost incurred meets the recognition criteria; and excludes the costs of day-to-day servicing of an investment property. Land is carried at cost less any impairment in value. Depreciation is computed on a straight-line method over the investment properties' useful lives.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Land improvements	5–10 years
Buildings and improvements	10 years
Furniture and fixtures	3–5 years

The useful lives and method of depreciation are reviewed periodically to ensure that periods and method of depreciation are consistent with the expected pattern of economic benefits from items of the investment.

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

Transfers are made to investment properties when, and only when, there is 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 change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment properties to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its carrying value at the date of change in use. If the properties occupied by the Company as owner-occupied properties become investment properties, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

For a transfer from inventories to investment properties, any difference between the fair value of the properties at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Company completes the construction or development of self-constructed investment properties, any difference between the fair value of the properties at that date and its previous carrying amount is recognized in the consolidated statement of income.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and impairment loss, if any. The initial cost of an item of property and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Such cost includes the cost of replacing the part of such property and equipment when the cost incurred meets the recognition criteria.

Subsequent costs are capitalized as part of property and equipment account only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Building and improvements	5–40 years
Transportation equipment	4–10 years
Furniture, fixtures and equipment	2–10 years

The property and equipment's residual values, useful lives and depreciation method are reviewed and adjusted prospectively, if appropriate, at each financial year-end.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use although no further depreciation is charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining the fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or the fair value indicators. Impairment losses are recognized in the consolidated statement of income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity
Common stocks are measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deductions from proceeds, net of tax. Proceeds and/or fair value considerations received in excess of par value are recognized as additional paid-in capital.

The Parent Company's own equity instruments which are reacquired or held by a subsidiary are carried at cost and are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issuance or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration are recognized in other capital reserve.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates and value-added tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

Investment Income. Revenue from dollar and peso-denominated bonds and placements and from investment subject to a repurchase agreement, are recognized as the income accrues, taking into account the effective yield on assets, unless the probability of collection is not reasonably assured.

Rental Income. Rental revenue from investment properties is recognized on a straight-line basis over the lease term.

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

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost of services, general and administrative expenses and interest expense are recognized in the consolidated statement of income in the period these are incurred.

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

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

Where a reassessment is made, lease accounting shall commence or cease from the date when the circumstances gave rise to the reassessment for scenarios a, c or d and at the date of renewal or extension period for scenario b.

Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments from lessees are recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

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

Retirement Costs

The Company has a funded noncontributory defined benefit retirement plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the present value of retirement obligation (PVRO) and the fair value of plan assets (FVPA) at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The past service cost, if any, is recognized as expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a retirement plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains not recognized reduced by past service cost not yet recognized and the FVPA out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company nor can they be paid directly to the Company. Fair value is used on market price information and in the case of quoted securities it is the published bid price.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial assets do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current 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 substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and carryforward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, excess of MCIT over RCIT and carryforward benefits of unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises 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 profit nor taxable income or loss.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in other subsidiaries and associates, deferred tax liabilities are recognized, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year 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 reporting date.

Income tax relating to items recognized directly in equity is recognized as part of other comprehensive income in the consolidated statement of comprehensive income.

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

Value-added tax (VAT). Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

<u>Foreign Currency-denominated Transactions and Translations</u>
The consolidated financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. Exchange differences arising on the settlement and restatement of monetary items at rates different from those at which they were initially recorded during the year are recognized in the consolidated statement of income in the year such difference arises. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of HML is the United States (US) Dollar. As of the reporting date, the statement of financial position of this subsidiary is restated into the functional and presentation currency of the Company (the Philippine Peso) using the closing exchange rate at the reporting date and statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange rate differences arising on the translation are reported as part of other comprehensive income in the consolidated statement of comprehensive income and taken directly to a separate component of equity as "Cumulative translation adjustments of a foreign subsidiary." On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign entity is recognized in the consolidated statement of income.

