

Report of Independent Public Accountants

The Board of Directors and Stockholders
TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
9th Floor, Summit Tower 1 Bldg.,
530 Shaw Blvd., Mandaluyong City

Report on Financial Statements

We have audited the accompanying financial statements of Transpacific Broadband Group International, Inc. which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

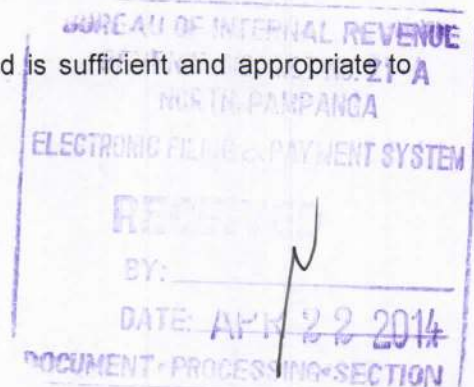
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

Auditors' Responsibility

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

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

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



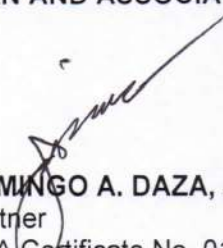
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Transpacific Broadband Group International, Inc. as of December 31, 2013 and 2012, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

Report on Supplementary Information Required Under Revenue Regulations (RR) 15-2010 and 19-2011 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 31 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R. R. TAN AND ASSOCIATES, CPAs

By:  **DOMINGO A. DAZA, JR.**

Partner

CPA Certificate No. 0109993

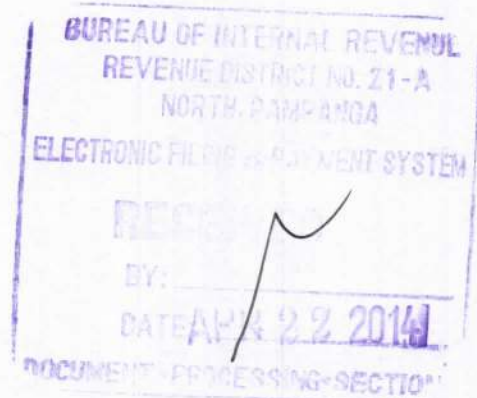
Tax Identification No. 203-917-449

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October 3, 2016

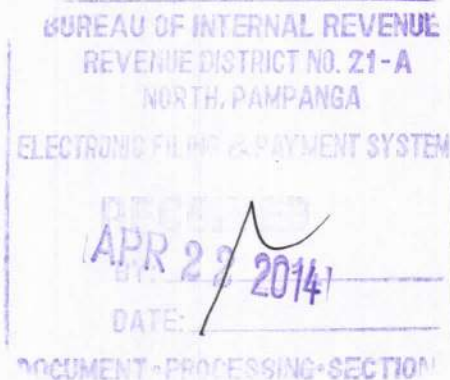
April 11, 2014
Pasig City



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS	Note	2013	2012
Current Assets			
Cash and cash equivalents	8 P	8,598,863 P	9,500,468
Trade receivables	9	25,098,690	30,379,650
Loans and interests receivable		-	62,638
Short term investments	10	11,833,230	11,333,590
Spare parts inventory	11	3,501,048	3,859,237
Prepayments	12	85,013	-
		49,116,844	55,135,583
Non-current Assets			
Advances for projects	13	16,299,938	23,742,360
Property and equipment	17	150,634,872	162,777,020
Investment properties	18	50,287,400	50,287,400
Advances to and investment in an associate	14	30,000,000	11,625,000
Franchise - net	15	6,142,405	6,742,405
Deferred tax asset	28	505,990	154,054
Other non-current assets	16	11,091,043	3,558,662
		264,961,648	258,886,901
TOTAL ASSETS	P	314,078,492 P	314,022,484
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued expenses	19 P	826,357 P	446,836
Current portion of interest-bearing liabilities	20	108,873	5,164,653
Income tax payable		67,112	18,045
Total Current Liabilities		1,002,342	5,629,534
Non-current Liabilities			
Interest-bearing liabilities - net of current portion	20	5,240,852	108,873
Pension liability	21	1,102,114	1,018,765
Deferred tax liability	28	173,712	290,807
Total Non-current Liabilities		6,516,678	1,418,445
Total Liabilities		7,519,020	7,047,979
Equity	22		
Share capital		222,019,330	222,019,330
Share premium		29,428,022	29,428,022
Share options outstanding		8,921,814	8,921,814
Revaluation increment on property and equipment		3,300,498	5,525,312
Retained earnings		43,327,608	41,517,827
Treasury shares		(437,800)	(437,800)
Total Equity		306,559,472	306,974,505
TOTAL LIABILITIES AND EQUITY	P	314,078,492 P	314,022,484

