

# COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)																													

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

ATTY. BAYANI K. TAN	02667-8900
Contact Person	Company Telephone Number

1	2		3	1	<b>SEC FORM 17-A</b> Form Type	Month		Day
Fiscal Year					Annual Meeting			

Secondary License Type, if Applicable

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Dept. Requiring this Doc.			Amended Articles Number/Section	
<div></div>			<div></div>	
Total No. of Stockholders			Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number										
Document I.D.										

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## STAMPS

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# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A (Annual Report)

1. For the year : December 31, 2011
2. SEC Identification Number : ASO94-001420
3. BIR Tax Identification Number: 043-003-507-219
4. Exact name of the registrant as specified in its charter:  
FIRST ABACUS FINANCIAL HOLDINGS CORPORATION
5. Pasig City, Philippines  
Province, Country or other jurisdiction of incorporation
6.  (SEC Use Only)  
Industry Classification Code
7. Unit -E3001 PSE Center, Exchange Road, Pasig City 1605  
Address of the principal office Postal Code
8. Registrant's telephone number, including area code  
(632)667-8900
9. Former name, former address, and former fiscal year, if changed since last report  
Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code:

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
<u>Common Stock, P1.00 par value</u>	<u>1,193,200,000 shares</u>

11. Are any or all these securities listed on the Philippine Stock Exchange?

Yes (x) No ( )

12. Check whether the registrant

- (a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code(SRC) and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months ( or for such shorter period that the registrant was required to file such reports);

Yes (x) No ( )

- (b) Has been subject to such filing requirements for the past 90 days.

Yes (x) No ( )

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 31, 2012 : **₱660,609,600**

a) Total number of shares held by non-affiliates as of April 30, 2012 : 825,762,000 shares

b) Closing price of the Registrant's shares on the Exchange  
As of April 30, 2012 : P0.80

c) Aggregate market price (a x b) as of  
As of April 30, 2012 : **₱660,609,600.00**

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN INSOLVENCY/SUSPENSION OF  
PAYMENT PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

14. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the SRC subsequent to the distribution of securities under a plan confirmed by a court or the SEC.

Yes ( )                      No ( )                      (Not Applicable)

**DOCUMENTS INCORPORATED BY REFERENCE**

None

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## **PART I – BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

First Abacus Financial Holdings (FAFHC) traces its roots from the Seven Seas Oil Exploration and Resources, Inc. (SSOERI). Seven Seas was incorporated on February 15, 1994 and became a publicly listed company on November 21, 1994. It was primarily engaged in the business of oil exploration and development. Presently, FAFHC is engaged in, through its wholly subsidiaries, stockbroking activities, investment banking, real estate business and other financial services.

Realizing that the local capital and equities markets have a pivotal role in the long-term development of the national economy, the board of directors decided to change SSOERI's primary purpose from being an oil exploration company into a financial holding company. Thus, on October 26, 1996, the SSOERI's stockholders approved the recommendations of the board to transform the firm. Consequently, on January 25, 1996, the Securities and Exchange Commission (SEC) approved the Company's change of name from Seven Seas Oil Exploration and Resources, Inc. to First Abacus Financial Holdings Corporation. The SEC likewise approved on January 25, 1996 the change on par value of FAFHC's capital stock from Php0.01 to Php 1.00 a share to remove the issue's speculative characteristic and reflect the stock's shift into a full-fledged commercial/industrial issue.

The Company's first strategic corporate re-alignment move was to acquire the Abacus Capital & Investment Corporation (ACIC)- an operating investment house- via a cash and stock swap. ACIC effectively became a wholly owned subsidiary. ACIC, in turn, owned 100% of Abacus Securities Corporation (ASC), one of the leading members of the Philippine Stock Exchange, and Vista Holdings Corporation (VHC), a real estate holding company.

The Company, through ASC, also acquired 25% of Prosperity Properties and Management Corporation (PPMC), used to own a 16-storey building at the Ayala Business Park in Cebu City. In 1996, the Company acquired from its subsidiaries – ACIC and ASC- interests in VHC and PPMC. This resulted in a direct investment in these companies. In 1999, upon approval by the Securities and Exchange Commission of the increase in authorized capital stock of ASC from Php50 million divided into 500,000 shares with a par value of Php100 per share to Php400 million divided into 4 million shares with Php100 par value per share, the Company subscribed to 3.5 million shares representing 87.525% ownership interest. The remaining 12.475% remained with ACIC. Accordingly, the Company's ownership over ASC was changed from 100% indirect to 87.525% direct and 12.475% indirect.

On December 18, 2002, the Board of Directors approved the conversion of advances to Abacus Capital & Investment Corporation (ACIC) as deposit for future stock subscription amounting to Php100,000,000. In 2008, the Company applied P90,000,000 of its deposit for future stock subscription to paid in capital as payment for the remaining subscriptions for the same amount.

## **Subsidiaries**

Abacus Capital and Investment Corp(ACIC). ACIC was incorporated on January 6, 1995. ACIC is engaged in investment banking activities, management services, and treasury and other financial services.

Abacus Securities Corporation(ASC). ASC was incorporated on December 27, 1991. A member of the Philippine Stock Exchange, ASC is engaged in stock brokering services. It engages in buying and selling stocks in Philippine stock market for the accounts of the clients as a broker and for its own account as a dealer.

Vista Holdings Corporation(VHC). VHC was incorporated on January 21, 1993. Presently, Vista Holdings Corporation is engaged in buying and leasing out condo units primarily to its affiliated companies.

## **FAFHC's Vision**

FAFHC's vision is to provide best value integrated financial services to its clients. In the process, Filipinos from all walks of life are enabled to become a part of the capital and equities market. Toward this end, progress and prosperity have stronger prospects of being shared by all.

Abacus Capital and Investment Corporation ( ACIC)

ACIC is financially secure, with capital resources of over 400 million; complemented by a core of investment managers providing highly ethical, professional, and client-oriented investment management services.

ACIC provides the following financial services:

### **a) Corporate Finance**

#### **Equity Underwriting Transactions**

- Initial Public Offerings
- Stock Rights Offerings
- New Tranche Offerings
- Private Placements of Listed Companies

#### **Financial Advisory**

- Share or corporate acquisitions, Buy-Ins/Mergers/Divestments
- Financial review and Restructuring
- Project Development

#### **Debt Underwriting and Loan Arrangements**

- Short, Medium, or Long Term Loan Arrangements
- Short and Long Term Commercial Papers Underwriting
- On-going oversight, issue management, agency functions

b) Treasury sales

- Government Securities
- Treasury Bills
- Long and Short Term Commercial Papers
- Preferred Notes
- Promissory Notes
- Money Market Placements`

c) Financing

- Share Margin
- Working Capital Credit Facilities

**Abacus Securities Corporation (ASC)**

Due to its commitment for quality service, ASC was awarded the Best Local Brokerage House in the Philippines Award from 1990-2008 granted by the Asiamoney.

ASC was the recipient of the Best Securities House in the Philippines Award granted by the EuroMoney International Awards for Excellence for the past two consecutive years, 1998 and 1999. Likewise, the Fund Managers Association of the Philippines honored ASC with a number of citations including Best in Institutional Sales/ Execution and in Settlements in 1998. The awards put ASC in an enviable position as it proved that local stockbrokerages could prove equal to international stockbroker houses.

ASC started operations in March 1992. In five years, ASC established itself as a top Filipino brokerage firm in PSE. The key factors for ASC's successes are: professional management, sound investment advisory, strong research team, real-time market information, and commitment to technology and training.

All these resulted in a strong retail franchise, a top tier domestic institutional sales organization, and growing foreign institutional sales based. Thus, ASC is now positioned to best serve the expanding domestic equities market. Strategically located branches in Binondo, Cebu and Davao support ASC's Head Office operations.

Abacus Securities Corporation was the second ranking stock brokerage house among the top ten PSE brokers. In past years, the large foreign stockbrokerage houses dominated the top ten list of brokers. ASC believes that it can effectively compete with other brokers because of its strong sales groups, the Retail and Institutional Teams. At present, the firm has one of the most extensive based of retail clients driven by the number of branches established and envisioned to be established. Its Institutional Sales Team, on the other hand, has managed to obtain accreditation and establish active working relationships with a number of domestic institutional investors and foreign fund management companies. ASC also has a Research Group that comes out with action-driven reports and recommendations, a quality admired by most of its clients, and even the other stockbrokers. The registrant has an excellent customer service to service its clients. The company established a website to keep its clients abreast of the new developments in stock market.

For the year ended 2011, Abacus Securities Corporation ranked 12<sup>th</sup> in terms of total value traded.

### **Vista Holdings Corporation (VHC)**

The primary purpose of the Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell (without engaging in retail trade), assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description.

VHC continues with its investment program through the acquisition of condominium units. At present, VHC leases its condominium units its affiliated companies.

Vista is not involved in real estate development.

VHC continues to lease its condominium units to its affiliates. The acquisition of condominium units was put on hold, as property market has not significantly improved.

### **The Contribution of each services or line of business**

	<b>Amounts (In mio)</b>
Commissions	₱ 187.4
Finance Income	130.8
Management fees	39.7
Other revenues	2.1
	₱ <u><u>360.0</u></u>

### **Competition**

The direct competitors of the Company and its subsidiaries are companies engaged in stock brokering business and are members of the Philippine Stock Exchange; companies engaged in investment banking, financial and management services, and treasury operations; companies and individual owners of condominium units within the area of Ortigas Center, as properties are located in the Philippine Stock Exchange Center Condominium. The indirect competitors of the Company and its subsidiaries are Financing Institution, Growth Funds, Pension and Pre-need companies.

The consistent exemplary performance comes as a result of the company's steadfast commitment to deliver the best value to customers through professional management, sound investment advisory, strong research team, real-time market information, and commitment to technology and training.

The Company is now positioned to best serve the expanding domestic equities market. Its branches are now strategically located in Binondo, Cebu and Davao to support the Company's Head Office operations.

### **Customers**

The Company's market for its financial products and services include both retail and institutional customer base. No data is available for brokers commission contributed by foreign nationalities as to the regional market. It must be noted that brokers commissions derived from the marketable securities were all transacted through the Philippine Stock Exchange.



The market for the Company's property development and leasing is primarily the upper income level market.

The Company and its wholly owned subsidiaries are not dependent upon a single customer or few customers. The Company and its subsidiaries do not have a customer that has over 20% or more of the Company's turnover.

### **Distribution methods of the product services**

The Company and its subsidiaries distribute its services to its clientele by or through:

- Certified Sales Representatives (CSRs) are licensed by the Securities and Exchange Commission to transact for the accounts of the clients of our stock broking business.
- Corporate Finance Group is composed of our top caliber professionals in charge in our investment banking, management and financing activities.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts.

- License granted by the Securities and Exchange Commission (SEC) to Abacus Capital & Investment Corp. as an Investment House.
- License granted to Abacus Securities as a broker and dealer of Securities which is renewable every year

Aside from the above licenses granted, the registrant and its subsidiaries have no pending applications that need for any government approval.

### **Employees**

As of December 31, 2011, the Company and its operating subsidiaries employ 63 permanent employees.

Type Employees	# of Employees	No. of Additional Employees for Ensuing 12 Mos. *	Collective Bargaining Agreement(CBA)	Supplemental Benefits or other incentives
Operations	26	None	N/A	None
Corporate Finance	5	0	N/A	None
Administrative	9	None	N/A	None
Sales	16	1	N/A	None
Accounting & Finance	10	None	N/A	None
Total	66	1		

For the past three years, the Company and its subsidiaries have not experienced any strike or threat of strike from its employees.

Government Approval of Principal products or Services

No existing application needs for government approval

Amount Spent for Research and Development Activities

None

#### Cost and effects of Compliance with Environmental Laws

Not Applicable

#### Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The risk management activities at the level of each Company in the Group is coordinated with the Parent Company, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short-to-medium cash flows by minimizing the exposure to financial markets. Long-term financial instruments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant risks to which the Group is exposed to are described in **Note 4** of the Company's Consolidated Financial Statements.

#### **Item 2. Properties**

The following properties are in prime condition directly owned by the Company and its subsidiaries:

Approximately 110 square meters of office space located at Federal Towers, Binondo (through Vista Holdings Corporation). The unit is being occupied by a subsidiary, Abacus Securities Corporation. The lease agreement was renewed for two (2) years and will expire December 31, 2012. The monthly rental is Seventy Eight Thousand Seven Hundred Ten and 02/100 (₱78,710.02).

Approximately 940 square meters of office space located at the 29<sup>th</sup> Floor of the East Tower of the Philippine Stock Exchange Center (through Vista Holdings Corporation). The unit is being leased by a subsidiary, Abacus Securities Corporation, for a period of two (2) years. The lease agreement will end December 31, 2012 with a monthly rental of Six Hundred Seventy Two Thousand Six Hundred Twelve and 86/100 (₱672,612.86).

Approximately 483 square meters of office space located at the 29<sup>th</sup> Floor of the East Tower of the Philippine Stock Exchange Center (Direct).

All properties, as stated above, are owned by First Abacus Financial and its wholly owned subsidiaries. All of the Condominium Units stated above were used by the registrant and its subsidiaries to secure the group's bank loans. No limitations have been set by the banks on the properties collateralized, except that when the properties are to be disposed of, proper notice has to be sent to the banks prior its disposal.

The company has no intention of acquiring/leasing additional properties.

### Item 3. Legal Proceedings

The Company is not aware of any material proceeding involving the issuer and its directors, executive officers, underwriter or control person during the past five (5) years.

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

No matters were submitted to a vote of the security holders of the Company during the fourth quarter of 2011.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

### Item 5. Market for Registrant's common equity and related stockholder matters

#### 1) Market Information

The shares of the Company are listed in and traded on the Philippine Stock Exchange. The high and low closing prices for each quarter within the last two (2) fiscal years are as follows:

Applicable Quarter	2011		2010	
	High	Low	High	Low
First Quarter	0.87	0.67	0.87	0.61
Second Quarter	0.80	0.63	0.76	0.62
Third Quarter	0.78	0.62	0.75	0.65
Fourth Quarter	0.93	0.63	0.87	0.87

As of the close of trading hours of April 30, 2012, the price at which the Registrant's shares were traded at Php0.80 a share.

#### 2) Holders

The number of common shares issued and outstanding as of December 31, 2011 was 1,193,200,000. As of December 31, 2011, Registrant had 129 shareholders, on the said date the following were the top 20 shareholders:

	Stockholder	Nationality	No. of Shares	%
1	PCD Nominee Corp. – Filipino	Filipino	772,665,000	64.70
2	Paulino S. Soo	Filipino	133,000,000	11.15
3	Abacus Capital & Investment Corp.	Filipino	62,191,000	9.40
4	PCD Nominee Corp. - Non-Filipino	Foreign	38,170,000	3.20
5	ACIC FAO 20001	Filipino	32,361,000	2.71
6	Manuel Limtong	Filipino	29,980,000	2.51
7	Edgardo Limtong	Filipino	28,527,000	2.39

8	Phee Bon Kang	Malaysian	20,000,000	1.68
9	Vista Holdings Corp.	Filipino	14,095,000	1.18
10	Cecilio Pedro	Filipino	12,260,000	1.03
11	Jimmy S. Soo	Filipino	10,010,000	0.84
12	Titra International	Filipino	8,000,000	0.67
13	Vicente Co Chien Jr.	Filipino	6,130,000	0.51
14	Elizabeth K. Soo	Filipino	6,000,000	0.50
15	Gothic Sales, Inc.	Filipino	6,000,000	0.50
16	Solar Securities, Inc.	Filipino	4,000,000	0.34
17	Uy Louis	Filipino	2,000,000	0.17
18	George Q. Go & Shirley D. Go	Filipino	1,443,000	0.12
19	Quality Investments and Securities Corp	Filipino	600,000	0.05
20	Jack T. Huang	Filipino	500,000	0.04
	Total		1,187,932,000	99.56

### 3) Dividends

No dividends, neither in cash nor stock were declared on the shares for the last two (2) fiscal years, i.e. 2011 and 2010. There are no restrictions that limit the ability to pay dividends on common equity but the Company, as a general rule, shall only declare from surplus profit as determined by the Board of Directors as long as such declaration will not impair the capital of the Company.

### 4) Recent sales of Unregistered Securities

No unregistered securities or shares of the Company were sold during the last three (3) years (2011, 2010, and 2009).

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

### 2011

#### Overview of General Business Environment

The year 2011 showcased both the resilience of the country's fundamentals and the fragility of the Philippine economy to external forces. Full year gross domestic product (GDP) settled at 3.7, way below the 4.5 to 5.5 percent projections. The National Economic Development Authority asserted, however, that the figure was within its growth forecast of 3.6 to 4.0 percent. A number of external shocks buffeted an economy that has long been susceptible to supply chain disruptions from neighboring countries such as Japan and Thailand, which suffered from natural calamities last year. Growth targets were likewise affected by the ongoing Middle East and North African crises, as well as the slow growth of the global economy on account of continuing problems in the United States and the Euro zone. The country was not spared the wrath of natural calamities, either, as several typhoons, flooding, and low-pressure areas weighed down on agriculture and infrastructure in 2011.

Despite the mixed results in the economic front and despite being dogged by accusations of inadequate public spending, the government nevertheless scored major points for its anti-corruption drive and its manifested sincerity and commitment to restore order in the bureaucracy and consequently, confidence in the country. Remittances continued to reach record levels while a number of indicators were kept within target. Moreover, some sectors posted unprecedented growth, the Philippine Stock Exchange among them.

The PSE bested other broad market indexes in 2011 in terms of overall improvements in index performance. While most of the broad market indexes posted declines in performance, the PSE surged to a 4.1% year-on-year index performance, outperforming Indonesia (3.2%) and Nordic Iceland (2.0%) and Malaysia (1.1%)

### **Performance of the Company**

The Company turned in improvements in terms of its overall performance and its core revenues. Our brokerage house reported a double-digit (21%) increase in commission, representing a year-on-year increase of Php32.6 million, from Php154.8 to Php187.4 million. This came as a result of the improved volume and activities in the Philippine stock market.

There was mixed results on the finance income posted by the Company and its subsidiaries during the year, resulting in a net decrease of P8.2 million, from Php139 million last year to 130.8 million this year. The decrease was on account of adjusted accounting treatment of short term investment on financial assets which showed an unrealized loss on marked to market valuation of Php7.4 million from a gain of Php63.3 million last year. Conversely, realized gain on sale of financial assets this year amounted to Php129.8 million as compared to last year's Php74.7 million or an increase of Php55.1 million.

Management fees recorded during the year was noted at Php39.7 million, a decrease of Php25.1 million as compared to the Php64.8million posted last year.

Consolidated revenues for the year stood at Php359.9 million, a slight increase of Php.3 million from last year's Php359.6 million.

As can be expected, variable costs from additional volumes of trades resulted in higher costs and expenses. Total costs and expenses for the year stood at Php342.2million, representing an increase of Php54.3 million from last year's Php287.8 million. As in the past, a large bulk of operating expenses was allocated for debt servicing in keeping with the company's commitment to honor its obligations.

Summing up the Company's performance for the year, consolidated net income amounted to Php22.3 million, a decrease of Php40.8 million as compared to the Php63.1million reported last year.

There was a decrease in total assets noted for the year amounting to Php485 million, from Php5,060 million in December 2010 to Php4,575 million in December 2011. The main cause of the temporary decrease was the marked to market valuation of our investment in financial assets, particularly our investment in BCOR shares. The effect of the decrease in available for sale financial assets was Php435.7 million, from last year's Php2,882.5 million to this year Php2,381.9 million.

A corresponding increase in total liabilities amounting to Php69million was also noted during the period under review bringing total liabilities from Php2,145 million to Php2,214 million due to increases in short term borrowings, partially offset by the payments made to trade customers and short term payables.

The temporary decrease due to the marked to market valuation and sale of the available for sale financial assets brought a decrease in the Company's stockholders' equity by Php556 million, from Php2,916 million to this year's Php2,360 million.

Aside from the discussions above, there are no 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.

### **Outlook of the Company**

The Company remains highly optimistic of its ability to sustain the gains it has consistently achieved in the last few years. Although some volatility is expected due to a gloomy global economic outlook, there are reasons to believe that the resurgence in confidence in the government as well as a generally peaceful political environment will fuel the forward momentum.

The Philippine economy is widely expected to meet growth forecasts as government intensifies public spending and puts in place programs that would enable the country to fortify its resiliency to natural calamities and global forces. A number of indicators point to the real possibility that 2012 would be significantly better than 2011.

The company has consistently maintained its strong presence in the market all these years and remains in a better position to take advantage of expected upturns in the market, particularly as investments begin being diverted into Asia from Europe and the Americas.

The Company, however, will continue to keep an effective balance between managing risks and opportunities and will not let its guard down. The Company shall continue to invest in programs to expand market reach. At the same time, the Company shall continue to be lean without sacrificing ability to provide the best value to customers. As it has continued to do so in the last four years, the Company will double efforts to decrease outstanding loans, and subsequently, interest cost and expenses. And as in the past, the Company shall draw strength and inspiration from the support and commitment of its various stakeholders.