Provisions

Provisions are recognized when the Company has a present obligation (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, a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized against net income in the consolidated statement of comprehensive income, net of any reimbursement. If the

effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date

Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the notes to consolidated financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Earnings (Loss) per Share (EPS) - Basic/Diluted

Basic earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of issued and outstanding shares of stock during the year (adjusted for any stock dividends). Diluted earnings (loss) per share is computed by dividing net income for the year by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings (loss) per share does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on earnings (loss) per share. Where the Company does not have any potential common shares or other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS. The Company has no outstanding potential dilutive common shares.

Segment Reporting

The Company's operating businesses are organized and managed separately based on the sources of revenues, with each segment representing a strategic business unit that offers different products.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist principally of cash equivalents, investments in financial instruments, investment properties, net of allowances and provision for decline in value. Segment liabilities include all operating liabilities and consist principally of accounts payable and other current liabilities.

Inter-segment Transactions. Segment revenue, segment expenses and segment performance may include transfers among business segments. The transfers, if any, are accounted for at competitive market price. Such transfers, if any, are eliminated.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect certain reported amounts and disclosures. In preparing the consolidated financial statements, management has made its best judgments, estimates and assumptions of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

Judgments, estimates and assumptions 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.

The Company believes that the following represent a summary of these significant judgments, estimates and assumptions and the related impact and associated risks in the consolidated financial statements:

Judgments

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

Determination of Functional Currency. The Company has determined that its functional currency is the Philippine Peso. It is the currency of the primary economic environment in which the Company operates.

Impairment of AFS Financial Assets - Significant and Prolonged Decline in Fair Value. The Company determines that an AFS financial asset is impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires judgment. The Company determines that a decline in a fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be prolonged decline. In making this judgment, the Company evaluates, among other factors, the normal volatility in price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Operating Lease Commitments - Company as Lessor. The Company has entered into commercial property leases on its investment properties. The Company has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating lease).

Operating Lease Commitments - Company as a Lessee. The Company has entered into a lease contract covering its office space. The Company has determined that the lessor retains all the significant risks and rewards of ownership of the property and so accounts for the lease as operating lease.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair Value of Financial Instruments. Certain financial instruments are required to be carried at fair value, which requires the use of accounting judgments and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair values of these financial assets and financial liabilities would directly affect the consolidated statements of comprehensive income.

Estimation of Allowance for Doubtful Accounts. The Company maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated by the Company on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers, average age of accounts and collection experience. The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease current assets.

Impairment of AFS Financial Assets - Calculation of Impairment Losses. The Company expands its analysis to consider changes in the investee's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Company's investments.

Estimation of Useful Lives of Investment Properties and Property and Equipment. The useful life of each of the Company's item of investment properties and 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 similar businesses and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of investment properties and property and equipment would increase the recorded operating expenses and decrease the carrying values of investment properties and property and equipment.

Impairment of Nonfinancial Assets. Impairment review is performed when certain impairment indicators are present. Determining the fair value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. The preparation of the estimated future cash flows involves judgment and estimations. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the financial performance.

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

Retirement Costs. The determination of the obligation and retirement benefits is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. The assumptions include among others, discount rate, expected rate of return on plan assets and rate of increase in compensation. Actual results that differ from the Company’s assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While it is believed that the Company’s assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company’s retirement obligations.

Legal Contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company’s defense in these matters and is based upon an analysis of potential results. The Company is a party to a lawsuit or claim arising from the ordinary course of business. However, the Company’s management and legal counsel believe that the eventual liabilities under this lawsuit or claim, if any, will not have a material effect on the consolidated financial statements.

5. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand and in banks	**₱82,066**	₱87,023
Cash equivalents	**256,864**	257,568
	₱338,930	₱344,591

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing cash equivalent rates.

The Company’s cash equivalents represent short-term placements and special deposit accounts in reputable banks as of March 31, 2012 December 31, 2011.

6. Short-term Investments

Short-term investments are made for varying periods of more than three months but not more than one year depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term investments rates.

7. Financial Assets at Fair Value through Profit or Loss

This account consists of quoted investments in corporate bonds, government bonds and treasury notes and other equity securities.