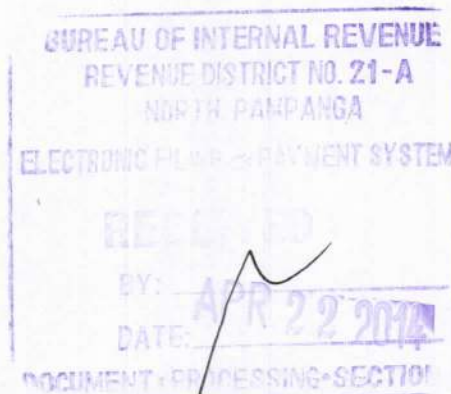
See accompanying notes to financial statements



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Note	2013	2012	2011
SERVICE INCOME		P 32,783,126	P 31,960,293	P 34,636,059
DIRECT COSTS	23	34,495,728	34,436,838	35,519,402
GROSS PROFIT		(1,712,602)	(2,476,544)	(883,342)
OTHER INCOME	24	3,123,618	2,566,714	1,523,647
TOTAL INCOME		1,411,016	90,169	640,305
ADMINISTRATIVE EXPENSES	25	1,975,755	7,797,468	4,766,012
FINANCE COSTS - NET		181,298	232,285	371,034
PROFIT (LOSS) BEFORE INCOME TAX		(746,037)	(7,939,584)	(4,496,741)
INCOME TAX EXPENSE (BENEFIT)	28	(213,908)	119,561	127,646
PROFIT (LOSS) FOR THE YEAR		(532,129)	(8,059,145)	(4,624,387)
EARNINGS (LOSS) PER SHARE	29	(0.0024)	(0.0363)	(0.0208)

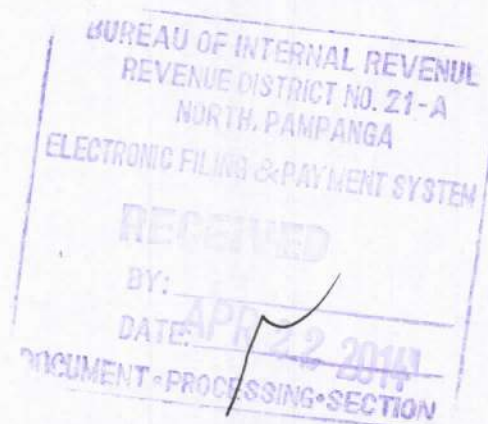
See accompanying notes to financial statements



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Note	2013	2012	2011
PROFIT (LOSS) FOR THE YEAR	P	(532,129)	P (8,059,145)	P (4,624,387)
OTHER COMPREHENSIVE INCOME				
<i>Items to be reclassified in profit or loss in subsequent periods:</i>				
Revaluation increment of property and equipment absorbed through depreciation - net of deferred tax		2,224,814	2,224,814	2,224,814
TOTAL COMPREHENSIVE INCOME (LOSS)	P	1,692,685	P (5,834,331)	P (2,399,573)