### **Key Performance Indicators**

The following are the major performance measures that the Company uses. Analyses are employed by comparison and measurement on a consolidated basis based on the financial date on the periods indicated below:

	December 31 2011	December 31 2010
Liquidity: Current Ratio	202%	200%
Coverage/Solvency ratios: Total Stockholders' Equity to Total Assets	52%	58%
Total liabilities to Total Assets	48%	42%
Operating Efficiency: Inc. (Dec.) Revenue Growth	.0%	39%
Net Income	65%	454%

The manner by which the Company calculates the above indicators is as follows:

Key Performance Indicator	Formula
Current Ratio	Current assets/Current liabilities
Stockholder's Equity Ratio	Stockholder's equity/Total assets
Total liabilities to Total Assets	Total liabilities/Total assets
Revenue Growth	Current period total revenues- Prior Period total revenue/ Prior Period total revenue
Net income/loss Growth	Current Period Net Income- Prior Period Net Income/Prior Period Net Income

The following matters are not applicable to the Company for the period covered by this report:

- (i) Events that will trigger a direct or contingent financial obligation that is material to the company including any default or acceleration of an obligation
- (ii) Material off-balance sheet transactions, arrangements or obligations, including contingent obligations
- (iii) Material commitments for capital expenditures
- (iv) Material changes from period to period of Financial Statements
- (v) Seasonal aspects that have a material effect on the Financial Statements.

## **2010**

### **General Business**

The peaceful political transition from Gloria Macapagal Arroyo to Benigno Aquino III in the middle of 2010 ushered in new hope for the country.

The ideal convergence of rapid growth and low inflation, which was maintained at 3.8 percent, enabled the Philippine economy to achieve robust growth in 2010 across many indicators. The overall external liquidity position of the Philippine economy in 2010 was very favorable with balance of payments registering a surplus. GDP growth was stronger than expected at 7.3 percent reflective of strong recovery brought about by robust pick-up in domestic demand and the rebound in external trade. On the supply side, growth was characterized by higher value added activities as industry outpaced the services and agriculture sectors. A key to this encouraging growth has been the government's emphasis on macroeconomic stability including determination to improve the country's fiscal position, maintain growth supportive monetary policies, and resolve governance issues. Likewise, millions of Filipinos working abroad yielded higher remittances all year round.

The growth trajectory is expected to be sustained in 2011 provided the government continues to work hard at strengthening macroeconomic stability. Part of the effort will be intensifying reforms in the country's fiscal position, maintaining a low and stable inflation environment, reducing vulnerabilities to external shocks, strengthening financial market capitalization, attracting more investments in globally competitive sectors, and improving industry competitiveness.

There are dark clouds in the horizon, however, that may dampen the country's promise of sustained growth. The brewing conflict in the Middle East threatens to put pressure on critical commodities, particularly oil, and endangers the fate of millions of overseas Filipino workers in these countries.

### **Performance of the Company**

The general surge of optimism in 2010 benefited the local equities market as most companies listed in the Philippine stock exchange posted better than expected earnings during the year. All these augured well for the local exchange which noted sustained value turnover and provided impetus for the index to rally towards an all-time high.

We are proud to note that The Company's overall performance for the year mirrored the general trend in the business environment, successfully sustaining the momentum from the previous year.

Our stock brokerage business reported a Php32.3 million increase in brokers' commission from Php122.5 million in 2009 to Php154.9 million in 2010, representing 26% increment. Management fees reported by our subsidiary posted a small gain from Php62.6 million in 2009 to Php64.8 million this year. Moreover, a significant gain of 92.5% in finance income which comprises of gain on sale of financial assets and gain in valuation of financial assets was posted, from Php72.2 million in 2009 to Php139 in 2010. Correspondingly, consolidated revenues of the group for the year reached a total Php359.6 million from Php258.9 million the previous year or an increase of 39%.

Total cost and expenses during the year amounted to Php287.8 million, up from Php239.9 million last year. The increase in consolidated cost and expenses can be attributed to the increases in variable costs related to the increased trade volumes such as increases on the amount of commissions paid to brokers which was up by Php8.2 million, or from Php37 million to Php46 million; increases in transaction fees paid to the Exchange which was up by Php1.4 million, or from Php6 million to Php7.4 million, and benefits paid to regular employees which was up by Php6.7 million, from Php34.3 million to Php41 million.. A large bulk of operating expenses was allocated for debt servicing in keeping with the company's commitment to honor its obligations.

Summing up the Company's performance for the year, the company is reporting a consolidated net income of Php63 million, representing an increase of Php51.6 million or 452% from the reported net income for the same period last year of Php11.4 million.

Consequently, a significant increase in the total assets of the Company was noted, from Php4,487 million in December 2009 to Php5,060 million in December 2010. The Php573.5 million increase in total assets was due to major increases in the value of available-for-sale financial assets amounting to Php189.5 million, additional purchases and increase in value of available for sale financial assets amounting to Php114.8 million, additional trade collectible of Php186.4, and additional acquisition of property and equipment of Php14.8 million.

Total liabilities for the period under review increased by Php372.8 million - from Php1,771.8 million to Php2,145 million on account of additional trade payables and other short-term obligations.

An increase in the Company's stockholders' equity was also noted during the year amounting to Php200.8 million mainly as a result of changes in the fair value of financial assets available for sale and the consolidated net results of the group.

The Company's performance in 2010 once again validated the inherent strengths of the company and give us reason for continued optimism. The company shall continue to leverage on and strengthen its core businesses while building new pipelines of revenue sources particularly in management and financial advisory services. The company will continue to manage costs and expenses while pursuing strategic investments in areas that will strengthen organizational capability and institutional growth.



The Company remains highly optimistic that it will be able to sustain the forward momentum for the rest of the year. Expectations of better performance are warranted given the new leadership in the country and the overall surge of optimism on the overall prospects of the Philippine economy.

The company has consistently maintained its strong presence in the market all these years and remains strategically positioned to take advantage of expected upturns in the market, particularly as investments begin being diverted into Asia from Europe and the Americas.

The Company, however, will continue to keep an effective balance between managing risks and opportunities and will not let its guard down. The Company shall continue to invest in programs to expand market reach. At the same time, the Company shall continue to be lean without sacrificing ability to provide the best value to customers. As it has continued to do so in the last four years, the Company will double efforts to decrease outstanding loans, and subsequently, interest cost and expenses. And as in the past, the Company shall draw strength and inspiration from the support and commitment of its various stakeholders.

## **2009**

### **General Business**

The resiliency of the Philippine economy was tested once again in 2009 as the country struggled to recover from the global recession of 2008 and fought to stave off the effects of natural calamities that hit the country and the world. However, a rebound in consumer spending fueled by increases in the remittances of Filipino overseas workers along with timely interventions in the form of various fiscal and monetary stimuli kept the economy and the general business environment afloat, eventually prompting the World Bank to revise upwards its 2009 growth forecasts for the country to 1.4% from a disheartening 0.5%. Continued growth in the business process outsourcing industry, modest improvements in the export and corporate sectors, and the overall success of financial institutions to turn around losses experience in 2008 all contributed significantly to boosting investor confidence in the economy and in the overall growth and prospects of the Philippines.

At the end of the year, the country was clearly out of the woods and corporate sectors focusing on domestic market showed marked profitability. Inflation continued to deplete, even reaching record lows of 0.1 percent in August 2009 after a record surge to 12.5 percent in the middle of 2008.

### **Performance of the Company**

The collective efforts to rebuild from the ruins of the 2008 global recession started to bear fruits in 2009 as most companies listed in the Philippine Stock Exchange posted modest growth during the year, boosting value turnover at the exchange and general improvements in the index.

These developments enabled the Company to sustain the momentum it achieved in the previous year. Our stock brokerage business reported a 30% increase in brokers' commission amounting to Php28.1 million, from Php94.4 million in 2008 to Php122.5 million in 2009. However, there was a noted reduction in the consolidated revenues of the whole group, from Php367.4 million in 2008 to Php258.9 million this year. The decrease in consolidated revenues was brought about by the recognition by the Company of gains from restructuring of its obligations, without which, revenues would have been decreased only by Php13.2 million or 3.6% from 2008.

There was a decrease in consolidated cost and expenses during the year from Php309.1 million in 2008 to Php239.9 million in 2009. The decrease was brought about by the amount of unrealized loss in value of financial assets at FVTPL of Php42.3 and Php59.7 million impairment loss which were recognized in 2008, without which, cost and expenses would have been increased by Php30.4 million. The increase in consolidated cost and expenses can be attributed to the increases in variable costs related to the increased trade volumes such as increases on the amount of commissions paid to brokers which was up by Php12.4 million, or from Php25 million to Php37.4 million; increases in transaction fees paid to the Exchange which was up by Php1.3 million, or from Php4.3 million to Php5.6 million, and benefits paid to regular employees which was up by Php6.8 million, from Php27.6 million to Php34.3 million. A large bulk of operating expenses continued to be allocated for debt servicing in keeping with the company's commitment to honor its obligations.

Summing up the Company's performance for the year, the company is reporting a consolidated net income of Php11.4 million, representing a decrease of Php43.1 million or 79% from 2008. The decrease in net profit was on account of decreases in management fees recognized during the year, and the non- recurring income credited last year.

Although, the company is reporting a decrease in its net profit for the year, we are proud to report a significant increase in our comprehensive income. For 2009, the Company's comprehensive income jumped to Php1.97 billion, a tremendous improvement from a negative position of Php8.9 million in 2008. The significant increase was brought about by the appreciation of the market value of our investment in financial assets, particularly its investment in Prime Gaming Philippines Inc.

Consequently, a significant increase in the total assets of the Company was noted, from Php2,357.3 million in December 2008 to Php4,486.6 million in December 2009. The Php2,129.3 million increase in total assets was due to major increases in the value of available-for-sale financial assets amounting to Php1,955.6 million, additional purchases and increase in value of available for sale financial assets amounting to Php100.6 million, and additional acquisition of property and equipment of Php38 million, partially offset by the decrease in net receivables due to increased collections.

Total liabilities for the period under review increased by Php154.9 million - from Php1,617 million to Php1,772 million on account of additional short term obligations partially offset by the payments of trade and accrued payables.

An increase in the Company's stockholders equity was also noted during the year amounting to Php1,974.5 million mainly as a result of changes in the fair value of financial assets available for sale and the consolidated net results of the group.

The Company's performance in 2009 once again validated inherent potentials of the company and give us renewed cause for optimism. The company shall continue to leverage on and strengthen its core businesses while building new pipelines of revenue sources particularly in management and financial advisory services. The company will continue to manage costs and expenses while pursuing strategic investments in areas that will strengthen organizational capability and institutional growth.

The company has continued to keep faith in the local capital market through these many years and has consistently maintained its strong presence in the market. The company remains in a better position to take advantage of expected upturns in the market, particularly as investments begin being diverted into Asia from Europe and the Americas.

**Item 7. Financial Statements**

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

For the years 2011, 2010, and 2009, the auditing firm of Punongbayan and Araullo was nominated and appointed by the Board of Directors to conduct the examination of the financial statements of the Company and its Subsidiaries. In compliance with the SEC Memorandum Circular No. 8 Series of 2003, the assignment of Mr. Benjamin P. Valdez, the engagement's partner, shall not exceed five (5) consecutive years.

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

**The audit and audit-related fees paid by the Company in the last two (2) years are as follows:**

	2011	2010
A. Audit and Audit-related Fees		
1. Audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with the statutory and regulatory filings or engagements.	₱1,864,300	₱1,810,000
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	-0-	-0-
B. Tax fees	₱0	₱0
C. All other fees	-0-	-0-

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, who are appointed upon the recommendation of the Audit Committee. Engagement Agreements are executed for every type of engagement, which provides for the scope of the work, timetable, fees, engagement team, etc. for each project.

**PART III – CONTROL AND COMPENSATION INFORMATION****Item 9. Directors and Executive Officers of the Registrant**

The names and ages of all incumbent Directors, elected on September 22, 2011 during the Annual Stockholders Meeting and are to serve for a term of one (1) year until their successors shall have been elected and qualified, with their business experiences for the past five (5) years:

Position	Name	Citizenship	Age	Year of Assumption of Office	Number of yrs. as Director
Chairman	Paulino S. Soo	Filipino	60	1994 to present	<b>17</b>
President	Jack T. Huang	Filipino	58	1995 to present	<b>16</b>
Treasurer	Vicente Co Chien, Jr.	Filipino	59	1995 to present	<b>16</b>
Director	Jimmy S. Soo	Filipino	54	1995 to present	<b>16</b>
Corp. Sec.	A. Bayani K. Tan	Filipino	57	1994 to present	<b>17</b>
Independent Director	Ma. Therese G. Santos	Filipino	53	2006 to present	<b>5</b>
Independent Director	Jimmy Chua Alabanza	Filipino	67	2008-present	<b>3</b>

**Mr. Paulino. Soo**  
**Chairman and Chief Executive Officer**

Mr. Soo holds a Master in Business Administration degree from the University of Pittsburgh Graduate School of Business and Bachelor of Science degree in Industrial Management Engineering from the De La Salle College. He is also the Chairman of Philippine Gaming Management Corporation (2002-present). He is Chairman of Abacus Securities Corporation and Abacus Capital & Investment Corporation (1994-present).

**Mr. Jack T. Huang**  
**President**

Mr. Huang is the incumbent President of the Company. He holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University. He is concurrently a director of Abacus Capital & Investment Corporation (1995-present) and Abacus Securities Corporation (1995-present). He is the President of Cebu Business Continuos Forms.(1994-present).

**Mr. Vicente Co Chien, Jr.**  
**Treasurer**

Mr. Co Chien is the Treasurer of the Corporation. He holds a Bachelor's degree in Business Economics from Hongkong Shuen Yan College. He is the President of Boston Clinics and Diagnostic Services (1994-present) and Providence HealthCare Consultants (1999-present). He is concurrently director of Abacus Capital and Investment Corporation (1995-present), Abacus Securities Corporation (1995-present), Vista Holdings Corporation (1995-present). He is director of Rokett Realty Co., Inc. (1995-present), South Sea Realty Development Corporation (2004-present), Loumont Trading Corporation (1993-present), Loumont Construction & Development Corporation (1993-present).

**Mr. Jimmy S. Soo**  
**Director**

Mr. Soo is a Director of the Company. He obtained his Bachelor of Laws degree from the University of the Philippines and was admitted to the Philippine Bar in 1985. He is the Managing Partner of Soo Gutierrez Leogardo and Lee Law Offices (1992-present). He is currently the Corporate Secretary of Abacus Capital & Investment Corporation (1995-present). He is the Chairman (2002-present) and a Director (1996-present) of Music Semiconductors Corporation, a public listed company. He is also a Director of Prime Gaming Philippines, Inc. (2007-present), a publicly listed company. He is also an Executive Officer, and/or Director and/or Corporate Secretary of various companies.

**Atty. A. Bayani K. Tan**  
**Director, Corporate Secretary**

Mr. Tan is a Director and Corporate Secretary of the Company. He is currently a Director, Corporate Secretary or both of the following reporting companies: Belle Corporation (1994-present), I-Remit, Inc. (since May 2007), Sinophil Corporation (1993-present), TKC Steel Corporation (starting February 2007), Pacific Online Systems Corporation (since May 2007), Tagaytay Highlands International Golf Club, Inc. (1993-present), The Country Club at Tagaytay Highlands, Inc. (1995-present), and Tagaytay Midlands Golf Club, Inc. (1997-present), The Spa and Lodge at Tagaytay Highlands, Inc. (1999-present), Vantage Equities, Inc. (1993-present), Destiny Financial Plans, Inc. (2003-present), Philequity Fund, Inc. (1997-present), Philequity Peso Bond Fund, Inc. (2000-present), Philequity PSE Index Fund, Inc. (1999-present), and Philequity Dollar Income Fund., Inc. (1999-present).

Mr. Tan is also the Corporate Secretary and a Director of Sterling Bank of Asia Inc. since December 2006. He is also a Director, Corporate Secretary, or both for the following private companies: City Cane Corporation, Destiny LendFund, Inc., Herway, Inc., and Highlands Gourmet Specialist Corp. He is Corporate Secretary for Goodyear Steel Pipe Corporation, Hella-Phil., Inc., JTKC Equities, Inc., Star Equities Inc., Metro Manila Turf Club, Inc., Oakridge Properties, Inc., Winstone Industrial Corp., Winstee Manufacturing Corp., Discovery Country Suites, Inc., The Discovery Leisure Company, Inc., Yehey! Corporation, Belle Bay City Corporation and E-Business Services, Inc. He is also Director and Corporate Secretary for Monte Oro Resources & Energy, Inc., FHE Properties, Inc., Club Asia, Inc., and Yehey! Money, Inc. Atty. Tan is Managing Partner of the law offices of Tan Venturanza Valdez (1989 to present) and Managing Director/President of Shamrock Development Corporation and Starmaker, Inc. He is currently the legal counsel of Xavier School, Inc.

In the past, Atty. Tan was Director and Corporate Secretary of APC Group, Inc. and Clearwater Country Club, Inc. and Corporate Secretary for International Exchange Bank and Eastern Telecommunications Philippines, Inc. and Assistant Corporate Secretary and Legal Counsel of the Philippine Stock Exchange.

Atty. Tan holds a Master of Laws degree from New York University USA (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Atty. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of

Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

**Ms. Ma Therese G. Santos**  
**Independent Director**

Ms. Ma. Therese G. Santos is a Director of the Company. She is Associate Director/Administrator of Gravitas Prime, Inc. (2007-present). She is an Independent Director, and the Chairman of the Audit and Compliance Committee and Compensation and Remuneration Committee of Music Semiconductors Corporation (2003-present). Ms. Santos has been an independent Management Consultant by profession since 1997. She was the former Vice President for Treasury and Administration of Music Corporation. Ms. Santos was the Director of Finance for United Development Corporation (1991-1993). Ms. Santos received a Bachelor of Science Degree in Chemical Engineering and a Master's in Business Administration degree from the University of the Philippines.

**Mr. Jimmy Chua Alabanza**  
**Independent Director**

Mr. Jimmy Chua Alabanza is a Director of the Company. He is currently the Chairman of Insular Construction and Supply Co ( 1967 - present) and a Consultant of Seaboard Insurance Company ( 1990 – present). He received a Bachelor of Science Degree in Management from Ateneo de Manila University in 1967.

**FAMILY RELATIONSHIP**

**Paulino S. Soo, Chairman of the Board, is the brother of Jimmy S. Soo, Director**

There are no other significant employees.

**Involvement in Certain Legal Proceedings**

The Company is not aware of any of the following events wherein any of its directors, executive officers, nominees for election as director, executive officers, underwriter or control persons were involved during the past five (5) years:

1. any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive office either at the time of the bankruptcy or within two years prior to that time;
2. any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. any order or judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and
4. any findings by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic

marketplace or self-regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

The Company and its major subsidiaries and associates are not involved in, nor are any of their properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.

## Item 10. Executive Compensation

### (1) General

#### All Compensation Covered

Except for executive officers included under the compensation table below, all other executive officers and directors do not receive salaries.

### (2) Summary of Compensation Table

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. 2011 and 2010 and to be paid in the ensuing fiscal year 2012 to the Company's Chief Executive Officer and four (4) other mostly highly compensated executive officers who are individually named, and to all other officers and director of the Company as a group:

Name and Principal Function	Fiscal Year	Salary	Bonus	Other Annual Compensation
Paulino S. Soo Chairman and CEO	2010			
	2011			
	2012			
Jack T. Huang President	2010			
	2011			
	2012			
Schubert Caesar C. Austero VicePresident/HRM	2010			
	2011			
	2012			
Sheila Marie Aguilar Vice President	2010			
	2011			
	2012			
Melanio C. Dela Cruz Vice President	2010			
	2011			
	2012			
Total for the Group	2010	3,604,492	693,590	-0-
	2011	4,122,588	781,040	-0-
	2012	5,613,961	1,785,741	-0-
All Officers As A Group Unnamed	2010	4,680,259	865,056	-0-
	2011	5,164,800	954,742	-0-
	2012	6,711,341	2,138,511	-0-

**(3) Compensation of Directors**

(A) Standard Arrangement

The Member of the Board of Directors are not entitled to receive salaries and bonuses

(B) Other Arrangements.