8. Receivables

This account consists of:

	2012	2011
Accrued income from:		
Dollar and peso-denominated bonds and placements	**₱8,194**	₱8,319
Investment subject to a repurchase agreement	**-**	–
Rent receivable	**1,127**	1,092
Due from RGC Mining & Mineral Corporation (RMMC)	**1,018**	1,016
Advances to suppliers	**328**	171
Receivable from officers	**159**	187
Other receivables	**3,901**	3,433
	14,727	14,218
Less allowance for doubtful accounts	**664**	664
	₱14,063	₱13,554

9. Other Current Assets

This account consists of:

	2012	2011
Input VAT	**₱1,248**	₱1,235
Prepayments	**875**	468
Miscellaneous deposits and others	**1,522**	1,522
	3,645	3,225
Less allowance for probable losses on input VAT	**60**	60
	₱3,585	₱3,165

Prepayments consists of prepaid rent and insurance. Miscellaneous deposits and others mainly consist of a bond with the Department of Agrarian Reform in compliance with the Company's application for extension of time to develop a parcel of land it owns, rental, subscriptions and annual association dues.

Input VAT will be utilized through application against the Company's output VAT. Input VAT has no expiration period.

10. Investment Subject to a Repurchase Agreement

On February 26, 2008, under a Deed of Sale of Shares of Stock with Repurchase, the Company acquired unquoted corporate shares of stock of Stradcom Corporation from Stradcom International Holdings, Inc. (SIHI), a company incorporated in the Philippines for a consideration amounting to ₱ 219,175 for an ownership interest of 8%. The transaction includes a repurchase agreement wherein the shares acquired will be repurchased by SIHI in 2013 at a price that will provide the Company with an effective annual yield of 20% per annum inclusive of cash dividends. It was also agreed that a sinking fund that can only be withdrawn in 2013, be established by SIHI for the purpose of complying with SIHI's obligation to repurchase the shares of stock from the Company.

The current information technology (IT) service provider of the Land Transportation Office (LTO), which is SC, is a subject of legal proceedings between parties claiming for its ownership. Due to such legal proceedings, LTO has deferred its payment for the IT services received until ownership of SC has been established.

Nevertheless, because of the present situation of SC, the Company did not accrue any income from such investment in 2012 and 2011. It will recognize the income when it will actually receive it. Income arising from this investment amounted to ₱40,724 in 2010 and ₱39,618 in 2009.

11. Available-for-Sale Financial Assets

This account consists of:

Investments in corporate shares of stocks and golf shares:	
Quoted	**₱11,542**
Unquoted	**17**
	₱11,559

Investments in unquoted shares of stock represent unlisted corporate shares. These are carried at cost less any accumulated impairment losses, as their fair values cannot be reliably measured.

12. Investment Properties

Investment properties consist mainly of parcels of land and other real estate properties, which are being held by the Company for capital appreciation and rental. A parcel of land and certain real estate properties are being leased to earn rental income. Based on the latest appraisal report dated February 2011, the fair value of the Company's investment properties amounted to ₱1,106,000. The appraiser is an industry specialist in valuing these types of investment properties. The fair value represents the amounts at which the assets could be exchanged between knowledgeable willing parties in an arm's-length transaction at the date of valuation.

In 2011, the Company sold parcels of land to a local company for a total consideration of ₱152,430. Gain on sale recognized in the 2011 consolidated statement of income amounted to ₱79,785.

13. Accounts Payable and Other Current Liabilities

This account consists of:

	2012	2011
Accounts payable	**₱1,050**	₱1,443
Accrued expenses	**98**	87
Statutory liabilities	**400**	1,099
	₱1,548	₱2,629

Accounts payables are noninterest-bearing and are currently demandable.

Accrued expenses comprise of expenses incurred in the current year, which will not be paid off until after reporting date. Accrued expenses consist of accruals for utilities, salaries, wages and allowances, and various employee benefits.

14. Overdraft Facility

This pertains to a foreign-currency overdraft/revolving short-term advance facility (the Facility) with a bank. Interest rate charged per annum is at 1% plus charges for bank's cost of fund at 0.49%. Interest period ranges from 1 to 12 months.