See accompanying notes to financial statements



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Note	2013	2012	2011
SHARE CAPITAL	22	P 222,019,330	P 222,019,330	P 222,019,330
SHARE PREMIUM		29,428,022	29,428,022	29,428,022
SHARE OPTIONS OUTSTANDING	22	8,921,814	8,921,814	8,921,814
REVALUATION INCREMENT ON PROPERTY AND EQUIPMENT- NET OF TAX	22			
Balance, January 1		5,525,312	7,750,126	9,974,940
Revaluation increment absorbed through depreciation		(2,224,814)	(2,224,814)	(2,224,814)
Balance, December 31		3,300,498	5,525,312	7,750,126
RETAINED EARNINGS				
Balance, January 1		41,517,827	47,235,063	49,517,540
Revaluation increment absorbed through depreciation		2,341,909	2,341,909	2,341,909
Profit (loss) for the year		(532,129)	(8,059,145)	(4,624,387)
Balance, December 31		43,327,608	41,517,827	47,235,063
TREASURY SHARES		(437,800)	(437,800)	(437,800)
		P 306,559,472	P 306,974,505	P 314,916,555

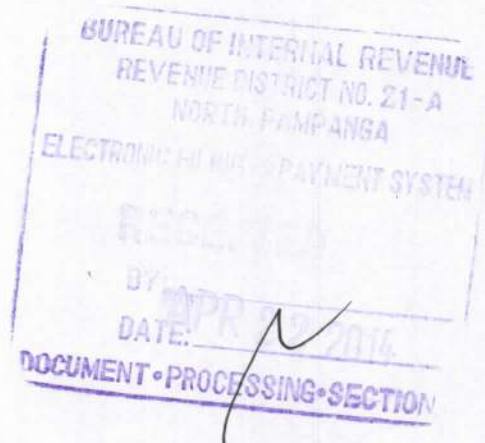
See accompanying notes to financial statements



TRANSPACIFIC BROADBRAND GROUP INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Notes	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before income tax expense	P	(746,037)	P (7,939,584)	P (4,496,741)
Adjustments for:				
Depreciation and amortization	17	15,953,643	15,712,064	16,167,314
Provision for retirement benefits	21	83,349	56,382	-
Provision for doubtful accounts	9	601,192		
Unrealized foreign exchange loss (gain)	24	(551,287)	5,199,978	334,667
Amortization of franchise	15	600,000	600,000	600,000
Interest income	24	(524,459)	(1,016,258)	1,069,396
Operating income before Working Capital Changes		15,416,401	12,612,583	13,674,636
Decrease (Increase) in Operating Assets:				
Trade receivables-net		(120,232)	1,207,612	2,562,576
Prepayment and other current assets		(2,692,902)	-	151,193
Other non-current assets		-	(18,829)	983,084
Increase (Decrease) in Operating Liabilities:				
Accounts payable and accrued expenses		361,476	(1,089,632)	(894,228)
Cash generated by operations		12,964,744	12,711,734	16,477,261
Income taxes paid		(70,915)	(18,045)	(99,939)
Retirement benefits paid		-	-	(270,403)
Interest received		524,459	521,954	522,213
Net Cash Provided by Operating Activities		13,418,288	13,215,643	16,629,132
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances for projects		-	-	300,000
Investment and advances in an associate		(10,500,000)	(4,125,000)	-
Loans receivable		-	13,479,564	1,293,402
Acquisition of property and equipment	17	(3,453,307)	(8,027,688)	(19,537,424)
Payment of subscription		-	(5,625,000)	-
Net Cash Provided (Used) in Investing Activities		(13,953,307)	(4,298,124)	(17,944,022)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long term loans:				
Principal		(303,997)	(636,207)	(781,941)
Interest		(181,298)	(232,285)	(155,847)
Net Cash Used in Financing Activities		(485,295)	(868,493)	(937,788)
EFFECTS OF EXCHANGE RATE CHANGES				
IN CASH AND CASH EQUIVALENTS		118,709	(600,328)	(334,667)
NET INCREASE (DECREASE)				
IN CASH AND CASH EQUIVALENTS		(901,605)	7,448,699	(2,587,345)
CASH AND CASH EQUIVALENTS, January 1		9,500,468	2,051,769	4,639,114
CASH AND CASH EQUIVALENTS, December 31	P	8,598,863	P 9,500,468	P 2,051,769