None

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

None

**(5) Warrants and Options Outstanding :**

None

**Item 11. Security Ownership of Certain Beneficial Owners and Management**

**1. Security Ownership (more than 5%) of Certain Beneficial Owners and Management as of December 31, 2011.**

Class	Name and Address record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Owner	Citizenship	No. of Shares Held	Percentage Of Class
Common	PCD Nominee Corp. 2 <sup>nd</sup> Floor Makati Stock Exchange Bldg. Ayala Avenue Makati City		Filipino	772,665,000	64.75
Common	Paulino S. Soo (record and beneficial) Chairman and President 29 <sup>th</sup> Floor Abacus Securities Corp. East Tower PSE Center, Exchange Road, Pasig City	(Same as owner)	Filipino	133,000,000	11.15
Common	**Abacus Capital and Inv. Corp.(record and beneficial); subsidiary and stockholder 29 <sup>th</sup> Floor East Tower PSE Center, Exchange Road, Pasig City	(Same as owner)	Filipino	62,191,000	5.21
<i>Total</i>				<i>967,856,000</i>	<i>81.11</i>



There is no arrangement that may result in a change in control of the registrant and any voting trust holders

\*PCD Nominee corporation (“PCDNC”) is a wholly-owned subsidiary of the Philippine Central Depository, Inc. (“PCD”). The beneficial owners of such shares registered under the name of PCDNC are PCD’s participants, who hold the shares in their own behalf or in behalf of their clients. Individual or Group owners reported under PCD Nominee Corporation have less than 10% ownership of the outstanding capital stock of the Corporation.

There are no Individuals or Corporate stockholders who own more than 5% of the Company’s voting securities under PCD Nominee Corporation.

\*\* Mr. Paulino S. Soo, Chairman and President of Abacus Capital and Investment Corporation, directs the voting/disposition of shares held by both Companies.

### 1. Security Ownership of Management

The following is a summary of the beneficial holdings of the Company’s Directors and Executive Officers as of December 31, 2011:

Class	Beneficial Owner	Citizenship	Amount and Nature of Beneficial Ownership[record (r) or beneficial (b)]		Percent of Class
Common	Paulino S. Soo	Filipino	133,000,000	r / b	11.15
-do-	Jack T. Huang	Filipino	500,000	r / b	0.04
-do-	Jimmy S. Soo	Filipino	10,010,000	r / b	0.84
-do-	Vicente Co Chien	Filipino	6,130,000	r / b	0.51
-do-	A. Bayani K. Tan	Filipino	100,000	r / b	0.01
-do-	Ma. Therese G. Santos	Filipino	10,000	r / b	.000
-do-	Jimmy Chua Alabanza	Filipino	10,000	r / b	.000
-do-	All directors and Executive Officers as group unnamed		149,760,000	r / b	12.55

### 2. Voting Trust Holders of 5% or More

There is no voting trust or similar arrangement

### 3. Changes in Control

There are no arrangements that may result in a change of control of the registrant and no change of control occurred during the year.

**Item 12. Certain Relationship and Related Transactions**

Except as provided below, during the last two years, there are no related transactions either direct or indirect with the Company's Board of Directors.

In the normal course of business, the Company grants to and obtains advances from its affiliates. These advances earn interest at rates to the weighted average of the interest rates of the outstanding loans payable to the banks. For further information of these advances, please to the consolidated financial statements of the company and its subsidiaries.

There are no transactions with any promoter nor are there any assets to be acquired from a promoter. Registrant has no parent.

**PART IV – CORPORATE GOVERNANCE**

The Company has been monitoring compliance with SEC Memorandum Circular No.2, Series of 2002, as well as other relevant SEC Circulars and rules on good corporate governance. All directors, officers, and employees complied with all the leading practices and principles on good corporate governance as embodied in the Corporation's Manual. The Company complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

The Company is not aware of any non-compliance with or deviation from its Manual of Corporate Governance. The Company will continue to monitor compliance with the SEC Rules on Corporate Governance, and shall remain committed in insuring the adoption of other systems and practices of good corporate governance to enhance its value for its shareholders.

**PART V- EXHIBITS AND SCHEDULES**

a) Exhibits

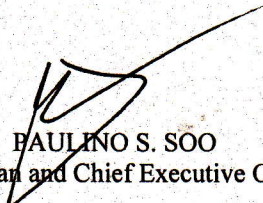
(Please see supplemental financial statements schedules).

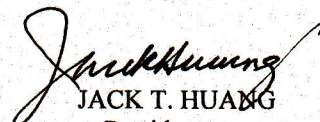
**SIGNATURE PAGE**

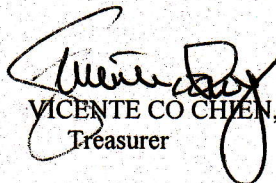
Pursuant to the requirements of the Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 2012.

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION  
Issuer

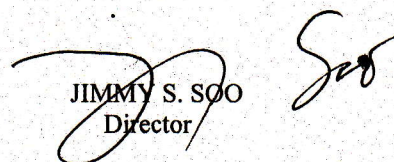
By:

  
PAULINO S. SOO  
Chairman and Chief Executive Officer

  
JACK T. HUANG  
President

  
VICENTE CO CHIEN, JR.  
Treasurer

  
A. BAYANI K. TAN  
Corporate Secretary

  
JIMMY S. SOO  
Director

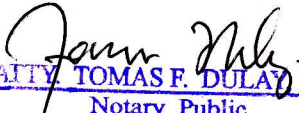
REPUBLIC OF THE PHILIPPINES)  
PASIG CITY, METRO MANILA) S.S.  
QUEZON CITY

30 APR 2012

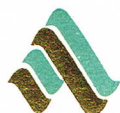
SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ 2011 affiants exhibiting to me their passport number, as follows:

NAMES	CTC/PASSPORT#	DATE OF ISSUE	PLACE OF ISSUE
PAULINO S. SOO	11142220	Jan. 13, 2012	Quezon City
VICENTE CO CHIEN	EA0001628	Oct. 13, 2009	Manila
JACK T. HUANG	00090431	Jan. 25, 2012	Cebu City
A. BAYANI K. TAN	14594912	Jan. 6, 2012	Manila
JIMMY S. SOO	XX2841339	Jan. 21, 2009	Manila

Doc. No. 351  
Page No. 71  
Book No. 112  
Series of 2012.

  
ATTY. TOMAS F. DULAY JR.  
Notary Public  
Until December 31, 2014  
Roll No. 16583 / 03-13-61  
IBP No. 823239 / cy 2012 - Q.C.  
PTR No. 6031383 / 01-02-12 - Q.C.  
TIN No. 4102259169  
92 Legaspi St. Proj. 4, Q.C.  
MCLE EXEMPTED





# First Abacus Financial Holdings Corp.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

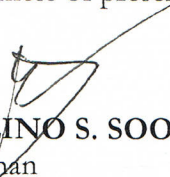
The management of **First Abacus Financial Holdings Corporation and Subsidiaries**, is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

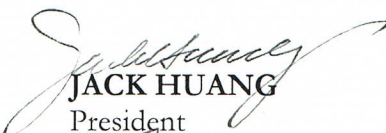
- a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
- b. Reconciliation of Retained Earnings Available for Dividend Declaration
- c. Schedule of PFRS Effective as of December 31, 2011
- d. Schedule of Financial Indicators for December 31, 2011 and 2010
- e. Map Showing the Relationship Between and Among the Company and its Related Entities
- f. Details of Transactions with DOSRI

Management responsibility on the financial statements 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 the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, 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 Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

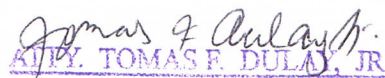
  
**PAULINO S. SOO**  
Chairman

  
**JACK HUANG**  
President

  
**VICENTE CO CHIEN**  
Treasurer

Signed this 30 day of APR 2012

FILE NO. 101  
BOOK NO. 112  
DUES OF 2012

  
**ATTY. TOMAS E. DULAY, JR.**  
Notary Public  
Until December 31, 2014  
Roll No. 16383 / 03-13-61  
IBP No. 823239 / cy 2012 - Q.C.  
PTR No. 6031383 / 01-02-12 - Q.C.  
TIN No. 41022591692  
92 Legaspi St. Proj. 4, Q.C.  
MCLE COMPLIANT



# Punongbayan & Araullo

Member firm within Grant Thornton International Ltd

## Consolidated Financial Statements and Independent Auditors' Report

### **First Abacus Financial Holdings Corporation and Subsidiaries**

December 31, 2011, 2010 and 2009



# Punongbayan & Araullo

## Report of Independent Auditors

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**The Board of Directors and Stockholders**  
**First Abacus Financial Holdings Corporation**  
Unit 2904-A, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center, Pasig City

We have audited the accompanying consolidated financial statements of First Abacus Financial Holdings Corporation and subsidiaries (the Group), which comprise the consolidated statements of financial position at December 31, 2011 and 2010, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, 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 consolidated 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.



*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Abacus Financial Holdings Corporation and subsidiaries as at December 31, 2011 and 2010, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2011, in accordance with Philippine Financial Reporting Standards.



*Emphasis of a Matter*

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which indicate that the Group has accumulated deficit of P621,079,242 and P643,389,136 as of December 31, 2011 and 2010, respectively. The Group's management believes, however, that the Group will be able to recoup the deficit incurred in past years and its recovery will continue once the general business environment of the country further improves.

**PUNONGBAYAN & ARAULLO**  
**By: Benjamin P. Valdez**  
Partner

CPA Reg. No. 0028485

TIN 136-619-880

PTR No. 3174790, January 2, 2012, Makati City

SEC Group A Accreditation

Partner - No. 0009-AR-3 (until Dec. 9, 2014)

Firm - No. 0002-FR-3 (until Jan. 18, 2015)

BIR AN 08-002511-11-2011 (until Sept. 22, 2014)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)

April 11, 2012



**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 AND 2010**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
<b><u>A S S E T S</u></b>			
<b>CASH</b>	7	<b>P 174,714,949</b>	P 212,720,742
<b>TRADING AND INVESTMENT SECURITIES</b>			
At Fair Value through Profit or Loss	8	433,016,792	393,275,076
Available-for-sale - Net	9	2,381,928,250	2,882,475,070
<b>RECEIVABLES - Net</b>	10	1,290,284,135	1,293,457,158
<b>PROPERTY AND EQUIPMENT - Net</b>	12	92,834,126	93,287,784
<b>DEFERRED TAX ASSETS - Net</b>	21	76,088,281	59,239,402
<b>OTHER ASSETS - Net</b>	13	<u>125,847,026</u>	<u>125,690,022</u>
<b>TOTAL ASSETS</b>		<b><u>P 4,574,713,559</u></b>	<b><u>P 5,060,145,254</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>INTEREST-BEARING LOANS AND BORROWINGS</b>	14	<b>P 1,752,625,980</b>	P 1,461,910,805
<b>DUE TO CUSTOMERS</b>	15	379,602,722	473,913,528
<b>ACCOUNTS PAYABLE AND OTHER LIABILITIES</b>	16	<u>82,128,916</u>	<u>208,734,845</u>
Total Liabilities		<u>2,214,357,618</u>	<u>2,144,559,178</u>
<b>CAPITAL STOCK</b>	17	1,193,200,000	1,193,200,000
<b>ADDITIONAL PAID-IN CAPITAL</b>		3,104,800	3,104,800
<b>TREASURY SHARES - At Cost</b>	17	( 385,670,581 )	( 385,670,581 )
<b>CHANGES IN FAIR VALUE OF AVAILABLE-FOR-SALE SECURITIES</b>		2,170,800,964	2,748,340,993
<b>DEFICIT</b>	1, 17	( <u>621,079,242</u> )	( <u>643,389,136</u> )
Net Equity		<u>2,360,355,941</u>	<u>2,915,586,076</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 4,574,713,559</u></b>	<b><u>P 5,060,145,254</u></b>

*See Notes to Consolidated Financial Statements.*

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>				
Commissions	2	<b>P 187,415,376</b>	P 154,851,866	P 122,545,863
Finance income	20	<b>130,779,001</b>	138,978,200	72,196,714
Management fees	11	<b>39,673,908</b>	64,781,024	62,646,922
Others	23	<b><u>2,052,514</u></b>	<u>1,026,905</u>	<u>1,512,670</u>
		<b><u>359,920,799</u></b>	<u>359,637,995</u>	<u>258,902,169</u>
<b>EXPENSES</b>				
Finance costs	20	<b>149,967,807</b>	124,002,709	95,444,541
Commissions		<b>52,188,652</b>	45,585,998	37,381,869
Employee benefits	18	<b>48,859,213</b>	41,008,209	34,253,286
Depreciation and amortization	12, 13	<b>18,047,785</b>	16,311,445	11,976,322
Taxes and licenses		<b>15,877,075</b>	16,277,979	13,981,150
Representation and entertainment		<b>13,494,098</b>	8,247,007	8,411,533
Communication		<b>7,858,508</b>	7,410,141	6,043,513
Exchange fees		<b>7,665,270</b>	7,028,992	5,634,407
Outside services		<b>7,354,299</b>	3,721,682	3,258,072
Professional fees		<b>5,955,472</b>	4,743,253	7,701,683
Others	19	<b><u>14,888,299</u></b>	<u>13,462,493</u>	<u>15,799,115</u>
		<b><u>342,156,477</u></b>	<u>287,799,908</u>	<u>239,885,491</u>
<b>PROFIT BEFORE TAX</b>		<b>17,764,322</b>	71,838,087	19,016,678
<b>TAX EXPENSE (INCOME)</b>	21	<b>( <u>4,545,572</u> )</b>	<u>8,724,616</u>	<u>7,617,501</u>
<b>NET PROFIT</b>		<b><u>P 22,309,894</u></b>	<u>P 63,113,471</u>	<u>P 11,399,177</u>
<b>Basic and Diluted Earnings Per Share</b>	22	<b><u>P 0.0218</u></b>	<u>P 0.0618</u>	<u>P 0.0112</u>

*See Notes to Consolidated Financial Statements.*

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

	<u>Note</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>NET PROFIT</b>		<b><u>P 22,309,894</u></b>	<b><u>P 63,113,471</u></b>	<b><u>P 11,399,177</u></b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized fair value gains (losses) on available-for-sale securities	9	( <u>471,973,440</u> )	198,659,659	1,980,044,285
Realized fair value gains on available-for-sale securities	9	( <u>105,566,589</u> )	( <u>60,962,018</u> )	( <u>18,154,840</u> )
		( <u>577,540,029</u> )	<u>137,697,641</u>	<u>1,961,889,445</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>( <u>P 555,230,135</u> )</b>	<b><u>P 200,811,112</u></b>	<b><u>P 1,973,288,622</u></b>

*See Notes to Consolidated Financial Statements.*

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

	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares	Fair Value Gains (Losses) on AFS Securities	Deficit	Total
BALANCE AT JANUARY 1, 2011	17	<u>P 1,193,200,000</u>	<u>P 3,104,800</u>	<u>( P 385,670,581 )</u>	<u>P 2,748,340,993</u>	<u>( P 643,389,136 )</u>	<u>P 2,915,586,076</u>
Net profit for the year		-	-	-	-	22,309,894	22,309,894
Available-for-sale securities	9						
Unrealized fair value losses for the year		-	-	-	( 471,973,440 )	-	( 471,973,440 )
Realized fair value gains		-	-	-	( 105,566,589 )	-	( 105,566,589 )
Total comprehensive income (loss) for the year		-	-	-	( 577,540,029 )	22,309,894	( 555,230,135 )
<b>BALANCE AT DECEMBER 31, 2011</b>		<b><u>P 1,193,200,000</u></b>	<b><u>P 3,104,800</u></b>	<b><u>( P 385,670,581 )</u></b>	<b><u>P 2,170,800,964</u></b>	<b><u>( P 621,079,242 )</u></b>	<b><u>P 2,360,355,941</u></b>
BALANCE AT JANUARY 1, 2010	17	<u>P 1,193,200,000</u>	<u>P 3,104,800</u>	<u>( P 385,670,581 )</u>	<u>P 2,610,643,352</u>	<u>( P 706,502,607 )</u>	<u>P 2,714,774,964</u>
Net profit for the year		-	-	-	-	63,113,471	63,113,471
Available-for-sale securities	9						
Unrealized fair value gains for the year		-	-	-	198,659,659	-	198,659,659
Realized fair value gains		-	-	-	( 60,962,018 )	-	( 60,962,018 )
Total comprehensive income for the year		-	-	-	137,697,641	63,113,471	200,811,112
BALANCE AT DECEMBER 31, 2010		<u>P 1,193,200,000</u>	<u>P 3,104,800</u>	<u>( P 385,670,581 )</u>	<u>P 2,748,340,993</u>	<u>( P 643,389,136 )</u>	<u>P 2,915,586,076</u>
BALANCE AT JANUARY 1, 2009	17	<u>P 1,193,200,000</u>	<u>P 5,127,200</u>	<u>( P 389,278,162 )</u>	<u>P 648,753,907</u>	<u>( P 717,521,403 )</u>	<u>P 740,281,542</u>
Re-issuance of treasury shares during the year		-	( 2,022,400 )	3,607,581	-	( 380,381 )	1,204,800
Net profit for the year		-	-	-	-	11,399,177	11,399,177
Available-for-sale securities	9						
Unrealized fair value gains for the year		-	-	-	1,980,044,285	-	1,980,044,285
Realized fair value gains		-	-	-	( 18,154,840 )	-	( 18,154,840 )
Total comprehensive income for the year		-	-	-	1,961,889,445	11,399,177	1,973,288,622
BALANCE AT DECEMBER 31, 2009		<u>P 1,193,200,000</u>	<u>P 3,104,800</u>	<u>( P 385,670,581 )</u>	<u>P 2,610,643,352</u>	<u>( P 706,502,607 )</u>	<u>P 2,714,774,964</u>

*See Notes to Consolidated Financial Statements.*

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009**  
*(Amounts in Philippine Pesos)*

	Notes	2011	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 17,764,322	P 71,838,087	P 19,016,678
Adjustments for:				
Interest expense	20	142,519,818	124,002,709	92,933,037
Gain on sale of investments - net	20	( 129,816,792 )	( 74,726,813 )	( 24,172,922 )
Depreciation and amortization	12, 13	18,047,785	16,311,445	11,976,322
Fair value losses (gains) on investments at fair value through profit or loss	20	7,447,989	( 63,344,653 )	( 47,169,365 )
Interest income	20	( 962,209 )	( 906,734 )	( 854,427 )
Impairment losses	20	-	-	2,511,504
Operating profit before working capital changes		55,000,913	73,174,041	54,240,827
Increase in investments at fair value through profit or loss		( 22,406,930 )	( 110,283,806 )	( 55,287,056 )
Decrease (increase) in receivables		3,173,023	( 186,396,331 )	67,705,266
Increase in other assets		( 1,911,988 )	( 22,439,725 )	( 21,453,172 )
Increase (decrease) in due to customers		( 94,310,806 )	32,177,897	-
Increase (decrease) in accounts payable and other liabilities		( 127,269,099 )	118,076,225	( 174,944,317 )
Cash used in operations		( 187,724,887 )	( 95,691,699 )	( 129,738,452 )
Interest received		962,209	906,734	704,738
Cash paid for final taxes	21	( 151,084 )	( 153,395 )	( 142,349 )
Net Cash Used in Operating Activities		( 186,913,762 )	( 94,938,360 )	( 129,176,063 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of available-for-sale securities		151,901,706	81,800,768	30,004,000
Acquisition of available-for-sale securities	9	( 123,860,898 )	-	-
Acquisitions of property and equipment	12	( 12,827,506 )	( 14,815,961 )	( 45,324,595 )
Acquisition of computer software	13	( 105,357 )	-	( 1,020,739 )
Net Cash From (Used in) Investing Activities		15,107,945	66,984,807	( 16,341,334 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Loan availments		303,461,004	1,321,194,617	353,083,524
Interest paid		( 141,342,409 )	( 121,929,058 )	( 40,036,639 )
Loan repayments		( 28,318,571 )	( 1,099,829,482 )	( 76,208,726 )
Proceeds from re-issuance of treasury shares		-	-	1,204,800
Net Cash From Financing Activities		133,800,024	99,436,077	238,042,959
<b>NET INCREASE (DECREASE) IN CASH</b>		( 38,005,793 )	71,482,524	92,525,562
<b>CASH AT BEGINNING OF YEAR</b>		212,720,742	141,238,218	48,712,656
<b>CASH AT END OF YEAR</b>		P 174,714,949	P 212,720,742	P 141,238,218

*See Notes to Consolidated Financial Statements.*

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011, 2010 AND 2009  
(Amounts in Philippine Pesos)**

**1. CORPORATE MATTERS**

***1.01 Corporate Information***

First Abacus Financial Holdings Corporation (the Parent Company) was incorporated in the Philippines and wholly owns the following subsidiaries, all of which are incorporated in the Philippines:

<u>Subsidiaries</u>	<u>Nature of Business</u>
Abacus Capital & Investment Corporation (ACIC)	Investment banking
Abacus Securities Corporation (ASC)	Securities brokerage
Vista Holdings Corporation (VHC)	Leasing

The Parent Company and its subsidiaries (the Group) are primarily involved in investment banking, securities brokerage and leasing. The Parent Company's transactions consist mainly of regular financial support granted to related parties to carry out their respective business operations. The Parent Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

The Parent Company's registered office, which is also its principal place of business, is located at Unit 2904-A, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

***1.02 Status of Operations***

The Group has accumulated a deficit of P621,079,242 and P643,389,136 as of December 31, 2011 and 2010, respectively. The accumulation of significant deficit indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Group's management believes, however, that the Group will be able to recoup the deficit incurred in past years and its recovery will continue once the general business environment of the country further improves. Consequently, the accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern.