15. Equity

Capital Stock

The details of the Company's capital and treasury stock follows:

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Cost
Capital stock - ₱1 par value	1,500,000	738,314	₱738,314
Less treasury stock:			
Parent Company's reacquired shares	–	54,629	85,333
Parent Company shares held by a subsidiary	–	1,620	8,577
	1,500,000	682,065	₱644,404

Parent Company Shares Held by a Subsidiary

RIC, a wholly owned subsidiary, holds 1,620 common shares (including 325 stock dividend) of the Parent Company issued shares as of December 31, 2011, 2010 and 2009. This is presented as part of "Treasury stocks" in the consolidated statements of financial position and consolidated statements of changes in equity.

Retained Earnings

Retained earnings are restricted from being declared as dividends to the extent of the appropriation for business acquisitions amounting to ₱100,000 and ₱200,000 as of December 31, 2011 and 2010, respectively. Retained earnings appropriated for business acquisitions amounting to

₱100,000 in 2011 and ₱171,415 in 2010 have been reversed to unappropriated retained earnings due to additional investments made. Furthermore, the balance of the retained earnings account includes the accumulated net earnings of subsidiaries amounting to ₱206,505 and ₱199,976 as of December 31, 2011 and 2010, respectively. This amount is also not available for dividend distribution. Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury.

The dates of declaration, record and payment of cash dividend totaling ₱0.225 per share in 2011, ₱0.30 per share in 2010 and ₱0.15 per share in 2009, payable to all stockholders are as follows:

Year	Date of Declaration	Date of Record	Date of Payment
2011	September 26	October 28	November 22
2010	November 11	November 26	December 9
	October 8	October 22	November 11
2009	October 13	November 10	November 27

Dividends payable amounted to ₱24,070 and ₱24,128 as of March 31, 2012 and December 31, 2011, respectively.

16. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Significant transactions with related parties are as follow:

a. The Parent Company has an existing agreement with Metropolitan Management Corporation (MMC) for the lease of its office for a period of one (1) year up to September 30, 2012, renewable annually. MMC is a shareholder of Gervel, Inc., the Parent Company's major stockholder. Rent expense amounted to ₱960, ₱986 and ₱951 in 2011, 2010 and 2009, respectively.

b. In 2009, the Parent Company sold parcels of land to Salamin Development Corporation, a subsidiary of Gervel, Inc. for a total consideration of ₱12,240. Gain on disposals recognized in the 2009 consolidated statement of income amounted to ₱3,059 .

17. Financial Instruments

Financial Risk Management Objectives and Policies

The Company's principal financial assets comprise cash and cash equivalents, short-term investments, financial assets at FVPL, investment subject to a repurchase agreement, time deposits and AFS financial assets. The main purpose of these financial assets is to earn income on the Company's funds and finance the Company's operations. The Company's other financial instruments are receivables, accounts payable and other current liabilities and overdraft facility, which arise directly from its operations.

The main risks arising from the Company's financial instruments are market risk (equity price risk and foreign currency risk), credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices.

The Company is not exposed to interest rate risk as the interest rates of investments in FVPL are fixed until maturity of the instrument.

Equity Price Risk. Equity price risk is the risk that the fair values of investments in equity decrease as the result of changes in the levels of equity indices and the value of individual shares.

The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Company's BOD reviews and approves all equity investment decisions.

Foreign Currency Risk. Foreign currency risk arises from the possibility that future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Company's exposure to foreign currency risk relates primarily to certain foreign currency-denominated cash and cash equivalents, short-term investments, financial assets at FVPL, time deposits and overdraft facility. To manage future currency fluctuations, the Company considers the trend in the movement of the foreign currencies in acquiring foreign currency-denominated investments.

Credit Risk. Credit risk arises when a customer or counterparty fails to discharge an obligation and cause the Company to incur a financial loss.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that the BOD approves on major transaction with third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company's receivable mainly represents interest , short-term investments and investment subject to a repurchase agreement, which is about 46% of the total receivable balance as of March 31, 2012.

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents, short-term investments, financial assets at FVPL, receivables, investment subject to a repurchase agreement, time deposits and AFS financial assets, the Company's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Company manages its financial assets by transacting only with recognized third parties.