See accompanying notes to financial statements



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

1. Corporate Information

Transpacific Broadband Group International, Inc. (TBGI or the Company), a corporation duly organized and existing under the laws of Republic of the Philippines, was incorporated and registered with Securities and Exchange Commission ("SEC") on July 14, 1995, primarily to engage in the business of public commercial radio, terrestrial, cable, and satellite broadcast. The Company is 9.57% owned by Unipage Management Inc.

The Company holds a 25-year Congressional Franchise to construct, establish, install, maintain, and operate communications systems for the reception and transmission of messages within the Philippines. It also has an approved Provisional Authority to transmit radio signals to satellites granted by the National Telecommunications Commission (NTC) on April 7, 1999.

In 2007, the Company received from NTC its Certificate of Registration as a value added services provider and offer Voice Over Internet Protocol (VOIP) service. In the same year, it was granted Frequency Supportability, also by NTC.

The Company is a duly registered Clark Special Economic Zone (CSEZ) enterprise and has committed to operate, manage, and maintain a satellite earth station with broadcast production and postproduction facilities and other related activities, located at Clark Field, Philippines. Pursuant to its registration with CSEZ, the Company is subject to a special tax rate of 5% on gross income.

The Company's registered office address is 9th Floor, Summit One Tower, 530 Shaw Boulevard, Mandaluyong City. Its satellite center is located at Bldg. 1751, Chico St., Clark Special Economic Zone, Angeles City, Pampanga.

The financial statements of the Company as of December 31, 2013 (including the comparative figures as of December 31, 2012 and 2011) were authorized for issue by the President on April 11, 2014.

2. Basis of Preparation and Presentation

Basis of Financial Statement Preparation and Presentation

The financial statements have been prepared on a historical cost basis except for certain property and equipment that are carried at revalued amounts.

The financial statements are presented in Philippine Peso, the Company's functional currency.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Trade Receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Financial Instruments

Date of Recognition

Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

Determination of Fair Value

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and fair value in the statements of income unless it qualifies for recognition as some other type of asset.

Classification of Financial Instruments

The Company classifies financial assets into the following categories, (i) At fair value through profit or loss (FVPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

(i) Financial Assets and Financial Liabilities at FVPL

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

A financial assets and financial liabilities are classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is part of an identified portfolio of financial instruments that the Company manages together and has recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets that is managed and its performance is evaluated on a fair value basis.
- It forms part of a contract containing one or more embedded derivatives.

As of December 31, 2013 and 2012, there are no financial assets under this category.

(ii) Available-for-sale (AFS)

AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the statement of financial position. Changes in the fair value are recognized directly in equity account as "*Revaluation reserve on AFS financial assets*". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in profit or loss for the period.

As of December 31, 2013 and 2012, there are no financial assets under this category.

(iii) 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 Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

Included under this category are the company's cash and cash equivalents, trade receivables, security deposits and other receivables.

(iv) Held-to-maturity (HTM)

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in statements of income.

As of December 31, 2013 and 2012, there are no financial assets under this category.

(v) Other Financial Liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking

into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statements of income.

Included under this category are accounts payable and accrued expenses and long term loans payable.

Reclassification of Financial Assets

A financial asset is reclassified out of the FVPL category when the following conditions are met (i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and (ii) there is a rare situation.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statements of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Impairment

Financial Assets

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Non-Financial Assets

The Company's property and equipment are subject to impairment testing. All other individual assets' or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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 cost 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 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.