### ***1.03 Approval of Financial Statements***

The consolidated financial statements of the Group for the year ended December 31, 2011 (including comparatives for the years ended December 31, 2010 and 2009) were authorized for issue by the Group's Chairman of the Board of Directors (BOD) on April 11, 2012.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented, unless otherwise stated.

### ***2.01 Basis of Preparation of Consolidated Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### ***(b) Presentation of Financial Statements***

The consolidated financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in two statements: a consolidated statement of income and a consolidated statement of comprehensive income. Two comparative periods are presented for the consolidated statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the financial statements.

#### ***(c) Functional and Presentation Currency***

These consolidated financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.



## ***2.02 Basis of Consolidation***

The Parent Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company, and its wholly owned subsidiaries, ACIC, ASC and VHC, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date the Company obtains control until such time that such control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

## **2.03 Adoption of New and Amended PFRS**

### *(a) Effective in 2011 that are Relevant to the Group*

In 2011, the Group adopted the following amendments, interpretation and annual improvements to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after July 1, 2010 or January 1, 2011:

PAS 24 (Amendment)	: Related Party Disclosures
Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) 14 (Amendment)	: Prepayment of a Minimum Funding Requirement
IFRIC 19	: Extinguishing Financial Liabilities with Equity Instruments
Various Standards	: 2010 Annual Improvements to PFRS

Below is a discussion of these new and amended accounting standards.

- (i) PAS 24 (Amendment), *Related Party Disclosures* (effective from January 1, 2011). The amendment simplifies and clarifies the definition of a related party by eliminating inconsistencies in determining related party relationships. The amendment also provides partial exemption from the disclosure requirements for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of this amendment did not result in any significant changes on the Group's disclosures of related parties in its consolidated financial statements.
- (ii) Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement* (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepaids future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a surplus for defined benefit plans based on PAS 19, *Employee Benefits*, which are subject to a minimum funding requirement. The Group is not subject to minimum funding requirements and it does not usually make substantial advance contributions to its retirement fund, hence, the adoption of the revised standard has no material effect on its financial statements.

(iii) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from July 1, 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of a financial liability through issuance of equity instruments to extinguish all or part of the financial liability. These transactions are sometimes referred to as “debt for equity” exchanges or swaps. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*;
- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;
- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,
- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

The adoption of the interpretation did not have a material effect on the Group’s financial statements as it did not extinguish financial liabilities through equity swap during the year.

(iv) 2010 Annual Improvements to PFRS. The FRSC has adopted the *2010 Improvements to PFRS*. Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. Among those improvements, only the following amendments which are effective from January 1, 2011 were identified to be relevant to the Group’s consolidated financial statements but which did not have any material impact on its consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements: Clarification of Statement of Changes in Equity* (effective from July 1, 2010). The amendment clarifies that, for each component of equity, an entity may present an analysis of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. As the Group’s other comprehensive income only includes fair value changes on available-for-sale (AFS) securities, the Group has elected to continue presenting each item of other comprehensive income in the consolidated statement of changes in equity.

PAS 27 (Amendment), *Consolidated and Separate Financial Statements* (effective from July 1, 2010). This amendment clarifies that the consequential amendments made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investment in Associate*, and, PAS 31, *Investment in Joint Ventures*, arising from the PAS 27 (2008) amendments apply prospectively, to be consistent with the related PAS 27 transition requirements. The amendment has no impact on the Group's consolidated financial statements.

- PFRS 3 (Amendments), *Business Combinations* (effective from July 1, 2010). The amendment clarifies that contingent consideration arrangement and balances arising from business combinations with acquisition dates prior to the entity's date of adoption of PFRS 3 (Revised 2008) shall not be adjusted on the adoption date. It also provides guidance on the subsequent accounting for such balances.

It further clarifies that the choice of measuring non-controlling interest (NCI) at fair value or at the proportionate share in the recognized amounts of an acquiree's identifiable net assets, applies only to instruments that represent ownership present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of NCI are measured at fair value unless PFRS requires another measurement basis.

This amendment also clarifies accounting for all share-based payment transactions that are part of a business combination, including unreplaced and voluntary replaced share-based payment awards. Specifically, this provides guidance for situations where the acquirer does not have an obligation to replace an award but replaces an existing acquiree award that would otherwise have continued unchanged after the acquisition, thus resulting to the accounting for these awards being the same as for the awards that the acquirer is obliged to replace.

- PFRS 7 (Amendment), *Financial Instruments: Clarification of Disclosures* (effective from January 1, 2011). The amendment clarifies the disclosure requirements which emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks arising from financial instruments. It also amends the required disclosure of financial assets including the financial effect of collateral held as security. This amendment has no significant effect on the consolidated financial statements since the Group already provides adequate information in its consolidated financial statements in compliance with the disclosure requirements.

(b) *Effective in 2011 but not Relevant to the Group*

The following amendments and improvements to PFRS are mandatory for accounting periods beginning on or after January 1, 2011 but are not relevant to the Group's consolidated financial statements:

PAS 32 (Amendment)	:	Financial Instruments: Presentation - Classification of Rights Issues
PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Limited Exemption from PFRS 7 Comparative Disclosures
2010 Annual Improvements		
PAS 21 (Amendment)	:	The Effects of Changes in Foreign Exchange Rates
PAS 28 (Amendment)	:	Investment in Associates
PAS 31 (Amendment)	:	Interests in Joint Ventures
PAS 34 (Amendment)	:	Interim Financial Reporting – Significant Events and Transactions
PFRS 1 (Amendment)	:	First-time Adoption of PFRS
PFRS 3 (Amendment)	:	Business Combinations
IFRIC 13 (Amendment)	:	Customer Loyalty Programmes – Fair Value Award Credits

(c) *Effective Subsequent to 2011 but not Adopted Early*

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2011. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

- (i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets* (effective from July 1, 2011). The amendment requires additional disclosures that will allow users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Group does not usually enter into this type of arrangement with regard to transfer of financial asset, hence, the amendment may not significantly change the Group's disclosures in its consolidated financial statements.
- (ii) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in Other Comprehensive Income into those that, in accordance with other PFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects that this will not affect the presentation of items in other comprehensive income, since all of the Group's other comprehensive income, which includes unrealized fair value gains and losses on AFS securities, can be reclassified to profit or loss when specified conditions are met.

(iii) PAS 19 (Amendment), *Employee Benefits* (effective from January 1, 2013). The amendment made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;
- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,
- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

Currently, the Group is using the corridor approach and its unrecognized actuarial losses as of December 31, 2011 amounted to P15,101,431 which will be retrospectively recognized as losses in other comprehensive income in 2013.

(iv) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The Group is yet to assess the impact of this new standard.

(v) Consolidation Standards

- PFRS 10, *Consolidated Financial Statements* (effective from January 1, 2013). This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess.
- PFRS 12, *Disclosure of Interest in Other Entities* (effective from January 1, 2013). This standard integrates and makes consistent the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. This also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (Revised), *Separate Financial Statements* (effective from January 1, 2013). This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in the new PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.
- PAS 28 (Revised), *Investments in Associate and Joint Venture* (effective from January 1, 2013). This revised standard includes the requirements for joint ventures, as well as associates, to be accounted for using equity method following the issuance of PFRS 11, *Joint Arrangement*.

The Group is currently reviewing the impact of the above consolidation standards on its consolidated financial statements in time for its adoption in 2013.

- (vi) PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace PAS 39 in its entirety. This chapter deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and is committed to conduct a comprehensive study of the potential impact of this standard to assess the impact of all changes.

## **2.04 Business Segments**

The Group is organized into the following business segments:

- (a) *Securities brokerage* – handles buying and selling of shares of stock, bonds and other securities.
- (b) *Investment banking* – provides services which include underwriting of financial instruments and management fees from financial and management advisory services.
- (c) *Leasing and others* – includes leasing of condominium units and other segment activities, none of which constitute a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds ranges from 7.12% to 7.46%.

Inter-segment revenues and expenses also include rentals from the operating leases on condominium units managed by certain segments. There are no other material items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

## **2.05 Financial Assets**

Financial assets, which are recognized when the Group becomes a party to the contractual terms of the financial instruments, include cash and other financial instruments. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: investments at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity (HTM) investments and AFS investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting period at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in consolidated profit or loss.



A more detailed description of the categories of financial assets relevant to the Group follows:

*(a) Financial Assets at FVTPL*

This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as investments at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

*(b) Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Any change in their value is recognized in consolidated profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The Group's financial assets categorized as loans and receivables are presented as Cash and Receivables in the consolidated statement of financial position. Cash includes cash on hand and bank deposits which are subject to insignificant risk of changes in value.

*(c) AFS Securities*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All AFS securities are measured at fair value, unless otherwise disclosed, with changes in value recognized in the consolidated other comprehensive income, net of any effects arising from income taxes. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in the consolidated other comprehensive income is reclassified from revaluation reserve to consolidated profit or loss and presented as a reclassification adjustment within consolidated other comprehensive income.

Reversal of impairment loss is recognized in the consolidated other comprehensive income, except for investments that are debt securities which are recognized in the consolidated profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income (Costs) in the consolidated statement of comprehensive income.

For securities that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

#### ***2.06 Offsetting Financial Instruments***

Financial assets and 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 assets and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

#### ***2.07 Property and Equipment***

Property and equipment are carried at cost less accumulated depreciation, amortization and impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in the consolidated profit or loss for the period.

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

Condominium units	15-25 years
Building improvements	5 years
Transportation equipment	5 years
Computer equipment	3-5 years
Furniture, fixtures and equipment	3-5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.11).

The residual values and estimated useful lives of property and equipment are reviewed and adjusted, if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in the consolidated profit or loss in the year the item is derecognized.

### ***2.08 Investment Properties***

Investment properties, accounted for under the cost model, are properties held either to earn rental or for capital appreciation or both, but not for sale in the ordinary course of business, use for rendering of services or for administrative purposes.

Investment properties are measured initially at acquisition cost, including transaction costs.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in consolidated profit or loss for the period.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets of 25 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.11).

The residual values and estimated useful lives of investment properties is reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in consolidated profit or loss in the year of retirement or disposal.

### ***2.09 Intangible Assets***

Intangible assets include goodwill, trading right and acquired computer software licenses (presented as part of Other Assets account in the consolidated statement of financial position). The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition or production.

#### *(a) Goodwill*

Goodwill represents the excess of the acquisition cost of the investment over the fair value of identifiable net assets of a subsidiary at date of acquisition. Goodwill is carried at amortized cost up to the date of transition to PFRS less any impairment in value. Goodwill is subject to annual test for impairment whether there is an objective evidence of impairment or not (see Note 2.11).

#### *(b) Trading Right*

Trading right represents the value of the exchange seat which allows the Group to trade in the PSE. Trading right is assessed as having an indefinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses (see Note 2.11).

#### *(c) Computer Software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful life of three years as these intangible assets are considered finite (see Note 2.11).

### ***2.10 Deferred Oil Exploration Costs***

The Group made certain investments in oil exploration projects. The cost of exploration relating to service contract or block area which is still in the exploratory stage are capitalized as Deferred oil exploration costs (shown under the Other Assets account in the consolidated statements of financial position). When a service contract or block area is permanently abandoned, the related deferred oil exploration cost is written off. Service contracts or block areas are considered not permanently abandoned if the service contracts have not yet expired and/or there are ongoing negotiations for further exploration. The carrying amount of the capitalized deferred oil exploration costs is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount (see Note 2.11).

### ***2.11 Impairment of Non-financial Assets***

The Group's property and equipment, investment properties, deferred oil exploration costs, goodwill and other intangible assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with an indefinite useful life such as goodwill and trading right are tested for impairment at least annually.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets, except goodwill and trading right, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss. Impairment losses recognized on goodwill are not reversed.

### ***2.12 Financial Liabilities***

Financial liabilities include interest-bearing loans and borrowings, due to customers and accounts payable and other liabilities (excluding retirement benefit obligation and taxes payable).

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as expense in the consolidated profit or loss.

Interest-bearing loans and borrowings are obtained to support the short-term to long-term funding needs of the Group. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Accounts payable and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities of more than one year, less settlement payments.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

### ***2.13 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

#### ***2.14 Related Party Transactions***

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These includes (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual.

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

#### ***2.15 Equity***

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital represents premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of re-acquiring such shares.

Changes in fair value of AFS securities comprise unrealized gains and losses due to the revaluation of AFS securities.

Deficit includes all current and prior period results as disclosed in the consolidated statement of income.

### ***2.16 Revenue and Expense Recognition***

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- (a) *Rendering of services (commissions, underwriting fees, financial and management advisory fees)* – Revenue is recognized when contractually agreed tasks have been substantially rendered.
- (b) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the assets.
- (c) *Rental* – Revenue is recognized on a straight line basis over the lease term.

Revenues are measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding value-added tax (VAT).

Costs and expenses are recognized in the consolidated profit or loss upon utilization of the service or at the date they are incurred. Finance costs are reported on an accrual basis.

### ***2.17 Securities Transactions***

Securities transactions of ASC (and related commission income and expense, if applicable) are recorded on a transaction date basis.

### ***2.18 Leases***

- (a) *Group as lessee* – Leases, which do not transfer to the Group 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 profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.
- (b) *Group as lessor* – Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as income in the consolidated profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes 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.

### ***2.19 Foreign Currency Transactions***

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated profit or loss.

## **2.20 Employee Benefits**

### *(a) Post-employment Benefits*

The Group does not have a formal retirement plan. However, the Group accrues for the retirement benefit obligation based on an actuarial valuation from an independent actuary in accordance with the provisions of Republic Act (RA) No. 7641 – *Retirement Pay Law*.

The liability recognized in the consolidated statements of financial position for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately.

Past-service costs are recognized immediately in the consolidated profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

### *(b) Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the consolidated statements of financial position date. They are included in Accounts Payable and Other Liabilities account at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

## **2.21 Income Taxes**

Tax expense recognized in the consolidated profit or loss comprises the sum of deferred tax and current tax not recognized in the consolidated other comprehensive income or directly in equity, if any.



Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss. Deferred tax is provided, using the liability method, on temporary differences at the consolidated statements of financial position date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The deferred tax assets and deferred tax liabilities are offset if it relates to income taxes levied by the same authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

## ***2.22 Earnings Per Share***

Earnings per share is determined by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

## ***2.23 Events After the Reporting Period***

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. 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. Actual results may ultimately differ from these estimates.

#### ***3.01 Critical Management Judgments in Applying Accounting Policies***

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

##### *(a) Impairment of AFS Securities*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

Allowance for impairment losses on the Group's AFS securities amounted to P144.9 million as of December 31, 2011 and 2010 (see Note 9).

##### *(b) Operating and Finance Leases*

The Group has entered into various lease agreements either as a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

##### *(c) Distinction Between Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generated cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the rendering of services by the Group.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the rendering of services or for administrative purposes. If this portion can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the rendering of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

*(d) Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.13 and relevant disclosures are presented in Note 23.

**3.02 Key Sources of Estimation Uncertainty**

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

*(a) Useful Lives of Property and Equipment, Investment Properties and Computer Software*

The Group estimates the useful lives of property and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and legal or other limits on the use of the assets. The carrying amounts of property and equipment, investment properties and computer software are analyzed in Notes 12, 13.03 and 13.06, respectively. Based on management's assessment as at December 31, 2011 and 2010, there is no change in estimated useful lives of property and equipment, investment properties and computer software during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

*(b) Allowance for Impairment of Receivables*

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience.

The carrying value of receivables and the analysis of allowance for impairment on such financial assets are shown in Note 10.

*(c) Valuation of Financial Assets Other Than Receivables*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect the consolidated profit and loss and other comprehensive income. In 2011 and 2010, most of the Group's financial assets measured at fair value are valued using price quoted in an active market.

The carrying values of the Company's investments at FVTPL and AFS securities and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 8 and 9, respectively.

*(d) Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2011 and 2010 are disclosed in Note 21.

*(e) Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.11. Though management believes 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 effect on the results of operations.

*(f) Post-employment Defined Benefits*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 18 and include, among others, discount rates and expected rate of salary increases. In accordance with PFRS, actual results that differ from the expected rate of assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of retirement benefit obligation and expense and an analysis of movements in the estimated present value of retirement benefit obligation are presented in Note 18.

#### 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating, financing and investing activities. The risk management activities at the level of each company in the Group is coordinated with the Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Group is exposed to are described below.

##### **4.01 Interest Rate Risk**

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. At December 31, 2011 and 2010, the Group is exposed to changes in market interest rates through its notes payable which are subject to variable interest rates (see Note 14). All other financial assets and liabilities have fixed rates.

The following table illustrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates of +/- 5.25% in 2011 and 3.50% in 2010. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	<b>Effect on Profit before Tax</b>			
	<b>Positive Change</b>		<b>Negative Change</b>	
<b>2011 (+/-5.25%)</b>	<b>P</b>	<b>252,090</b>	<b>(P</b>	<b>252,090)</b>
<b>2010 (+/- 3.50%)</b>		140,183	(	140,183)

##### **4.02 Foreign Currency Risk**

Foreign currency risk arises mainly from potential losses from the changes in the exchange rates of the Group's foreign currency denominated assets and liabilities.

The Group seeks to mitigate the effect of its foreign currency exposure by limiting its foreign currency transactions to the extent possible. The Group does not enter into forward contracts or hedging transactions.

The Group's United States (US) dollar-denominated financial instruments, pertain only to cash in bank, translated into Philippine pesos at the closing rates, amounting to P368,852 in 2011, P1,667,099 in 2010 and P268,037 in 2009.

The exchange rates used are P43.928:US\$1, P43.885:US\$1 and P46.356:US\$1 as of December 31, 2011 and 2010, respectively.

The table below demonstrates the possible impact on the Group's profit before tax and equity of the changes in the exchange rates of the Philippines peso and US dollars. It assumes a +/- 16.23%, +/- 21.14% and +/- 20.88% change of the Philippine peso – US dollar exchange rate for the years ended December 31, 2011, 2010 and 2009, respectively. These percentages have been determined based on the average market volatility in the exchange rates in the previous 12 months, estimated at 99% confidence level, with all other variables held constant.

		<u>Positive Change</u>		<u>Negative Change</u>
<b>2011 (+/- 16.23%)</b>				
Profit before tax	(P	59,857)	P	59,857
Equity	(	41,900)		41,900
<b>2010 (+/- 21.14%)</b>				
Profit before tax	(P	352,476)	P	352,476
Equity	(	246,733)		246,733
<b>2009 (+/- 20.88%)</b>				
Profit before tax	(P	55,966)	P	55,966
Equity	(	39,176)		39,176

The Group's exposures to changes in foreign exchange rates may differ at various periods each year, depending on the volume of foreign currency transactions. Hence, the foregoing effects should not be construed to be representative of the Group's foreign currency exposure at any particular point in time.

#### **4.03 Credit Risk**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers and placing deposits.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements) as summarized below.

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Cash in banks	7	<b>P 174,644,949</b>	P 212,644,121
Commercial papers	8	<b>3,000,000</b>	3,000,000
Receivables – net	10	<b><u>1,290,284,135</u></b>	<u>1,293,457,158</u>
		<b><u>P 1,467,929,084</u></b>	<u>P 1,509,101,279</u>

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. As part of Group policy, bank deposits and short-term placements are only maintained with reputable financial institutions. In determining credit risk, cash excludes cash on hand amounting to P70,000 and P76,621 as of December 31, 2011 and 2010, respectively. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution, as provided for under RA No. 9576, *Charter of Philippine Deposit Insurance Corporation*.

The table below shows the credit quality by class of financial assets as of December 31.

	<u>Neither Past Due Nor Impaired</u>		<u>Past Due but</u>	
	<u>High</u>	<u>Standard</u>	<u>not Individually</u>	
	<u>Grade</u>	<u>Grade</u>	<u>Impaired</u>	<u>Total</u>
<u>December 31, 2011</u>				
Cash in bank	P 174,644,949	P -	P -	P 174,644,949
Commercial papers	3,000,000	-	-	3,000,000
Receivables:				
Customers/brokers	84,090,703	334,181,721	12,786,153	431,052,343
Equity margin loans	-	716,344,883	-	716,344,883
Accounts receivable	-	31,040,000	1,349,708	32,389,708
Interest receivable	-	-	67,854,154	67,854,154
Notes receivable	-	-	36,114,886	36,114,886
Others	-	4,494,470	2,033,691	6,528,161
	<b><u>P 261,735,652</u></b>	<b><u>P1,086,061,074</u></b>	<b><u>P 120,138,592</u></b>	<b><u>P1,467,929,084</u></b>
<u>December 31, 2010</u>				
Cash in bank	P 212,644,121	P -	P -	P 212,644,121
Commercial papers	3,000,000	-	-	3,000,000
Receivables:				
Customers/brokers	133,318,424	210,890,686	12,786,153	356,995,263
Equity margin loans	-	776,581,220	-	776,581,220
Accounts receivable	-	31,040,000	1,349,708	32,389,708
Interest receivable	-	-	84,854,154	84,854,154
Notes receivable	-	-	36,114,886	36,114,886
Others	-	4,494,470	2,027,457	6,521,927
	<b><u>P 348,962,545</u></b>	<b><u>P1,023,006,376</u></b>	<b><u>P 137,132,358</u></b>	<b><u>P1,509,101,279</u></b>

Certain receivables of the Group are partially secured by borrowers' collaterals and customers' stocks traded in the PSE that are held by the Group. Other financial assets are not secured by collateral or other credit enhancements.