The aging analyses of the Company's financial assets are as follow:

March 31, 2012

	Neither Past Due nor Impaired	Past Due but not Impaired						Impaired	Total
		<30 Days	30–60 Days	60–90 Days	90–120 Days	>120 Days	Subtotal		
Cash and cash equivalents	₱338,909	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱338,909
Short-term investments	2,233	–	–	–	–	–	–	–	2,233
Financial assets at FVPL	535,389	–	–	–	–	–	–	–	535,389
Receivables:									
Interest receivables	8,194	–	–	–	–	–	–	–	8,194
Rent receivable	35	–	–	224	–	3,512	3,736	–	3,771
Due from RMMC	2	–	–	–	–	352	352	664	1,018
Receivable from officers	–	84		–	75	–	159	–	159
Other receivables	358	140	33	28	160	538	899	–	1,257
Miscellaneous deposits	1,522	–	–	–	–	–	–	–	1,522
Investment subject to a repurchase agreement	219,175	–	–	–	–	–	–	–	219,175
AFS financial assets	11,559	–	–	–	–	–	–	–	11,559
	1,117,376	₱224	₱33	₱252	₱235	₱4,402	₱5,146	₱664	1,123,186

December 31, 2011

	Neither Past Due nor Impaired	Past Due but not Impaired						Impaired	Total
		<30 Days	30–60 Days	60–90 Days	90–120 Days	>120 Days	Subtotal		
Cash and cash equivalents	₱344,570	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱344,570
Short-term investments	1,923	–	–	–	–	–	–	–	1,923
Financial assets at FVPL	508,576	–	–	–	–	–	–	–	508,576
Receivables:									
Interest receivables	8,319	–	–	–	–	–	–	–	8,319
Rent receivable	224	–	–	–	–	3,512	3,512	–	3,736
Due from RMMC	–	–	–	–	–	352	352	664	1,016
Receivable from officers	–	187	–	–	–	–	187	–	187
Other receivables	–	33	185	–	–	571	789	–	789
Miscellaneous deposits	1,522	–	–	–	–	–	–	–	1,522
Investment subject to a repurchase agreement	219,175	–	–	–	–	–	–	–	219,175
AFS financial assets	11,559	–	–	–	–	–	–	–	11,559
	1,095,868	₱220	₱185	₱–	₱–	₱4,435	₱4,840	₱664	1,101,372

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Liquidity Risk. The Company seeks to manage its liquidity profile to be able to service its operations and to finance capital requirements. The Company maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. The Company likewise regularly evaluates other financing instruments and arrangements to broaden the Company's range of financing sources.

The primary objective of the Company's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to stockholders and benefits to other stakeholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust its investment portfolio.

The Company does not have externally imposed capital requirements.

18. **Commitments and Contingencies**

In 2004, the Parent Company (as lessor) entered into a lease agreement with a domestic retail store operator for the lease of one of the Parent Company's parcel of land. The lease is for a period of ten (10) years commencing on August 1, 2004 and provides a 5% increase on the annual rental fee.

On January 22, 2007, the lessee filed a Petition for Corporate Rehabilitation with the Court of Makati City. The Court issued a Stay Order on January 29, 2007 specifically:

- Staying enforcement of all claims, whether money or otherwise; whether enforcement is by Court action or otherwise, against the lessee, its guarantors and sureties not solidarily liable with it;
- Prohibiting the lessee on selling, encumbering, transferring or disposing its properties, except in the ordinary course of business;
- Prohibiting the lessee from paying any of its outstanding liabilities as of date of issuance of the Stay Order;
- Prohibiting the suppliers of lessee from withholding supply of services and goods for ordinary course of business; provided payments are made thereon after the issuance of the Stay Order;
- Directing full payment of administrative expenses incurred after the issuance of the Stay Order.

No payment has been made to the Parent Company since January 29, 2007.

The Company already took over the leased property from the lessee on January 15, 2008 as the collection of unpaid rentals is already remote. Management, after consultation with outside legal counsel, is of the opinion that losses arising from this case, if any, will not have a material impact on the Company's consolidated financial statements.

Starting 2008, the Company entered into several short-term operating lease agreements, wherein portions of the Company's warehouse and industrial compound were the subject of the lease agreements. The lease agreements were for a period ranging from one month to twelve months, until terminated by either the lessor or the lessee.