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party.
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Prepaid Expenses

Prepaid expenses are measured at amounts paid and subsequently recognized as expense over which the prepayments apply.

Spare Parts Inventory

Spare parts inventory is stated at lower of cost or net realizable value.

Property and Equipment

Transportation equipment, furniture, and fixtures are carried at cost less accumulated depreciation and impairment in value, if any. Buildings and improvements, uplink/data equipment and leasehold improvements are carried at revalued amounts less accumulated depreciation and impairment losses, if any. Appraisal was made by an independent firm appraiser with sufficient regularity to ensure that the carrying amounts of these assets do not differ materially from their fair values. Subsequent acquisitions are stated at cost less accumulated depreciation and impairment losses, if any.

Any increase in revaluation is credited to the "Revaluation Increment" account shown under equity unless it offsets a previous decrease in value of the same asset recognized in the statements of income. A decrease in value is recognized in profit or loss where it exceeds the increase previously recognized in the "Revaluation Increment" account. The amount of revaluation increment absorbed through depreciation is transferred from revaluation increment to retained earnings. Upon disposal of the asset, the related revaluation increment is transferred to retained earnings and is taken into account in arriving at the gain or loss on disposal.

The initial cost of property and equipment consist of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the properties have been put into operation, such as repairs and maintenance, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the property and equipment.

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

Building and improvements	20 years
Uplink/data equipment	10-20 years
Furniture and fixtures	10 years
Transportation equipment	5 years
Lease improvements	10 years or lease term whichever is shorter

An asset's residual value, useful life, and depreciation method are reviewed periodically to ensure that the period, residual value, and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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 profit or loss for the period.

When the carrying amount of an asset is greater than its estimated recoverable amount, the cost is written down immediately to its recoverable amount. Fully depreciated assets are retained in the accounts until they are no longer in use.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both and that is not occupied by the company.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The Company reviews these valuations annually. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Investment property is derecognized when either it has been disposed of, or when the investment property is permanently withdrawn or sold and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Investment in Associate

An associate is an entity in which the investor has a significant influence and which is neither a subsidiary nor a joint venture.

Investment in associate is accounted for using the equity method of accounting and initially recognized at cost, and is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate.

Franchise

Franchise, which consists of directly attributable expenses, is carried at cost less accumulated amortization.

Franchise is amortized over its term of 25 years. When the carrying amount of the franchise is greater than its estimated recoverable amount, the cost is written down immediately to its recoverable amount.

Franchise is derecognized either upon disposal or the right to use expired.

Deposits

Deposits are recognized at cost and are expected to be settled upon the expiration of the contract.

Equity

Share capital is determined using the par value of shares that have been issued.

Share premium represents the excess of the par value over the subscription price.

Retained earnings include all current and prior period results as disclosed in the Statements of Income.

Revaluation increment represents appraisal increase on revaluation of certain property and equipment.

Share options is measured based on the fair value of the stock option on the date of grant. If the fair value of the stock option cannot be estimated reliably, the intrinsic value method is used. The intrinsic value is the excess of the market value of the share over the option price.

Treasury shares are recorded at cost, which is equal to the cash payment or for noncash consideration. It is shown in the statements of financial position as a deduction from the equity.

Revenue and Costs Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Uplink services and subscription fees

Revenues from uplink services and bandwidth subscriptions are recognized when services are rendered and billed. Related costs and expenses are recorded as incurred.

Rent income

Rent income is recognized on a straight line basis over the lease term.

Interest income

Interest income from bank deposits is recognized as interest accrues taking into account the effective yield on the related asset.

Dividend income

Dividend income is recognized when the right to receive dividends is established.

Income Taxes

Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as at the end of reporting period.

Deferred tax asset is recognized for all temporary differences that are expected to reduce taxable profit in the future, and for the carry forward of unused tax losses and unused tax credits. Deferred tax liability is recognized for all temporary differences that are expected to increase the taxable profit in the future. Deferred tax assets and liabilities are measured using the tax rates and loss substantively enacted at the end of the reporting period.