Management believes that the amount of past due but not individually impaired receivables are still recoverable as the Group's management has regular communication with the debtors for the settlement of the receivables.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

#### 4.04 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by the Group's ability to sell long-term financial assets.

As at December 31, 2011 and 2010, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within	6 to 12	1 to 5	
	6 Months	Months	Years	Total
<u>December 31, 2011</u>				
Interest-bearing loans and borrowings	P 1,588,833,369	P 25,945,129	P 153,234,374	P 1,768,012,872
Accounts payable and other liabilities (excluding retirement benefit obligation and taxes payable)	56,167,911	-	-	56,167,911
Due to customers	<u>379,602,722</u>	<u>-</u>	<u>-</u>	<u>379,602,722</u>
	<b><u>P 2,024,604,002</u></b>	<b><u>P 25,945,129</u></b>	<b><u>P 153,234,374</u></b>	<b><u>P 2,203,783,505</u></b>
	Current		Non-current	
	Within	6 to 12	1 to 5	
	6 Months	Months	Years	Total
<u>December 31, 2010</u>				
Interest-bearing loans and borrowings	P 1,345,576,694	P 105,211,478	P 35,504,711	P 1,486,292,883
Accounts payable and other liabilities (excluding retirement benefit obligation and taxes payable)	189,665,765	-	-	189,665,765
Due to customers	<u>473,913,528</u>	<u>-</u>	<u>-</u>	<u>473,913,528</u>
	<b><u>P 2,009,155,987</u></b>	<b><u>P 105,211,478</u></b>	<b><u>P 35,504,711</u></b>	<b><u>P 2,149,872,176</u></b>

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

#### 4.05 Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets classified as investments at FVTPL and AFS securities). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.



The observed volatility rates using standard deviation of the fair values of the Group's investments held at fair value and their impact on the Group's net profit and other comprehensive income as of December 31, 2011, 2010 and 2009 are summarized as follows:

		2011					
		Increase			Decrease		
				Other		Other	
		Increase	Decrease	Net Profit	Comprehensive Income	Net Profit	Comprehensive Income
Investments at fair value through profit or loss	+16.98%	-16.98%	P	73,522,469	P	-	(P 73,522,469)
AFS securities							
Berjaya Philippines, Inc. (BCOR)	+19.61%	-19.61%		-	465,801,870	-	( 465,801,870)
				<u>P 73,522,469</u>	<u>P 465,801,870</u>	<u>(P 73,522,469)</u>	<u>(P 465,801,870)</u>
		2010					
		Increase			Decrease		
				Other		Other	
		Increase	Decrease	Net Profit	Comprehensive Income	Net Profit	Comprehensive Income
Investments at fair value through profit or loss	+18.79%	-18.79%	P	73,886,815	P	-	(P 73,886,815)
AFS securities							
BCOR	+85.31%	-85.31%		-	2,453,408,146	-	( 2,453,408,146)
				<u>P 73,886,815</u>	<u>P 2,453,408,146</u>	<u>(P 73,886,815)</u>	<u>(P 2,453,408,146)</u>
		2009					
		Increase			Decrease		
				Other		Other	
		Increase	Decrease	Net Profit	Comprehensive Income	Net Profit	Comprehensive Income
Investments at fair value through profit or loss	+22.84%	-22.84%	P	54,523,656	P	-	(P 54,523,656)
AFS securities							
BCOR	+79.35%	-79.35%		-	2,168,326,456	-	( 2,168,326,456)
Others	+22.46%	-22.46%		-	7,077,856	-	( 7,077,856)
				<u>P 54,523,656</u>	<u>P 2,175,404,312</u>	<u>(P 54,523,656)</u>	<u>(P 2,175,404,312)</u>

The investments in listed equity securities (classified as AFS securities) are considered long term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments.

The volatility rates of investment in golf club shares were not presented as of December 31, 2011, 2010 and 2009 since the impact of these volatility rates using standard deviation of the golf club shares on the consolidated other comprehensive income would not be significant.

## 5. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

### 5.01 Comparison of Cost and Fair Values

The cost and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below.

		2011		2010	
	Notes	Cost	Fair Values	Cost	Fair Values
<b>Financial assets</b>					
Loans and receivables:					
Cash	7	P 174,714,949	P 174,714,949	P 212,720,742	P 212,720,742
Receivables – net	10	<u>1,290,284,135</u>	<u>1,290,284,135</u>	<u>1,293,457,158</u>	<u>1,293,457,158</u>
		<u>1,464,999,084</u>	<u>1,464,999,084</u>	<u>1,506,177,900</u>	<u>1,506,177,900</u>
Investments at fair value through profit or loss:					
Equity securities	8	357,838,426	433,016,792	329,930,423	393,275,076
AFS securities:					
Equity securities	9	<u>1,967,588,095</u>	<u>2,381,928,250</u>	<u>260,220,578</u>	<u>2,882,475,070</u>
		<u>2,325,426,521</u>	<u>2,814,945,042</u>	<u>590,151,001</u>	<u>3,275,750,146</u>
		<u>P 3,790,425,605</u>	<u>P 4,279,944,126</u>	<u>P 2,096,328,901</u>	<u>P 4,781,928,046</u>
<b>Financial liabilities</b>					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	14	P 1,752,625,980	P 1,752,625,980	P 1,461,910,805	P 1,461,910,805
Due to customers	15	379,602,722	379,602,722	473,913,528	473,913,528
Accounts payable and other liabilities(excluding retirement benefit obligation and taxes payable)	16	<u>56,167,911</u>	<u>56,167,911</u>	<u>189,665,765</u>	<u>189,665,765</u>
		<u>P 2,188,396,613</u>	<u>P 2,188,396,613</u>	<u>P 2,125,490,098</u>	<u>P 2,125,490,098</u>

### 5.02 Fair Value Hierarchy

The Group adopted the amendments to PFRS 7, *Improving Disclosures about Financial Instruments*. These amendments require the Group to present certain information about financial instruments measured at fair value in the consolidated statement of financial position.

In accordance with this amendment, financial assets and liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

As of December 31, 2011 and 2010, the fair values of investments at fair values through profit or loss amounted to P433,016,792 and P393,275,076, respectively, and AFS securities amounted to P2,381,928,250 and P2,882,475,070, respectively, were determined using Level 1 of the fair value hierarchy. The Group determines fair value based on quoted market prices.

As of December 31, 2011 and 2010, there are no financial liabilities measured at fair value. Similarly, there are no assets and liabilities determined at fair value using Levels 2 and 3 as of December 31, 2011 and 2010.

The different levels have been defined as follows:

- 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 (i.e, as prices) or indirectly (i.e, derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Club shares amounting to P3.0 million classified as AFS securities are valued at cost as there are no quoted rates available as of December 31, 2011 and 2010.

## 6. SEGMENT REPORTING

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2011, 2010 and 2009 and certain assets and liabilities information regarding industry segments as at December 31, 2011, 2010 and 2009.

	Year Ended December 31, 2011				
	Securities Brokerage	Investment Banking	Leasing and Others	Elimination	Group
Revenues :					
External	P 209,292,361	P 146,660,601	P 3,967,837	P -	P 359,920,799
Inter-segment	<u>1,352,954</u>	<u>67,894,026</u>	<u>18,208,343</u>	<u>( 87,455,323)</u>	<u>-</u>
	<u>210,645,315</u>	<u>214,554,627</u>	<u>22,176,180</u>	<u>( 87,455,323)</u>	<u>359,920,799</u>
Expenses:					
External	167,091,562	155,903,174	19,161,741	-	342,156,477
Inter-segment	<u>23,836,965</u>	<u>63,338,358</u>	<u>-</u>	<u>( 87,175,323)</u>	<u>-</u>
	<u>190,928,527</u>	<u>219,241,532</u>	<u>19,161,741</u>	<u>( 87,175,323)</u>	<u>342,156,477</u>
Profit (loss) before tax	<u><b>P 19,716,788</b></u>	<u><b>( P 4,966,905)</b></u>	<u><b>P 3,014,439</b></u>	<u><b>P -</b></u>	<u><b>P 17,764,322</b></u>
Net profit (loss) for the year	<u><b>P 12,304,496</b></u>	<u><b>P 7,262,783</b></u>	<u><b>P 2,742,615</b></u>	<u><b>P -</b></u>	<u><b>P 22,309,894</b></u>
Segment assets	<u><b>P 928,750,852</b></u>	<u><b>P 5,330,074,792</b></u>	<u><b>P 285,947,508</b></u>	<u><b>( P 1,970,059,593)</b></u>	<u><b>P 4,574,713,559</b></u>
Segment liabilities	<u><b>P 619,212,714</b></u>	<u><b>P 2,477,819,186</b></u>	<u><b>P 164,026,695</b></u>	<u><b>( P 1,046,700,977)</b></u>	<u><b>P 2,214,357,618</b></u>
Other segment items:					
Capital expenditures	<u><b>P 12,827,506</b></u>	<u><b>P -</b></u>	<u><b>P -</b></u>	<u><b>P -</b></u>	<u><b>P 12,827,506</b></u>
Depreciation and amortization	<u><b>P 7,851,131</b></u>	<u><b>P 5,565,470</b></u>	<u><b>P 4,631,184</b></u>	<u><b>P -</b></u>	<u><b>P 18,047,785</b></u>

Year Ended December 31, 2010					
	Securities Brokerage	Investment Banking	Leasing and Others	Elimination	Group
Revenues:					
External	P 232,826,577	P 126,253,649	P 557,769	P -	P 359,637,995
Inter-segment	<u>4,259,123</u>	<u>54,890,112</u>	<u>16,884,890</u>	<u>( 76,034,125)</u>	<u>-</u>
	<u>237,085,670</u>	<u>181,143,761</u>	<u>17,442,659</u>	<u>( 76,034,125)</u>	<u>359,637,995</u>
Expenses:					
External	133,946,198	136,910,827	16,942,883	-	287,799,908
Inter-segment	<u>13,383,817</u>	<u>62,650,308</u>	<u>-</u>	<u>( 76,034,125)</u>	<u>-</u>
	<u>147,330,015</u>	<u>199,561,135</u>	<u>16,942,883</u>	<u>( 76,034,125)</u>	<u>287,519,908</u>
Profit (loss) before tax	<u>P 89,755,685</u>	<u>( P 18,417,374)</u>	<u>P 499,776</u>	<u>P -</u>	<u>P 71,838,087</u>
Net profit for the year	<u>P 62,447,587</u>	<u>P 411,075</u>	<u>P 254,809</u>	<u>P -</u>	<u>P 63,113,471</u>
Segment assets	<u>P 938,748,920</u>	<u>P 5,611,722,765</u>	<u>P 232,920,365</u>	<u>( P 1,723,246,796)</u>	<u>P 5,060,145,254</u>
Segment liabilities	<u>P 641,515,278</u>	<u>P 2,189,469,913</u>	<u>P 112,464,875</u>	<u>( P 798,890,888)</u>	<u>P 2,144,559,178</u>
Other segment items:					
Capital expenditures	<u>P 14,815,961</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 14,815,961</u>
Depreciation and amortization	<u>P 5,717,249</u>	<u>P 5,930,016</u>	<u>P 4,664,180</u>	<u>P -</u>	<u>P 16,311,445</u>
Year Ended December 31, 2009					
	Securities Brokerage	Investment Banking	Leasing and Others	Elimination	Group
Revenues:					
External	P 169,314,469	P 89,092,410	P 495,290	P -	P 258,902,169
Inter-segment	<u>5,408,671</u>	<u>27,546,156</u>	<u>11,511,867</u>	<u>( 44,466,694)</u>	<u>-</u>
	<u>174,723,140</u>	<u>116,638,566</u>	<u>12,007,157</u>	<u>( 44,466,694)</u>	<u>258,902,169</u>
Expenses:					
External	101,067,862	128,797,433	10,020,196	-	239,885,491
Inter-segment	<u>15,572,396</u>	<u>28,614,299</u>	<u>2,402,781</u>	<u>( 46,589,476)</u>	<u>-</u>
	<u>116,640,258</u>	<u>157,411,732</u>	<u>12,422,977</u>	<u>( 46,589,476)</u>	<u>239,885,491</u>
Profit (loss) before tax	<u>P 58,082,882</u>	<u>( P 40,773,166)</u>	<u>( P 415,820)</u>	<u>P 2,122,782</u>	<u>P 19,016,678</u>
Net profit (loss) for the year	<u>P 39,925,531</u>	<u>( P 29,840,210)</u>	<u>( P 808,926)</u>	<u>P 2,122,782</u>	<u>P 11,399,177</u>
Segment assets	<u>P 593,103,754</u>	<u>P 5,452,897,024</u>	<u>P 259,362,334</u>	<u>( P 1,818,788,396)</u>	<u>P 4,486,574,716</u>
Segment liabilities	<u>P 358,327,699</u>	<u>P 2,159,022,888</u>	<u>P 139,526,592</u>	<u>( P 885,077,427)</u>	<u>P 1,771,799,752</u>
Other segment items:					
Capital expenditures	<u>P 9,625,455</u>	<u>P 26,900</u>	<u>P 35,647,260</u>	<u>P -</u>	<u>P 45,324,595</u>
Depreciation and amortization	<u>P 4,072,072</u>	<u>P 5,307,141</u>	<u>P 2,317,109</u>	<u>P 280,000</u>	<u>P 11,976,322</u>
Impairment loss	<u>P 2,511,504</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 2,511,504</u>

## 7. CASH

This account includes the following:

	<u>2011</u>	<u>2010</u>
Cash in banks	<b>P 174,644,949</b>	P 212,644,121
Cash on hand	<u>70,000</u>	<u>76,621</u>
	<b><u>P 174,714,949</u></b>	<b><u>P 212,720,742</u></b>

The Group maintains a special reserve bank account with a local bank in compliance with the Securities Regulation Code. The bank account has a balance of P80,740,770 and P50,513,097 as of December 31, 2011 and 2010, respectively.

Foreign currency-denominated cash amounted to P368,852 (US\$8,397) in 2011 and P1,667,099 (US\$37,988) in 2010.

Cash in banks generally earn interest at rates based on daily bank deposit rates.

## 8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of the following financial assets:

	<u>2011</u>	<u>2010</u>
Equity securities	<b>P 430,016,792</b>	P 390,275,076
Designated at fair value through profit or loss on initial recognition	<u>3,000,000</u>	<u>3,000,000</u>
	<b><u>P 433,016,792</u></b>	<b><u>P 393,275,076</u></b>

Equity securities include investments in shares of stock of publicly-listed entities which are held solely for trading purposes. These shares are carried at fair value as determined directly by reference to published price quoted in an active market. For investments in shares of stock of publicly-listed entities which are suspended as of the end of the reporting period, the last transacted price was used in determination of fair value.

Financial assets designated as at FVTPL on initial recognition pertain to short-term placements in commercial papers which earn interest of 3.30% to 3.75% in 2011, 2010 and 2009.

The Group recognized changes in fair value of investments through profit or loss amounting to P7,447,989 loss in 2011, P63,344,653 gain in 2010 and P47,169,365 gain in 2009. These are presented as part of Finance Income (Costs) in the consolidated statements of income (see Note 20).

The sale of investments at FVTPL resulted in a P20,807,103 gain, P16,021,911 gain and P474,559 loss in 2011, 2010 and 2009, respectively. These are also presented as part of Finance Income (Costs) in the consolidated statement of income (see Note 20).

All of the Group's investments at FVTPL are classified as current.

## 9. AVAILABLE-FOR-SALE SECURITIES

AFS securities pertain to the shares of stock of the following:

	<u>2011</u>	<u>2010</u>
At fair value:		
BCOR	<b>P 2,375,328,250</b>	P2,875,925,070
Others - Club shares	<u>6,600,000</u>	<u>6,550,000</u>
	<u><b>2,381,928,250</b></u>	<u>2,882,475,070</u>
At cost:		
Universal Rightfield Properties (URP)	<b>144,910,130</b>	144,910,128
Philippine Central Depository (PCD)	<u>22,800</u>	<u>22,800</u>
	<u><b>144,932,930</b></u>	<u>144,932,928</u>
	<b>2,526,861,180</b>	3,027,407,998
Allowance for impairment	<u>( 144,932,930)</u>	<u>( 144,932,928)</u>
	<u><b>P 2,381,928,250</b></u>	<u>P2,882,475,070</u>

The movements of AFS securities follow:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	<b>P 2,882,475,070</b>	P2,767,719,010
Fair value gains (losses)	<u>( 471,973,440)</u>	198,659,659
Realized fair value gains transferred to consolidated profit or loss	<u>( 105,566,589)</u>	<u>( 60,962,018)</u>
Additions	<b>123,860,898</b>	-
Disposals	<u>( 46,867,689)</u>	<u>( 22,941,581)</u>
Balance at end of year	<u><b>P 2,381,928,250</b></u>	<u>P2,882,475,070</u>

Equity securities consist mainly of investment in companies listed in the PSE.

In 2011 and 2010, the Group sold a portion of its BCOR shares which, resulted in a gain on sale of AFS securities amounting to P105,566,589 and P58,704,902 (net of other charges amounting to P624,016 and P477,697), respectively, in the profit or loss.

As of December 31, 2011 and 2010, the Group holds 95,013,130 shares and 99,169,830 shares in BCOR, respectively, valued at P25 per share in 2011 and P29 per share in 2010.

The fair values of AFS investments that are carried at fair value have been determined directly by reference to published prices in an active market. Fair value gains (losses) of (P471,973,440), P198,659,659 and P1,980,044,285 in 2011, 2010 and 2009, respectively, on the AFS securities are presented as other comprehensive income (loss).

The fair value of AFS securities carried at cost is not reliably determinable either by reference to the fair value of similar financial instruments or through valuation technique.

The total sale of AFS securities resulted in gains of P109,009,689, P58,704,902 and P18,154,840 in 2011, 2010 and 2009, respectively, and recorded as part Finance Income in the consolidated statements of income (see Note 20.02).

## 10. RECEIVABLES

The breakdown of this account follows:

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Equities margin loans		<b>P 635,613,481</b>	P 659,871,875
Customers/brokers		<b>382,426,112</b>	236,462,992
Accounts receivables	11.03	<b>285,567,572</b>	371,869,309
Notes receivables		<b>107,739,251</b>	107,739,251
Interest receivables		<b>67,854,154</b>	84,854,154
Management fee	11.01	<b>9,700,000</b>	31,040,000
Others		<b>17,548,281</b>	17,784,293
		<b>1,506,448,851</b>	1,509,621,874
Allowance for impairment		<b>( 216,164,716)</b>	( 216,164,716)
		<b><u>P1,290,284,135</u></b>	<b><u>P1,293,457,158</u></b>

All receivables of the Group have been reviewed for indications of impairment. Certain receivables were found to be impaired and provisions have been recorded accordingly.

The maturity profile of the Group's receivables follows:

	<u>2011</u>	<u>2010</u>
Within one year	<b>P 502,834,632</b>	P 724,226,455
Beyond one year but less than five years	<b>787,449,503</b>	569,230,703
	<b><u>P1,290,284,135</u></b>	<b><u>P1,293,457,158</u></b>

Management believes that the allowance for impairment is adequate to cover any impairment of its receivables as the Group's management is in constant communication with the debtors for the settlement of the receivables. Impairment losses amounted to P2,511,504 in 2009 (nil in 2011 and 2010) and are presented as part of Finance Costs in the 2009 consolidated statement of income (see Note 20.01). The allowance for impairment is P216,164,716 as of December 31, 2011 and 2010.

Effective January 1, 2007 and until the BOD reverses the resolution, the management decided to stop recognizing interest on equity margin loans by virtue of a board resolution after the Group received requests from its customers for a moratorium on interest charges on equity margin loans. These receivables are secured by certain marketable shares of stock (pledged by certain customers) with a total market value of P811,198,388 and P883,295,116 as of December 31, 2011 and 2010, respectively. As agreed upon by the customers and ACIC, the pledged shares of stock can be used as collateral by ACIC and its related parties.