Item 2 – Management's discussion and analysis of financial condition and Results of Operations:

The Company's total assets as of March 31, 2012 amounted to P1.35 billion, of which P877 million or about 98% of total current assets were mostly in bonds, government securities, and cash reserves. "Cash and Cash Equivalents, short -term investments and FAFVPL" improved slightly by about 3% from P855 million. Receivables, Deposits, Prepayments and other current assets totaled P17.65 million, of which 46% or P8.19 million representing interest receivables. Total liabilities decreased by 8% to P57.44 million due to settlement of some accounts. Stockholders' Equity stood at P1.35 billion or a slight expansion relative to December 31, 2011's P1.33 billion.

The Company is not aware of any event that may trigger direct or contingent material financial obligations, default or acceleration of any obligations. Also, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), relationships of the company with unconsolidated entities or other persons created during the reporting period that has not been reflected in March 31, 2012 Financial Statements.

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Results of Operations

The Company registered a net operating income of P33.87 million, higher compared to 2011's three months performance of P15.23 million. The improvement in net income was to a large extent, the result of mark to market gain on financial assets at fair value through profit or loss of P35.51 million compared to P4.49 million gains posted same period last year. Consolidated revenues for first quarter ending March 31, 2012 amounted to P9.86 million, or about 35% lower than that of first quarter 2011. Investment /Interest income declined by 20% from P10.98 million registered in the same period last year. Rental income decreased by 82% from P3.93 million posted same period last due to vacancy. General and administrative totaled P6.48 million, slightly higher than last year's P6.38 million.

The following are the key performance indicators considered by the Company:

Indicator	Calculation	March 31, 2012	December 31, 2011
Liquidity			
Current ratio	Current Assets / Current Liabilities	17.93 times	15.92 times
Leverage			
Debt to total assets	Total Debt /Total Assets	4.25%	4.68%
Profitability		**March 31, 2012**	**March 31, 2011**
Net profit ratio	Net Income / Revenue	343.44%	101.06%
Return on total assets	Net Income /Total Assets	2.51%	1.06%
Return on equity	Net Income / Stockholders' Equity	2.62%	1.12%
Earnings per share	Net Income / Weighted Average No. of Shares Issued and Outstanding	0.05	0.02

Other Matters:

A	Any Changes in accounting policies and methods of computation in interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description or the nature and effect of the change	None
B	Explanatory comments about the season ability or cyclicality of the interim operations	None
C	The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature size or incident	None
D	Segment revenue and segment result for business segments or geographical segments, whichever is the issuers primarily basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment	Revenue generated by the company is primarily in the nature of interest and dividend earnings.

	information in its annual financial statements);	
E	Declaration of dividends	None
F	Other information, material events or happenings that may affect market price of security	None
G	Material events subsequent to the end of the interim period that have not been reflected in the financial statements for interim period	The registrant is not aware of any material event subsequent to end of interim period that has not been reflected in March 31, 2012 Financial Statements.
H	Contracts of merger, consolidation or joint venture or similar agreements	None
I	Unusual changes in liabilities or contingent assets since the last annual balance sheet date	None
J	Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period	None
K	Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.	None
L	New financing through loans, issuances, repayments of debt and equity securities	None
M	Known trends, demands, commitments, events and uncertainties that will have a material impact on the issuers' liquidity	None, except for the movement of interest rates, Local and foreign currency exchange rates, and Philippine Government / Corporate bond prices.
N	Material commitments for capital expenditures, general purpose and expected sources of funds	None
O	Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/ revenues/income from continuing operations	There are no known trends, events or uncertainties that are reasonably expected to have material favorable or unfavorable impact on net income from continuing operations, other than the movement of interest rates, local and foreign currency exchange rates, and Philippine Government / Corporate bond prices.
P	Significant elements of income or loss that did not arise from continuing operations	None
Q	The causes of any material change/s from period to period in one or more line items of the financial statements	None
R	Seasonal aspects that had a material effect on the financial condition or result of operations	None
S	Disclosures not made under SEC Form 17-C	None
T	Aging of receivables, deposits and prepayments:	Refer to notes to financial statements