Accounts receivable include a receivable from Kestrel, a third party engaged in purchasing receivables, amounting to P124,019,882 and P163,519,882 as of December 31, 2011 and 2010 which arose from an Assignment of Receivables Agreement executed between the Group and Kestrel on April 12, 2002. Under the agreement, the amount collected by Kestrel including accrued interest, shall be payable to the Group on or before December 31, 2006 which date was subsequently extended to December 31, 2016. These receivables represent the balance of an equity margin loan of a previous customer after deducting a partial settlement through a *dacion en pago* arrangement, whereby the original debtor transferred to the Group certain condominium units valued at P65,280,000 (see Note 13.03). Under the terms of the assignment, Kestrel grants the Group a call option on all but not part of the receivables, including uncollected but accrued earnings, which have not been collected at the time of the exercise of the call option. The call option is exercisable by the Group any time prior to November 30, 2016. The exercise price of the call option is equal to the uncollected principal of the receivables. The portion of the receivables already collected prior to the exercise of the call option shall constitute the remaining obligation of Kestrel to the Group which is payable on or before December 31, 2016. The call option is considered closely related to its host contract since the exercise price on each exercise date is equivalent to the carrying amount of the host contract. The management of the Group is confident that the receivables will be realized and the original debtor will eventually be able to settle its obligations. Allowance for impairment on receivable from Kestrel amounted to P25,000,000 as of December 31, 2011 and 2010.

Receivables from customers/brokers result from the Group's securities trading transactions and are normally settled within three days from the date of transaction. Receivables are subjected to impairment testing based on present value of the estimated future cash flows.

Notes and interest receivables represent outstanding claims from an individual which are due upon demand.

## **11. RELATED PARTY TRANSACTIONS**

The significant transactions of the Group in the normal course of business with related parties are described below.

### ***11.01 Management Fees***

The Group earns management fees from Philippine Gaming Management Corporation (PGMC, an entity under common key management personnel) by virtue of the Management Services Agreement (the Agreement) between the Group and PGMC.



Management fees amounted to P39,673,908, P64,781,024 and P62,646,922 in 2011, 2010 and 2009, respectively, and are presented as Management Fees in the consolidated statements of income. Management fees receivable amounted to P 9,700,000 in 2011 and P31,040,000 in 2010, and are presented as part of Receivables in the consolidated statements of financial position (see Note 10).

### ***11.02 Advances from Related Parties***

The Group obtained non-interest bearing advances from an officer which had an outstanding balance of P65,591,813 as of December 31, 2010 (nil in 2011). The Group also obtained noninterest bearing advances from certain related parties, the outstanding balance of which amounted to P6,690,208 and P23,789,776 as of December 31, 2011 and 2010, respectively. These amounts are presented as due to an officer and due to related parties under Accounts Payable and Other Liabilities in the consolidated statement of financial position (see Note 16).

### ***11.03 Advances to Related Parties***

The Group grants interest bearing loans to employees with interest ranging from 12% to 12.5%. Receivables from employees as of December 31, 2011 and 2010 amounted to P3,236,219 and P2,810,235, respectively. These are presented as part of Accounts Receivables account under Receivables in the consolidated statements of financial position (see Note 10).

### ***11.04 Short-term Benefits***

Short-term benefits given by the Group to key management personnel amounted to P17,850,415, P14,362,018 and P13,314,465 in 2011, 2010 and 2009, respectively.

## **12. PROPERTY AND EQUIPMENT**

The gross carrying amounts and accumulated depreciation, amortization and impairment, of property and equipment, at the beginning and end of 2011 and 2010 are shown below.

	Condominium Units	Building Improvements	Transportation Equipment	Computer Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
December 31, 2011							
Cost	P 114,435,714	P 46,065,290	P 20,260,493	P 70,776,439	P 26,281,932	P 7,621,268	P 285,441,136
Accumulated depreciation and amortization	( 55,279,834 )	( 38,731,262 )	( 13,470,257 )	( 62,483,299 )	( 22,642,358 )	-	( 192,607,010 )
Net carrying amount	<u>P 59,155,880</u>	<u>P 7,334,028</u>	<u>P 6,790,236</u>	<u>P 8,293,140</u>	<u>P 3,639,574</u>	<u>P 7,621,268</u>	<u>P 92,834,126</u>
December 31, 2010							
Cost	P 114,435,714	P 44,011,719	P 20,028,677	P 69,004,181	P 26,091,101	P -	P 273,571,392
Accumulated depreciation and amortization	( 49,581,669 )	( 38,044,930 )	( 10,145,608 )	( 60,514,230 )	( 21,997,171 )	-	( 180,283,608 )
Net carrying amount	<u>P 64,854,045</u>	<u>P 5,966,789</u>	<u>P 9,883,069</u>	<u>P 8,489,951</u>	<u>P 4,093,930</u>	<u>P -</u>	<u>P 93,287,784</u>
January 1, 2010							
Cost	P 114,435,714	P 39,451,653	P 12,148,366	P 61,580,067	P 23,787,434	P 7,740,909	P 259,144,143
Accumulated depreciation and amortization	( 43,883,505 )	( 37,871,702 )	( 7,901,035 )	( 58,156,736 )	( 21,316,623 )	-	( 169,129,601 )
Net carrying amount	<u>P 70,552,209</u>	<u>P 1,579,951</u>	<u>P 4,247,331</u>	<u>P 3,423,331</u>	<u>P 2,470,811</u>	<u>P 7,740,909</u>	<u>P 90,014,542</u>

A reconciliation of the carrying amounts at the beginning and end of 2011 and 2010, of property and equipment is shown below.

	Condominium Units	Building Improvements	Transportation Equipment	Computer Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
Balance at January 1, 2011, net of accumulated depreciation	P 64,854,045	P 5,966,789	P 9,883,069	P 8,489,951	P 4,093,930	P -	P 93,287,784
Additions	-	2,053,570	-	2,531,231	621,437	7,621,268	12,827,506
Reclassifications	-	-	-	-	-	-	-
Depreciation and amortization charges for the year	( 5,698,165 )	( 686,331 )	( 3,092,833 )	( 2,728,042 )	( 1,075,793 )	-	( 13,281,164 )
Balance at December 31, 2011, net of accumulated depreciation	<u>P 59,155,880</u>	<u>P 7,334,028</u>	<u>P 6,790,236</u>	<u>P 8,293,140</u>	<u>P 3,639,574</u>	<u>P 7,621,268</u>	<u>P 92,834,126</u>
Balance at January 1, 2010, net of accumulated depreciation	P 70,552,209	P 1,579,951	P 4,247,331	P 3,423,331	P 2,470,811	P 7,740,909	P 90,014,542
Additions	-	-	8,183,036	3,380,937	453,037	2,798,951	14,815,961
Reclassifications	-	4,646,053	-	4,043,098	1,850,709	( 10,539,860 )	-
Depreciation and amortization charges for the year	( 5,698,164 )	( 259,215 )	( 2,547,298 )	( 2,357,415 )	( 680,627 )	-	( 11,542,719 )
Balance at December 31, 2010, net of accumulated depreciation	<u>P 64,854,045</u>	<u>P 5,966,789</u>	<u>P 9,883,069</u>	<u>P 8,489,951</u>	<u>P 4,093,930</u>	<u>P -</u>	<u>P 93,287,784</u>

Condominium units of the Group with carrying amounts of P10,276,709 and P11,343,689 in 2011 and 2010, respectively, were used to secure the Group's bank loans payable (see Note 14).

### 13. OTHER ASSETS

The breakdown of this account follows:

	2011	2010
Goodwill	<b>P 84,584,951</b>	P 84,584,951
Creditable withholding taxes	<b>64,982,299</b>	57,499,096
Deferred oil exploration costs	<b>15,418,003</b>	15,418,003
Investment properties - net	<b>15,277,998</b>	19,701,422
Input VAT	<b>5,113,868</b>	7,226,401
Trading right	<b>1,408,000</b>	1,408,000
Computer software - net	<b>293,675</b>	531,515
Others	<u><b>3,446,831</b></u>	<u>3,999,233</u>
	<b>190,525,625</b>	190,368,621
Allowance for impairment of goodwill	<b>( 49,260,596 )</b>	( 49,260,596 )
Allowance for non-recoverability of deferred oil exploration costs	<u><b>( 15,418,003 )</b></u>	<u>( 15,418,003 )</u>
	<u><b>P 125,847,026</b></u>	<u>P 125,690,022</u>

#### 13.01 Goodwill

Goodwill arose from the acquisition of the three subsidiaries, where the acquisition cost is higher than the fair value of the net assets acquired of each subsidiary. It is subject to annual impairment testing and whenever there is an indication of impairment. The Group did not recognize any impairment loss in 2011, 2010 and 2009.

### ***13.02 Creditable Withholding Taxes***

This account represents accumulated income tax credits of the Group that remained unapplied as of December 31, 2011 and 2010. These income tax credits will be applied against future income tax liabilities.

### ***13.03 Investment Properties***

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the beginning and end of 2011 and 2010 are shown below.

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Cost	<b>P 72,280,000</b>	P 72,280,000	P 72,280,000
Accumulated depreciation	<b>( 55,107,324)</b>	( 50,683,900)	( 46,260,476)
Accumulated impairment losses	<b>( 1,894,678)</b>	( 1,894,678)	( 1,894,678)
Net carrying amount	<b><u>P 15,277,998</u></b>	<u>P 19,701,422</u>	<u>P 24,124,846</u>

A reconciliation of the carrying amounts at the beginning and end of 2011 and 2010, of investment properties is shown below.

	<u>2011</u>	<u>2010</u>
Balance at beginning of year, net of accumulated depreciation and impairment losses	<b>P 19,701,422</b>	P 24,124,846
Depreciation for the year	<b>( 4,423,424)</b>	( 4,423,424)
Balance at year end, net of accumulated depreciation and impairment losses	<b><u>P 15,277,998</u></b>	<u>P 19,701,422</u>

There are no direct operating expenses incurred for the investment properties.

The Group's investment property mostly consists of condominium units. These condominium units located in Nasugbu and Batulao, Batangas were acquired and capitalized by the Group as a result of the dacion en pago arrangement with a major customer in exchange for a partial settlement of his outstanding loans (see Note 10).

The total estimated fair values of the investment properties based on the latest available appraisal report obtained by the Group amounted to P37,635,988 as of December 31, 2011 and 2010.

### ***13.04 Deferred Oil Exploration Cost***

Deferred oil exploration costs represent mainly of costs and related expenses incurred in connection with the Group's participation in the exploration of oil under GSEC-57. The Group believes that while the result of the exploration of the first well indicated that the area covered by the first well may no longer be viable, the potential of the remaining areas is still untested and, thus, future prospects and leads remain valid. In this regard, the consortium applied for its third Non-Exclusive Geophysical Permit which was approved by the Department of Energy on October 31, 1995. The Group's management asserts that the project is still viable and no write-offs have been made by the project proponents. Nonetheless, a full allowance for non-recoverability of deferred exploration cost is provided.

### ***13.05 Trading Right***

Trading right is assessed as having an indefinite useful life and is carried at cost less accumulated impairment loss. It is tested annually for impairment by comparing its recoverable amount, and recognizing any excess of the carrying amount over the recoverable amount as an impairment loss.

As certified by the PSE, the last transacted price of an exchange right is P8,500,000, which was recorded last December 14, 2011. Hence, based from the comparison of the trading right's carrying amount of P1,408,000 as of December 31, 2011, and the recoverable amount, the Group's trading right is not impaired.

### ***13.06 Computer Software***

The gross carrying amounts and accumulated amortization at the beginning and end of 2011 and 2010 are shown below.

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Cost	<b>P 12,262,712</b>	P 12,157,355	P 12,157,355
Accumulated amortization	<b>( 11,969,037)</b>	( 11,625,840)	( 11,280,538)
Net carrying amount	<b><u>P 293,675</u></b>	<u>P 531,515</u>	<u>P 876,817</u>

A reconciliation of the carrying amounts at the beginning and end of 2011 and 2010, of computer software is shown below.

	<u>2011</u>	<u>2010</u>
Balance at beginning of year, net of accumulated amortization	<b>P 531,515</b>	P 876,817
Additions	<b>105,357</b>	-
Amortization for the year	<b>( 343,197)</b>	( 345,302)
Balance at end of year, net of accumulated amortization	<b><u>P 293,675</u></b>	<u>P 531,515</u>

#### 14. INTEREST-BEARING LOANS AND BORROWINGS

As of December 31, this account consists of:

	<u>2011</u>	<u>2010</u>
Notes payable	<b>P 1,722,473,903</b>	P 1,413,812,900
Bank loans	<u>30,152,077</u>	<u>48,097,905</u>
	<b><u>P 1,752,625,980</u></b>	<b><u>P 1,461,910,805</u></b>

Notes payable represents short-term unsecured loans from various funders bearing annual interest at rates ranging from 6.0% to 10.0% in 2011 and 2010. Bank loans are secured by some of the shares of stock pledged by the customers under the Equity Margin Financing of ACIC, condominium units, club shares and corporate guarantee of the Parent Company for loans obtained by a subsidiary (see Notes 10 and 12).

Management considers the carrying amounts of short-term interest-bearing loans and borrowings recognized in the consolidated statements of financial position to be reasonable approximation of their fair values due to their short duration.

The fair values of long-term financial liabilities have been determined by calculating their present values at the consolidated statements of financial position date using fixed effective market interest rates applicable to the Group. No fair value changes have been included in the consolidated statements of comprehensive income for the period as financial liabilities are carried at amortized cost in the consolidated statements of financial position.

The contractual maturities of these interest-bearing loans and borrowings as of December 31 follow:

	<u>2011</u>	<u>2010</u>
Within one year	<b>P 1,726,680,851</b>	P 1,420,050,727
Within two to five years	<u>25,945,129</u>	<u>41,860,078</u>
	<b><u>P 1,752,625,980</u></b>	<b><u>P 1,461,910,805</u></b>

Interest expense pertaining to these interest bearing loans and borrowings, which are presented as part of Finance Costs in the consolidated statements of income, amounted to P142,519,818, P124,002,709 and P92,933,037 in 2011, 2010 and 2009, respectively, which include accrued interests of P15,386,891 and P12,400,746, as of December 31, 2011 and 2010, respectively, presented as part of Accrued Expenses under Accounts Payable and Other Liabilities account in the consolidated statements of financial position (see Note 16 and 20.01).

## 15. DUE TO CUSTOMERS

Due to customers arise from the Group's securities brokerage activities. These are normally settled within three days after the respective trading dates and are all non-interest bearing. Management considers the carrying amounts recognized in the statements of financial position to be the reasonable approximation of their fair values. Outstanding balances as of December 31, 2011 and 2010 are P379,602,722 and P473,913,528, respectively.

## 16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Accrued expenses	14	<b>P 45,827,185</b>	P 42,528,004
Retirement benefit obligation	18	<b>25,961,005</b>	19,069,080
Due to related parties	11.02	<b>6,690,208</b>	23,789,776
Subscriptions payable		<b>464,575</b>	26,855,062
Due to an officer	11.02	-	65,591,813
Others		<b><u>3,185,943</u></b>	<u>30,901,110</u>
		<b><u>P 82,128,916</u></b>	<u>P 208,734,845</u>

Management considers the carrying amounts of accounts payable and other liabilities recognized in the consolidated statements of financial position to be reasonable approximation of their fair values due to their short duration.

## 17. EQUITY

### *17.01 Capital Management Objectives, Policies and Procedures*

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group has existing loans with a local bank and various funders. A reasonable level of debt-to-equity is maintained to properly manage the Group's operations. Presented below is the 2011 and 2010 debt-to-equity ratio of the Group:

	<u>2011</u>	<u>2010</u>
Total liabilities	<b>P 2,214,357,618</b>	P2,144,559,178
Net equity	<b>2,360,355,941</b>	2,915,586,076
Debt-to-equity ratio	<u><b>1 : 1.07</b></u>	<u>1 : 1.36</u>

### ***17.02 Capital Stock and Treasury Shares***

As of December 31, 2011 and 2010, these accounts consist of:

	<u>Shares</u>	<u>Amount</u>
Capital stock – P1 par value		
Authorized – 1,800,000,000 shares		
Issued shares:		
Balance at end of year	<u>1,193,200,000</u>	<u>P1,193,200,000</u>
Treasury shares		
Balance at end of year	<u>171,413,600</u>	<u>P 385,670,581</u>

### ***17.03 Capital Requirements for ASC***

#### ***17.03.01 Minimum Capital Requirement - SEC***

On November 11, 2004, the SEC approved memorandum Circular No. 16 which provides for the guidelines on the adoption in the Philippines of the Risk-Based Capital Adequacy (RBCA) Framework for all registered broker dealers in accordance with the Securities Regulation Code. These guidelines cover the following risks:

- (a) Position on market risk;
- (b) Credit risks such as counterparty, settlement, large exposure and margin financing risks; and,
- (c) Operational risks.

ASC monitors capital on the basis of RBCA ratio and Net Liquid Capital (NLC). RBCA requirement is the minimum level of capital that has to be maintained by firms which are licensed, or securing a broker dealer license, taking into consideration the firm size, complexity and business risk. Such risks that are considered in determining the capital requirement include, among others, Operational, Position and Credit Risk (which include counterparty, large exposure, underwriting, and margin financing risks).

RBCA ratio is the quotient of the NLC and the sum of the requirements for operation risk, credit risk and position or market risk. NLC, on the other hand, represents the equity eligible for NLC adjusted for non-allowable current and non-current assets as described under the circular.

In order to maintain or adjust the capital structure, ASC may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Under the guidelines set-out by the SEC, all registered brokers dealers should maintain the following RBCA and NLC requirements:

- (a) RBCA ratio of greater than or equal to 1:1.1;
- (b) NLC should be at least P5.0 million or 5.0% of aggregate indebtedness, whichever is higher;
- (c) A dealer who deals only with proprietary shares and does not keep shares in its custody shall maintain a net capital of P2.5 million or 2.5% of aggregate indebtedness, whichever is higher;
- (d) In cases where in order to meet an RBCA ratio of at least 1.1, an NLC higher than P5.0 million is required, the higher NLC shall be maintained; and,
- (e) No broker dealer shall permit its aggregate indebtedness to exceed 2000% of its NLC.

As of December 31, 2011 and 2010, ASC is in compliance with minimum capital requirement set out by the RBCA framework. ASC's RBCA ratio is 145% and 153% as of December 31, 2011 and 2010, respectively.

***17.03.02 Minimum Capital Requirement – Philippine Stock Exchange's Rules Governing Trading Rights and Trading Participants***

On May 28, 2009, the SEC approved PSE's Rules Governing Trading Rights and Trading Participants which provides among others the following provisions:

- (a) Trading participants should have a minimum unimpaired paid-up capital (defined as the trading participant's total paid up capital less any deficiency in the retained earnings account) of P20,000,000 effective December 31, 2009, provided further that effective December 31, 2010 and onwards, the minimum unimpaired paid up capital shall be P30,000,000; and,
- (b) Each trading participant shall pledge its trading right to the extent of its full value to secure the payment of all of debts and claims due to the trading participant, the government, PSE and to other trading participants of the PSE and to the Securities Clearing Corporation of the Philippines.

As of December 31, 2011 and 2010, the ASC is in compliance with PSE's Rules Governing Trading Rights and Trading Participants.

***17.03.03 Retained Earnings Appropriation***

Rule 49.1 (B), Reserve Fund of SEC Memorandum Circular No. 16 requires that every broker dealer shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to Appropriated Retained Earnings account. Appropriation shall be 30%, 20% and 10% of profit after tax for broker dealers with unimpaired paid-up capital of between P10 million to P30 million, between P30 million to P50 million, and above P50 million, respectively.



No appropriations were made by ASC in 2011 and 2010 since ASC has a deficit amounting to P89,711,862 and P102,016,358 as of December 31, 2011 and 2010, respectively.

#### ***17.04 Capital Requirements for ACIC***

Under the provisions of Section 8 of RA No. 8366, an Act amending Presidential Decree No. 129, otherwise known as the Investment Houses Law, the ACIC is required to maintain a minimum paid-up capital of P300,000,000.

As of December 31, 2011 and 2010, ACIC is in compliance with minimum capital requirement set out by the RA No. 8366.

### **18. EMPLOYEE BENEFITS**

This account consists of:

	<u>2011</u>		<u>2010</u>		<u>2009</u>
Salaries and wages	<b>P 32,981,565</b>	P	27,014,993	P	21,313,382
Retirement benefits	<b>6,891,925</b>		5,888,446		3,583,541
Bonuses	<b>5,586,729</b>		4,810,774		6,324,198
Staff benefits	<b>2,374,923</b>		2,254,039		2,082,680
Social security costs	<b>924,499</b>		856,810		794,260
Other short-term benefits	<b><u>99,572</u></b>		<u>183,147</u>		<u>155,225</u>
	<b><u>P 48,859,213</u></b>	P	<u>41,008,209</u>	P	<u>34,253,286</u>

The Group does not have an established retirement plan and only conforms to the RA No. 7641 which provides a retirement benefit equal to 22.5 days pay for ever year of credited service. Actuarial valuations are made periodically to update the defined benefit obligation and the amount of retirement benefit expense in accordance with PAS 19. Latest actuarial valuation was for the year ended December 31, 2011.

The amounts of retirement benefit obligation recognized and recorded as part of Accounts Payable and Other Liabilities (see Note 16) in the consolidated statements of financial position follow:

	<u>2011</u>		<u>2010</u>
Present value of the obligation	<b>P 41,062,436</b>	P	34,652,276
Unrecognized actuarial losses	<b>( <u>15,101,431</u> )</b>	(	<u>15,583,196</u> )
Retirement benefit obligation	<b><u>P 25,961,005</u></b>	P	<u>19,069,080</u>

The movements in present value of the retirement benefit obligation recognized in the books follow:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	<b>P 34,652,276</b>	P 29,529,496
Current service cost	<b>3,255,644</b>	2,521,868
Interest cost	<b>3,016,745</b>	2,600,912
Actuarial loss	<u><b>137,771</b></u>	<u>-</u>
Balance at end of year	<u><b>P 41,062,436</b></u>	<u>P 34,652,276</u>

The movements in the retirement benefit obligation recognized in the books follow.

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	<b>P 19,069,080</b>	P 13,180,634
Current service cost	<b>3,255,644</b>	2,521,868
Interest cost	<b>3,016,745</b>	2,600,912
Actuarial loss	<u><b>619,536</b></u>	<u>765,666</u>
Balance at end of year	<u><b>P 25,961,005</b></u>	<u>P 19,069,080</u>

The amounts of retirement benefits recognized in the consolidated statements of income follow:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current service costs	<b>P 3,255,644</b>	P 2,521,868	P 2,363,245
Interest costs	<b>3,016,745</b>	2,600,912	1,099,644
Actuarial loss	<u><b>619,536</b></u>	<u>765,666</u>	<u>120,652</u>
Retirement benefits expense	<u><b>P 6,891,925</b></u>	<u>P 5,888,446</u>	<u>P 3,583,541</u>

In determining the retirement benefit obligation, the following actuarial assumptions were used:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Discount rates	<b>5.81% - 8.38%</b>	8.00% - 8.35%	8.00% - 8.35%
Expected rate of salary increases	<b>8.00%</b>	8.00%	5.00%

The Group has not established plan assets for the retirement obligation, hence, no excess of fair value of plan assets are disclosed.

## 19. OTHER EXPENSES

This account consists of:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Membership fees and dues	<b>P 3,316,011</b>	P 1,496,068	P 3,967,858
Transportation	<b>3,252,688</b>	1,875,471	1,715,079
Repairs and maintenance	<b>1,677,165</b>	3,834,577	1,898,743
Condominium dues	<b>1,491,385</b>	1,537,711	1,194,262
Office supplies	<b>1,464,107</b>	1,475,049	1,407,727
Insurance	<b>1,395,965</b>	1,538,961	1,283,592
Bank charges	<b>126,365</b>	94,024	140,399
Miscellaneous	<b><u>2,164,613</u></b>	<u>1,610,632</u>	<u>4,191,455</u>
	<b><u>P 14,888,299</u></b>	<u>P 13,462,493</u>	<u>P 15,799,115</u>

## 20. FINANCE INCOME (COSTS)

The breakdown of this account follows:

### *20.01 Finance Costs*

	<u>Notes</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Interest expense	14	<b>P 142,519,818</b>	P 124,002,709	P 92,933,037
Fair value loss on investments at FVTPL	8	<b>7,447,989</b>	-	-
Impairment loss	10	<b><u>-</u></b>	<u>-</u>	<u>2,511,504</u>
		<b><u>P 149,967,807</u></b>	<u>P 124,002,709</u>	<u>P 95,444,541</u>

### *20.02 Finance Income*

	<u>Notes</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gain on sale of investments - net	8, 9	<b>P 129,816,792</b>	P 74,726,813	P 24,172,922
Interest income		<b>962,209</b>	906,734	854,427
Fair value gains on investments at FVTPL	8	<b><u>-</u></b>	<u>63,344,653</u>	<u>47,169,365</u>
		<b><u>P 130,779,001</u></b>	<u>P 138,978,200</u>	<u>P 72,196,714</u>

## 21. TAXES

### *21.01 Current and Deferred Income Taxes*

The components of tax expenses reported in the consolidated profit or loss follow:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Regular corporate income tax (RCIT) at 30%	<b>P 9,858,410</b>	P 9,614,076	P 3,707,896
Minimum corporate income tax (MCIT) at 2%	<b>2,293,813</b>	2,192,060	-
Final tax at 20%	<u><b>151,084</b></u>	<u>153,395</u>	<u>142,349</u>
	<b>12,303,307</b>	11,959,531	3,850,245
Deferred tax expense (income) relating to origination and reversal of temporary differences	( <u><b>16,848,879</b></u> )	( <u>3,234,915</u> )	<u>3,767,256</u>
	<u><b>(P 4,545,572)</b></u>	<u>P 8,724,616</u>	<u>P 7,617,501</u>

The reconciliation of tax on pre-tax profit computed at the applicable statutory rate to tax expense is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax on pre-tax profit at 30%	<b>P 5,329,297</b>	P 21,551,426	P 5,705,003
Adjustments for income subjected to lower income tax rates	( <b>75,542</b> )	(76,698)	(71,175)
Tax effects of:			
Non-taxable income	( <b>32,752,396</b> )	(18,293,035)	(7,911,714)
Unrecognized deferred tax assets	<b>16,564,698</b>	2,232,899	102,345
Non-deductible expenses	<b>6,388,371</b>	3,310,024	3,199,868
Expired net-operating loss carry over (NOLCO)	-	-	6,774,380
Applied MCIT	<u>-</u>	<u>-</u>	( <u>181,206</u> )
	<u><b>(P 4,545,572)</b></u>	<u>P 8,724,616</u>	<u>P 7,617,501</u>

The net deferred tax assets as of December 31 related to the following:

	Consolidated Statements of Financial Position		Consolidated Statements of Income		
	2011	2010	2011	2010	2009
Deferred tax assets (liability):					
NOLCO	<b>P 53,141,370</b>	P 39,684,247	<b>(P 13,457,123)</b>	(P 19,763,703)	(P 10,433,032)
Allowance for impairment losses	<b>38,063,250</b>	38,063,250	-	-	( 12,151)
Fair value gain on investments at FVTPL	<b>( 22,063,069)</b>	( 23,832,929)	<b>( 1,769,860)</b>	18,378,370	13,633,339
Retirement benefit obligation	<b>6,497,512</b>	4,875,616	<b>( 1,621,896)</b>	( 1,524,119)	( 915,466)
MCIT	<b>325,463</b>	325,463	-	( 325,463)	1,506,580
Accrued short-term employee benefits	<b>123,755</b>	123,755	-	-	( 12,014)
Net deferred tax assets	<b><u>P 76,088,281</u></b>	<u>P 59,239,402</u>			
Deferred tax expense (income)			<b><u>(P 16,848,879)</u></b>	<u>(P 3,234,915)</u>	<u>P 3,767,256</u>

In 2011, management of the Parent Company has taken a conservative position of not recognizing additional deferred tax assets arising from NOLCO. As of December 31, 2011 and 2010, the deferred tax assets arising from NOLCO amounting to P53,141,370 and P39,684,218, respectively.

The details of unrecognized deferred tax assets as of December 31 are summarized below.

	2011		2010	
	Amount	Tax Effect	Amount	Tax Effect
Allowance for impairment	<b>P 89,287,211</b>	<b>P 26,786,163</b>	P 89,287,211	P 26,786,163
NOLCO	<b>45,791,838</b>	<b>13,737,551</b>	-	-
Allowance for non-recoverability of deferred oil exploration costs	<b>15,418,003</b>	<b>4,625,401</b>	15,418,003	4,625,401
Retirement benefit obligation	<b>4,302,634</b>	<b>1,290,790</b>	2,817,030	845,109
MCIT	<b>3,889,353</b>	<b>3,889,353</b>	3,089,038	3,089,038
Accrued short-term employee benefits	<b>581,751</b>	<b>174,525</b>	581,751	174,525
	<b><u>P 159,270,790</u></b>	<b><u>P 50,503,783</u></b>	<u>P 111,193,033</u>	<u>P 35,520,236</u>

The breakdown of NOLCO, which can be claimed as deductions from future taxable income within three years from the year the taxable loss was incurred, is shown below.

Year Incurred	Parent	ACIC	Balance	End of Availment
2011	P 45,791,838	P 44,857,077	P 90,648,915	2014
2010	33,471,767	32,407,243	65,879,010	2013
2009	<u>66,401,813</u>	<u>-</u>	<u>66,401,813</u>	2012
	<b><u>P 145,665,418</u></b>	<b><u>P 77,264,320</u></b>	<b><u>P 222,929,738</u></b>	

The Group is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT at 30%, whichever is higher. MCIT which is available for offset against future income tax payable for income tax purposes follows:

<u>Year Incurred</u>		<u>Amount</u>	<u>Applied</u>	<u>Expired</u>	<u>Balance</u>	<u>End of Availment</u>
2011	P	2,022,755	P -	P -	P 2,022,755	2014
2010		2,192,061	-	-	2,192,061	2013
2008		<u>2,743,974</u>	<u>1,521,534</u>	<u>1,222,440</u>	<u>-</u>	2011
		<b><u>P 6,958,790</u></b>	<b><u>P 1,687,786</u></b>	<b><u>P 813,412</u></b>	<b><u>P 4,214,816</u></b>	

### ***21.02 Optional Standard Deduction (OSD)***

Effective July 2008, RA No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or OSD equivalent to 40% of gross sales. Once the option is made at the beginning of the taxable year, it shall be irrevocable for the taxable year for which the option was made.

In 2011, 2010 and 2009, the Group opted to continue claiming itemized deductions.

### ***21.03 Change in Applicable Tax Rate***

Effective January 1, 2009, in accordance with RA No. 9337, RCIT rate was reduced from 35% to 30% and nonallowable deductions for interest expense was reduced from 42% to 33% of interest income subjected to final tax.

## **22. EARNINGS PER SHARE**

Earnings per share amounts for the years ended December 31, are computed as follows:

	<u>Note</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net profit		<b><u>P 22,309,894</u></b>	<u>P 63,113,471</u>	<u>P 11,399,177</u>
Divided by the weighted average number of outstanding shares:				
Issued shares	17.02	<b><u>1,193,200,000</u></b>	<u>1,193,200,000</u>	<u>1,193,200,000</u>
Treasury shares	17.02	<b><u>( 171,413,600)</u></b>	<u>( 171,413,600)</u>	<u>( 171,413,600)</u>
Outstanding shares		<b><u>1,021,786,400</u></b>	<u>1,021,786,400</u>	<u>1,021,786,400</u>
Earnings per share		<b><u>P 0.0218</u></b>	<u>P 0.0618</u>	<u>P 0.0112</u>

As of December 31, 2011, 2010 and 2009, the Group has no outstanding potentially dilutive shares, hence, basic earnings per share are equal to diluted earnings per share.

## 23. COMMITMENTS AND CONTINGENCIES

### *23.01 Legal Claims*

The Group is either a defendant or plaintiff in lawsuits and legal actions arising from its various business activities. Management believes that the claims against the Group are either without merit or that the ultimate liability, if any, resulting from lawsuits and legal actions will not materially affect the Group's consolidated financial statements.

### *23.02 Operating Leases*

The Group is a lessor under non-cancellable operating leases covering its condominium units. The leases have terms of one to two years. The future minimum rentals receivable under these non-cancellable operating leases as of December 31, 2011 and 2010 amounted to P633,000 and P659,375, respectively, to be collected within one year.

Total rentals from these operating leases amounted to P1,503,505, P848,661 and P366,964 in 2011, 2010 and 2009, respectively, and are included within the Other Revenues account in the consolidated statements of income.

### *23.03 Others*

There are commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the accompanying consolidated financial statements. As of December 31, 2011 and 2010, management is of the opinion that losses, if any, from these events and conditions will not have a material effect on the Group's consolidated financial statements.



# Punongbayan & Araullo

Member firm within Grant Thornton International Ltd

Supplementary Information and  
Independent Auditors' Report

**First Abacus Financial Holdings Corporation  
and Subsidiaries**

December 31, 2011, 2010 and 2009





# Punongbayan & Araullo

## Report of Independent Auditors To Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements


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**The Board of Directors and Stockholders**  
**First Abacus Financial Holdings Corporation**  
Unit 2904-A, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of First Abacus Financial Holdings Corporation and subsidiaries (the Group) and the separate financial statements of First Abacus Financial Holdings Corporation for the year ended December 31, 2011, on which we have rendered our separate reports both dated April 11, 2012. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

By:   
**Benjamin P. Valdez**  
Partner

CPA Reg. No. 0028485  
TIN 136-619-880  
PTR No. 3174790, January 2, 2012, Makati City  
SEC Group A Accreditation  
Partner - No. 009-AR-3 (until Dec. 9, 2014)  
Firm - No. 0002-FR-3 (until Jan. 18, 2015)  
BIR AN 08-002511-11-2011 (until Sept. 22, 2014)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)

April 11, 2012

# FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

## List of Supplementary Information December 31, 2011

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**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule A - Financial Asset  
December 31, 2011**

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the statement of the financial position</i>	<i>Valued based on the market quotation at reporting date (per share)</i>	<i>Income received and accrued</i>
<b>Investments at Fair Value Through Profit or Loss</b>				
A. BROWN COMPANY, INC.	292,110	P 788,697	P 2.70	
A. SORIANO CORPORATION "A"	1,819,098	6,039,405	3.32	
ABACUS CONS. RES & HLDGS INC A	1,099,285	1,000,349	0.91	
ABOITIZ EQUITY VENTURES, INC	17,487	702,103	40.15	
ABOITIZ POWER CORPORATION	9,731	290,957	29.90	
ABOITIZ TRANS.SYSTEM CORP.PREF	10,968	22,155	2.02	
ABRA MINING & INDUSTRIAL CORP	513,698,573	2,979,452	0.01	
ABS-CBN CORPORATION	21,994	653,222	29.70	
ABS-CBN HOLDING CORP. - PDR	33,098	989,630	29.90	
ACESITE (PHILS.) HOTEL CORP.	111	324	2.92	
ACTIVE ALLIANCE INC.	90	2,583	28.70	
AGP INDUSTRIAL CORPORATION "A"	6,083	166,066	27.30	
ALASKA MILK CORPORATION	121,809	1,617,624	13.28	
ALCORN GOLD REOURCES	380,165,681	5,702,485	0.02	
ALLIANCE GLOBAL GROUP, INC.	61,148	632,270	10.34	
ALLIANCE SELECT FOODS INTERNATI	1,371,107	1,946,972	1.42	
ALPHALAND CORPORATION	47	1,452	30.90	
ALSONS CONSOLIDATED RESOURCES	100,144	125,180	1.25	
ANGLO-PHIL HOLDINGS	3,411,182	6,549,469	1.92	
APC GROUP, INC.	8,253,863	5,860,243	0.71	
APEX MINING COMPANY, INC. "A"	888,233	3,552,932	4.00	
APEX MINING COMPANY, INC. "B"	437,151	1,704,889	3.90	
ARANETA PROPERTIES, INC.	14,721	6,330	0.43	
ARTHA LAND CORPORATION	5,000,707	800,113	0.16	
ASIAN TERMINAL, INC.	750,853	6,194,537	8.25	
ATLAS CONS MNG & DEVT CORP	4,847,012	81,623,682	16.84	
ATN HOLDINGS, INC.	452,124	1,012,758	2.24	
ATN HOLDINGS, INC.'B'	39,270	96,604	2.46	
ATOK BIG WEDGE MINING CO INC A	258	6,192	24.00	
AYALA CORPORATION "A"	3,550	1,104,050	311.00	
AYALA LAND, INC.	5,754	87,231	15.16	
BANCO FILIPINO SA & MO BANK	63	5,670	90.00	
BANK OF THE PHILIPPINE ISLANDS	37,067	2,046,098	55.20	
BANKARD, INC	520,367	442,312	0.85	
BASIC ENERGY CORPORATION	1,707,073	320,930	0.19	
BDO LEASING & FINANCE, INC.	1,551,592	2,498,063	1.61	
BDO UNIBANK, INC.	538	31,742	59.00	
BELLE CORPORATION	1,048,129	5,324,495	5.08	
BENGUET CORP.-Convtible Pref A	9	279	31.00	
BENGUET CORPORATION "A"	99	2,624	26.50	
BENGUET CORPORATION "B"	43	1,118	26.00	
BERJAYA PHILIPPINES INC.	4,788,836	119,720,900	25.00	
BOGO MEDELLIN MILLING CO.	118	6,372	54.00	
BOULEVARD HOLDINGS, INC.	600,000	100,200	0.17	
CALAPAN HOLDINGS	1,856	4,584	2.47	
CEBU AIR, INC.	759	49,183	64.80	
CEBU HOLDINGS, INC	162,335	405,838	2.50	
CEBU PROPERTY VENT & DEV'T "A"	12,935	31,044	2.40	
CEBU PROPERTY VENT & DEV'T "B"	39	98	2.50	
CENTRAL AZUCARERA DE TARLAC	599	7,835	13.08	
CENTRO ESCOLAR UNIVERSITY	929	8,361	9.00	
CENTURY PEAK METALS HOLDINGS CO	318,794	580,205	1.82	
CENTURY PROPERTIES GROUP INC.	1,900,566	3,687,098	1.94	
CHEMREZ TECH., INC.(COAT)	1,143,361	2,881,270	2.52	
CHINA BANKING CORPORATION	236	93,928	398.00	
CHINATRUST(PHILS)COMM.BANK COR	53	1,341	25.30	
CIRTEK HOLDINGS CORP.	57	467	8.20	
CITY & LAND DEVELOPERS, INC.	150	225	1.50	
CITYLAND DEVELOPMENT CORP "A"	421	459	1.09	
CITYSTATE SAVINGS BANK, INC.	140	3,990	28.50	
CONCRETE AGGREGATES CORP "A"	92	5,520	60.00	
CROWN EQUITIES, INC.	2,042,025	161,320	0.08	
CYBER BAY CORPORATION	538,012	414,269	0.77	
DFNN, INC.	50,806	299,755	5.90	
DIGITAL TELECOM. PHILS., INC.	661,063	1,057,701	1.60	
DIZON COPPER SILVER MINES, INC	295,398	3,361,629	11.38	

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule A - Financial Asset  
December 31, 2011**

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the statement of the financial position</i>	<i>Valued based on the market quotation at reporting date (per share)</i>	<i>Income received and accrued</i>
DMCI HOLDINGS, INC.	186	P 7,682	P 41.30	
EASYPASS COMM PHILS INC COMMON	1,056	1,901	1.80	
EEI CORPORATION	45,479	156,448	3.44	
EMPIRE EAST LAND HOLDINGS, INC	417,878	246,548	0.59	
ENERGY DEVELOPMENT CORP.	206,852	1,301,099	6.29	
ETON PROPERTIES PHIL., INC.	1,672	5,133	3.07	
EURO-MED LAB. PHIL., INC.	837	946	1.13	
EVER-GOTESCO RES. & HOLDINGS	1,325,000	198,750	0.15	
F&J PRINCE HOLDINGS CORP.	2,214	4,096	1.85	
FAR EASTERN UNIVERSITY, INC	7,945	7,945,000	1,000.00	
FEDERAL RESOURCES	65	579	8.90	
FILINVEST DEVELOPMENT CORP.	907,956	3,041,653	3.35	
FILINVEST LAND, INC.	1,319,512	1,306,317	0.99	
FILIPINO FUND, INC.	271	2,249	8.30	
FIRST GEN CORPORATION	15,675	229,169	14.62	
FIRST METRO INVEST. CORP.	30	1,950	65.00	
FIRST PHIL HOLDINGS CORP "A"	922	56,703	61.50	
FIRST PHIL. HOLDINGS CORP.PREF	50	5,250	105.00	
FORUM PACIFIC, INC.	505	101	0.20	
GEOGRACE RESOURCES,PHILS.,INC.	6,668,450	3,534,279	0.53	
GINEBRA SAN MIGUEL, INC.	50,105	1,147,405	22.90	
GLOBAL-ESTATE RESORTS, INC.	1,625,302	3,445,640	2.12	
GLOBE TELECOM INC, "A"	2,780	3,149,740	1,133.00	
GMA HOLDINGS, INC.	128,292	833,898	6.50	
GMA NETWORK, INC.	860	5,676	6.60	
GRAND PLAZA HOTEL CORP(COMMON)	64	2,368	37.00	
GREENENERGY HOLDINGS INCORPORATED	25,466,730	305,601	0.01	
HOLCIM PHILIPPINES, INC.	51,079	480,143	9.40	
HOUSE OF INVESTMENTS, INC	200,317	606,961	3.03	
IMPERIAL RESOURCES, INC "A"	70,250	562,000	8.00	
INFORMATION CAP.TECH. VENTURES	4,000	1,580	0.40	
INTEGRATED MICRO-ELECTRONICS, I	338	1,687	4.99	
INTERPORT RESOURCES CORP. "A"	807,019	581,054	0.72	
INTERPORT RESOURCES CORP. "B"	155,920	145,006	0.93	
INT'L CONTAINER TERMINAL SERV	6,099	323,247	53.00	
IONICS,INC.	2,361,723	2,267,254	0.96	
IP CONVERGE DATA CENTER, INC.	200	506	2.53	
IPEOPLE, INC.	206,826	910,034	4.40	
IPVG CORPORATION	662,710	815,133	1.23	
I-REMITT, INC.	381,587	934,888	2.45	
ISLAND INFORMATION & TECH. INC	22,628,411	1,267,191	0.06	
ISM COMMUNICATIONS CORP.	80,455	268,721	3.34	
JG SUMMIT HOLDINGS, INC.	123,203	3,098,555	25.15	
JOLLIBEE FOODS CORPORATION	59	5,337	90.45	
JTH DAVIES HOLDINGS, INC.	303,753	786,720	2.59	
KEPPEL PHIL. HOLDINGS INC "B"	270	923	3.42	
KEPPEL PHILS. HOLDINGS INC "A"	51,312	170,356	3.32	
KEPPEL PHILS. PROPERTIES, INC.	1,623	2,629	1.62	
LEISURE & RESORTS WORLD CORP.	461,107	4,191,463	9.09	
LEPANTO CONSOLIDATED MNG CO A	185,214	287,082	1.55	
LEPANTO CONSOLIDATED MNG CO B	738,006	1,321,031	1.79	
LIBERTY FLOUR MILLS, INC.	238	12,900	54.20	
LIBERTY TELECOM	11,117	31,128	2.80	
LODESTAR INVSMT HOLDINGS CORP.	1,086	804	0.74	
LOPEZ HOLDINGS CORPORATION	29,283	149,343	5.10	
LORENZO SHIPPING CORPORATION	21,458	22,102	1.03	
MABUHAY HOLDINGS CORPORATION	7,500	3,150	0.42	
MABUHAY VINYL CORPORATION	221,530	272,482	1.23	
Macro Asia Corp.(Cobertson)	672,842	2,018,526	3.00	
MAKATI FINANCE CORPORATION	115	254	2.21	
MANCHESTER INTERNATIONAL HOLDIN A	2,825	3,870	1.37	
MANCHESTER INTERNATIONAL HOLDIN B	9,285	12,813	1.38	
MANILA BULLETIN PUBLISHING COR	51,032	30,619	0.60	
MANILA ELECTRIC COMPANY "A"	107	26,450	247.20	
MANILA JOCKEY CLUB, INC.	16,796	24,186	1.44	
MANILA MINING CORPORATION "A"	11,477,640	688,658	0.06	
MANILA MINING CORPORATION "B"	11,783,408	695,221	0.06	

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule A - Financial Asset  
December 31, 2011**

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the statement of the financial position</i>	<i>Valued based on the market quotation at reporting date (per share)</i>	<i>Income received and accrued</i>
MANILA WATER COMPANY, INC.	727	P 14,104	P 19.40	
MANULIFE FINANCIAL CORP.	22	10,714	487.00	
MARCVENTURES HOLDINGS, INC.	1,000,614	1,981,216	1.98	
MEGAWIDE CONST	266	2,474	9.30	
MEGAWORLD CORPORATION	2,218,008	3,770,614	1.70	
MEGAWORLD CORPORATION WARRANTS	440	308	0.70	
MEGAWORLD CORPORATION WARRANTS	8,816,553	6,347,918	0.72	
METRO PACIFIC INV'T CORP.	58,281	213,308	3.66	
METRO PACIFIC CORPORATION	5,143,110	10,697,669	2.08	
METROPOLITAN BANK & TRUST CO	1,934	131,415	67.95	
MINERALES INDUSTRIAS CORP.	1,057,466	4,758,597	4.50	
MJC INVESTMENTS CORPORATION	4,854	7,378	1.52	
MONDRAGON INTERNATIONAL PHILS	24,617	2,462	0.10	
MRC ALLIED, INC.	2,582,000	722,960	0.28	
NATIONAL REINSURANCE CORP.	267,883	498,262	1.86	
NICKEL ASIA CORPORATION	50,160	1,028,280	20.50	
NIHAO MIN. RES. INT'L INC.	243,028	1,096,056	4.51	
OMICO CORP. WARRANT	2,523	202	0.08	
OMICO CORPORATION	992,976	714,942	0.72	
ORIENTAL PENINSULA RES.GRP.INC	550,166	2,195,162	3.99	
ORIENTAL PET & MINERAL CORP A	88,914,346	1,422,630	0.02	
ORIENTAL PET & MINERAL CORP B	49,220,320	885,966	0.02	
PACIFIC ONLINE SYSTEM CORP.	911	16,926	18.58	
PACIFICA, INC. "A"	45,259,689	2,715,581	0.06	
PAL HOLDINGS, INC.	34,091	238,296	6.99	
PANASONIC MFG. PHILS., CORP.	436	2,180	5.00	
PANCAKE HOUSE, INC.	514	3,536	6.88	
PAXYS, INC.	251,917	342,607	1.36	
PEPSI-COLA PROD. PHIL., INC.	601,074	1,238,212	2.06	
PETROENERGY RESOURCES CORP.	134,530	706,283	5.25	
PETRON CORPORATION	82,800	1,043,280	12.60	
PHIL BANK OF COMMUNICATIONS A	2	170	84.80	
PHIL LONG DIS TEL CO "COMMON"	50	127,100	2,542.00	
PHIL TOB. FLUE CURING & REDRY	26	328	12.62	
PHIL. REALTY & HOLDINGS CORP.	4,823,046	2,459,753	0.51	
PHILEX MINING CORP. "A"	1,923	40,095	20.85	
PHILEX PETROLEUM INC.	387,243	2,718,446	7.02	
PHILIPPINE NATIONAL BANK	1,238	69,823	56.40	
PHILIPPINE RACING CLUB, INC.	97	679	7.00	
PHILIPPINE SAVINGS BANK	27,009	2,295,765	85.00	
PHILIPPINE SEVEN CORPORATION	3	63	21.00	
PHILIPPINE STOCK EXCHANGE, INC	2	456	228.00	
PHILIPPINE TRUST COMPANY	42	2,436	58.00	
PHILWEB CORPORATION	180,209	2,768,010	15.36	
PHINMA CORPORATION	91,031	1,083,269	11.90	
PHOENIX PETROLEUM PHIL., INC.	13,226	149,189	11.28	
PLDT COMMUNICATIONS AND ENERGY	460,934	2,074,203	4.50	
PNOC EXPLORATION CORP. "B"	500	32,500	65.00	
POLAR PROPERTY HOLDINGS CORP.	13,073	33,336	2.55	
PREMIERE ENT. PHILS. INC.	477,851	124,241	0.26	
PRIME MEDIA HOLDINGS, INC.	3,626	5,185	1.43	
PRIME ORION PHILIPPINES, INC.	8,307,464	3,655,284	0.44	
PUREGOLD RESOURCES	851	15,216	17.88	
REPUBLIC CEMENT CORP. "A"	1,422	7,821	5.50	
REPUBLIC GLASS HLDNGS CORP "A"	2,679	5,090	1.90	
RFM CORPORATION	396,936	472,354	1.19	
RIZAL COMM'L BANKING CORP "A"	28,681	863,298	30.10	
ROBINSONS LAND CORPORATION	7,219	81,575	11.30	
ROXAS AND COMPANY, INC.	2,763	4,531	1.64	
ROXAS HOLDINGS, INC.	237,788	563,558	2.37	
SAN MIGUEL BREWERY, INC.	102,060	3,010,770	29.50	
SAN MIGUEL CORPORATION "A"	953	111,310	116.80	
SAN MIGUEL CORPORATION SERIES "	5,122	396,955	77.50	
SAN MIGUEL PUREFOODS COMPANY, INC A	5	7,000	1,400.00	
SANITARY WARES MFG CORPORATION	67,992	13,598	0.20	
SEAFRONT RESOURCES CORP. "A"	69,746	73,233	1.05	
SECURITY BANK CORPORATION	2,953	287,770	97.45	

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule A - Financial Asset  
December 31, 2011**

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds or notes</i>		<i>Amount shown on the statement of the financial position</i>	<i>Valued based on the market quotation at reporting date (per share)</i>	<i>Income received and accrued</i>
SEMIRARA MINING CORPORATION	17,905	P	3,964,167	P	221.40
SHANGRILA PROPERTIES, INC.	179,620		393,368		2.19
SINOPHIL CORPORATION	9,579,303		3,256,963		0.34
SM DEVELOPMENT CORPORATION	10,345		70,346		6.80
SM INVESTMENTS CORPORATION	212		123,490		582.50
SM PRIME HOLDINGS, INC.	14,889		198,024		13.30
SOLID GROUP, INC.	400,375		464,435		1.16
SOUTH CHINA RESOURCES, INC.	201,027		229,171		1.14
SOUTHEAST ASIA CEMENT HLDG INC	1,588,238		2,541,181		1.60
SPLASH CORPORATION	265,851		505,117		1.90
STA. LUCIA LAND, INC.	93,064		67,006		0.72
SUN LIFE FIN. SERV. OF CANADA	4,634		4,634,000		1,000.00
SUNTRUST HOME DEVELOPERS, INC.	2,288,612		1,167,192		0.51
SUPERCITY REALTY DEV'T. CORP.	64,000		76,800		1.20
SWIFT FOODS, INC.	442,246		52,185		0.12
SWIFT FOODS, INC PREF	3,351		3,016		0.90
TANDUAY HOLDINGS, INC.	124		546		4.40
THE PHILODRILL CORPORATION "A"	29,179,585		641,951		0.02
TKC STEEL CORP.	142,650		310,977		2.18
TOUCH SOLUTIONS INC.	40,000		164,000		4.10
TRANS-ASIA OIL AND ENERGY DEVEL	1,665,087		1,881,548		1.13
TRANSPACIFIC BROD. GROUP INT'L	789,957		2,448,867		3.10
UNIOIL RESOURCES & HOLDINGS COM	4,419,941		906,088		0.21
UNION BANK OF THE PHILIPPINES	28,527		1,882,782		66.00
UNITED PARAGON MINING CORP.	2,638,819		58,054		0.02
UNIVERSAL RIGHTFIELD PROP.	( 8,988,420 )	(	341,562 )		0.04
UNIVERSAL ROBINA CORPORATION	35,296		1,694,208		48.00
VANTAGE EQUITIES, INC.	2,282,235		3,879,800		1.70
VISTA LAND & LIFESCAPES, INC	177,069		502,876		2.84
VITARICH CORPORATION	34,100		15,004		0.44
VIVANT CORPORATION	922		2,397		2.60
VULCAN INDL & MINING CORP.	3,919,874		3,449,489		0.88
WATERFRONT PHILIPPINES, INC	1,167,344		583,672		0.50
WELLEX INDUSTRIES, INC.	5,986		1,586		0.27
WISE HOLDINGS INC."B"	2,891		8,673		3.00
WISE HOLDINGS, INC. "A"	29,389		29,389		1.00
ZUES HOLDINGS, INC.	2,681,294		2,010,971		0.75
COMMERCIAL PAPERS	-		3,000,000	-	
		<b>P</b>	<b>433,016,792</b>		

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule A - Financial Asset  
December 31, 2011

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the statement of the financial statement</i>	<i>Valued based on the market quotation at reporting date (per share)</i>	<i>Income received and accrued</i>
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*Held-to-maturity*

**Not Applicable**

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule A - Financial Asset

December 31, 2011

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the statement of the financial statement</i>	<i>Valued based on the market quotation at reporting date (per share)</i>	<i>Income received and accrued</i>
<b><i>Available-for-sale Securities</i></b>				
BERJAYA PHILIPPINES INC.	95,013,130	P 2,375,328,250	P 25.00	
CEBU COUNTRY CLUB	1	3,000,000	3,000,000	
MIMOSA GOLF	1	400,000	400,000	
PHILIPPINE CENTRAL DEPOSITORY	228	22,800	-	
UNIVERSAL LEISURE CLUB	3	3,000,000	1,000,000	
UNIVERSAL RIGHTFIELD PROPERTIES	56,748,000	144,910,130	-	
VALLE VERDE	<u>2</u>	<u>200,000</u>	<u>100,000</u>	
		<b><u>P 2,526,861,180</u></b>		



**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)**  
**December 31, 2011**

<i>Name and Designation of Debtor</i>		<i>Balance at Beginning of Period</i>	<i>Additions</i>	<i>Amounts Collected</i>	<i>Amounts Written Off</i>	<i>Current</i>	<i>Not Current</i>	<i>Balance at End of Period</i>
Abacan, Erwin	IT Staff	P -	P 30,000	P 17,281	P -	P 12,719	P -	P 12,719
Agapay, Grace	Accounting Staff	27,346	35,000	27,449	-	34,897	-	34,897
Bernal, Madelyn	Operations Staff	-	30,000	17,281	-	12,719	-	12,719
Aguilar, Ma. Sheila	Vice President - Operations	103,955	-	45,881	-	58,074	-	58,074
Casimsiman, Joel	Senior Accountant	9,837	40,000	36,236	-	13,601	-	13,601
Cometa, Roel	Research Asst.	-	45,000	18,868	-	26,132	-	26,132
Cruz, Elizabeth	Operations Staff	-	31,000	19,157	-	11,843	-	11,843
Cruz, Norlita	Documentation Clerk	9,892	15,000	21,966	-	2,926	-	2,926
De Guzman, Ma. Cristina	AVP - Inst. Sales	760,311	-	69,867	-	690,444	-	690,444
Delos Santos, Marie Ann	Customer service officer	43,076	50,000	74,678	-	18,398	-	18,398
Dela Cruz, Milan C.	Vice President - Controller	958,315	-	45,987	-	912,328	-	912,328
Escraman, Raquel	Customer Service Officer	-	20,000	14,042	-	5,958	-	5,958
Franco, Raymond Neil	Research Head	-	180,000	103,687	-	76,313	-	76,313
Fontanilla, Paolo	Research Officer	-	650,000	119,167	-	530,833	-	530,833
Lana, Geraldine	Documentation Clerk	23,439	30,000	44,956	-	8,483	-	8,483
Lemen, Gregory	Manager - Info Tech	237,500	-	60,000	-	177,500	-	177,500
Magno, Rosario	HR - Asst Manager	-	130,000	109,603	-	20,397	-	20,397
Marcelo, Christina	Institutional Sales	-	22,000	13,595	-	8,405	-	8,405
Norega, Ermen	Operations Staff	-	25,000	14,401	-	10,599	-	10,599
Orlanda, Pamela	Operations Staff	-	24,000	13,825	-	10,175	-	10,175
Santos, Marilou	HR Manager	-	100,000	61,796	-	38,204	-	38,204
Sapon, Michelle	Credit and Collection Clerk	-	26,000	16,067	-	9,933	-	9,933
Patana, Medel	Acctg. Supervisor	-	30,000	16,027	-	13,973	-	13,973
Velasco, Estella Mae	Customer Service Staff	17,464	40,000	45,669	-	11,794	-	11,794
Villar Dennis	Manager- Credit and Collection	619,101	128,000	227,528	-	519,572	-	519,572
		<b><u>P 2,810,235</u></b>	<b><u>P 1,681,000</u></b>	<b><u>P 1,255,016</u></b>	<b><u>p -</u></b>	<b><u>P 3,236,219</u></b>	<b><u>p -</u></b>	<b><u>P 3,236,219</u></b>

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule C - Accounts Receivable from Related Parties which are Eliminated during  
the Consolidation of Financial Statements  
December 31, 2011

Name of Related Party	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written- off	Current	Not Current	
Abacus Securities Coporation	P 10,564,919	P 19,235,151	P 11,141,973	-	P 18,658,097	-	P 18,658,097

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule D - Intangible Assets - Other Assets  
the Consolidation of Financial Statements  
December 31, 2011

<i>Description</i>	<i>Beginning Balance</i>	<i>Additions at costs</i>	<i>Charged to Cost and Expense</i>	<i>Charged to Other Accounts</i>	<i>Other Charges Additions (Deductions)</i>	<i>Ending Balance</i>
Goodwill - net	P 35,324,355	p -	p -	P -	P -	P 35,324,355
Trading right	1,408,000	-	-	-	-	1,408,000
Computer software	<u>531,515</u>	<u>105,357</u>	<u>343,197</u>	<u>-</u>	<u>-</u>	<u>293,675</u>
	<b><u>P 37,263,870</u></b>	<b><u>P 105,357</u></b>	<b><u>P 343,197</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 37,026,030</u></b>

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule E - Long-term Debt  
December 31, 2011

<i>Title of Issue and Type of Obligation</i>	<i>Amount Authorized by Indenture</i>	<i>Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position</i>	<i>Amount Shown Under Caption "Long-term Debt" in Related Statement of Financial Position</i>
Notes Payable and Bank Loans	P <u>1,752,625,980</u>	P <u>1,752,625,980</u>	p <u>-</u>

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule F - Indebtness to Related Parties (Long-term Loans from Related Companies)  
December 31, 2011

<i>Name of Related Party</i>	<i>Balance at Beginning of Year</i>	<i>Balance at End of Year</i>
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**Not Applicable**

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule G - Guarantees of Securities of Other Issuers  
December 31, 2011

<i>Name of issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount guaranteed and outstanding</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee</i>
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**Not Applicable**

FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule H - Capital Stock  
December 31, 2011

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related statement of financial position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value Authorized - P1,800,000,000 shares 1,193,200,000 shares issued and outstanding	1,800,000,000	1,193,200,000	-	171,413,600	162,008,000	859,778,400
Treasury shares	-	( 171,413,600 )	-	( 171,413,600 )	-	-
	<u>1,800,000,000</u>	<u>1,021,786,400</u>	<u>-</u>	<u>-</u>	<u>162,008,000</u>	<u>859,778,400</u>

**FIRST ABACUS FINANCIAL HOLDINGS CORPORATION**  
Unit 2904-A, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center, Pasig City

**RECONCILIATION OF RETAINED EARNINGS FOR DIVIDEND DECLARATION  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Unappropriated Retained Earnings (Parent Company Financial Statements) For Dividend Declaration At Beginning Of Year	( P 958,960,398 )
Net loss per audited financial statements	( <u>7,135,870</u> )
Unappropriated Retained Earnings (Parent Company Financial Statements) For Dividend Declaration At End Of Year	( <u>P 966,096,269</u> )



**FINANCIAL ABACUS HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule of Philippine Financial Reporting Standards  
Effective as of December 31, 2011**

Standards and Interpretations	Adoption	Remarks
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***Philippine Financial Reporting Standards (PFRS)***

PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	Adopted	
PFRS 2	Share-based Payment	Not Applicable	
PFRS 3	Business Combinations	Adopted	
PFRS 4	Insurance Contracts	Not Applicable	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Not Applicable	
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable	
PFRS 7	Financial Instruments: Disclosures	Adopted	
PFRS 8	Operating Segments	Adopted	

***Philippine Accounting Standards (PAS)***

PAS 1	Presentation of Financial Statements	Adopted	
PAS 2	Inventories	Not Applicable	
PAS 7	Statement of Cash Flows	Adopted	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted	
PAS 10	Events after the Reporting Period	Adopted	
PAS 11	Construction Contracts	Not Applicable	
PAS 12	Income Taxes	Adopted	
PAS 16	Property, Plant and Equipment	Adopted	
PAS 17	Leases	Adopted	
PAS 18	Revenue	Adopted	
PAS 19	Employee Benefits	Adopted	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable	
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted	
PAS 23	Borrowing Costs	Adopted	
PAS 24	Related Party Disclosures	Adopted	
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Not Applicable	
PAS 27	Consolidated and Separate Financial Statements	Adopted	
PAS 28	Investment in Associates	Adopted	
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable	
PAS 31	Interests in Joint Ventures	Not Applicable	
PAS 32	Financial Instruments: Presentation	Adopted	
PAS 33	Earnings per Share	Adopted	
PAS 34	Interim Financial Reporting	Not Applicable	
PAS 36	Impairment of Assets	Adopted	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted	
PAS 38	Intangible Assets	Adopted	
PAS 39	Financial Instruments: Recognition and Measurement	Adopted	
PAS 40	Investment Property	Adopted	
PAS 41	Agriculture	Not Applicable	

**FINANCIAL ABACUS HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule of Philippine Financial Reporting Standards  
Effective as of December 31, 2011**

Standards and Interpretations	Adoption	Remarks
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***Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)***

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

***Philippine Interpretations - Standing Interpretations Committee (SIC)***

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

## FIRST ABACUS FINANCIAL HOLDINGS CORPORATION AND SUBSIDIARIES

Map Showing the Relationship Between the Company and its Related Entities  
December 31, 2011