The carrying amount of deferred tax asset is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statements of income. Only changes in deferred tax assets or liabilities that relate to a change in value of asset or liabilities are charged or credited directly to equity.

Employee Benefits

(i) Retirement Benefit Cost

The Company provides for estimated retirement benefits costs required to be paid under RA 7641 to qualifying employees. The cost of defined retirement benefits, including those mandated under RA 7641 is determined using the accrued benefits valuation method or projected benefit valuation method. Both methods require an actuarial valuation which the Company has not undertaken. Management believes, however, that the effect on the financial statements of the difference between the retirement cost determined under the current method used by the Company and an acceptable actuarial valuation method is not significant.

(ii) Compensated absences

Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at reporting date. They are included as part of Accounts payable and accrued expenses account at the undiscounted amount the Company expects to pay as a result of the unused entitlement.

Leases

Leases where the lessor retains substantially all the risk and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as expense on a straight line basis over the lease term.

Finance lease, which transfer to the company substantially all the risks and benefits incidental to the ownership of the leased asset, are capitalized at the lower of fair value of the leased asset or the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance charges and reduction of the lease liability. Finance charges are recognized in the statements of income.

Foreign Currency Transactions and Translations

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (*the functional currency*). The financial statements are presented in Philippine Peso, the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of income.

Related Party Transactions

Parties are considered 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. The related party transactions are recognized based on transfer of resources or obligations between related parties, regardless of whether a price is charged.

Provisions

Provisions are recognized when present obligation 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, for example legal disputes for onerous contract.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at end of reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. 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 obligation as a whole. In addition, long term provisions are discounted at their present values, where time value of money is material.

Provisions are reviewed at each end of reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources 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.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent asset, hence, are not recognized in the financial statements.

Contingencies

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

Events after End of reporting period

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

Earnings (Loss) Per Share

Basic earnings per share is computed by dividing profit for the period by the weighted average number of shares issued and outstanding during the year.

4. Changes in Accounting Standards

New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2013

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2013. The adoption however did not result to any material changes in the financial statements.

PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- (a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- (b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statements of financial position;
- (c) The net amounts presented in the statements of financial position;
- (d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - amounts related to financial collateral (including cash collateral); and
- (e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

PFRS 10, "Consolidated Financial Statements"

This standard replaces a portion of PAS 27, "Consolidated and Separate Financial Statements" that addresses accounting for consolidated financial statements. It also addresses issues raised in SIC-12, "Consolidation - Special Purpose Entities".

PFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Company assessed whether or not it has control over its subsidiaries in accordance with the new definition of control and the related guidance set out in PFRS 10 and has determined that it has control on all its current subsidiaries and that all its controlled entities have been included in consolidation. The adoption of the standard did not affect the financial position and performance of the Company.

PFRS 11, "Joint Arrangements"

PFRS 11 replaces PAS 31, "Interests in Joint Ventures", and SIC 13, "Jointly Controlled Entities - Non-Monetary Contributions by Venturers". PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. This standard did not significantly affect the Company's financial statements.

PFRS 12, "Disclosure of Interest in Other Entities"

PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, "Investments in Associates". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of the standard affected disclosures only and did not affect the financial position and performance of the Company.

PFRS 13, Fair Value Measurement

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013. This standard did not significantly affect the Company's financial statements.

Amendments to PAS 1, "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income"

The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon de-recognition or settlement) will be presented separately from the items that will never be recycled. The amendments affected the presentation of items of OCI and have no impact on the Company's financial position and performance.

The amendments affect presentation only and have no impact on the Company's financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

Amendments to PAS 19, "Employee Benefits"

The revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized in the statements of comprehensive income when incurred. The Amendment also include the non-recognition of corridor approach and the replacement of interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset, which is calculated by multiplying the net defined liability or asset at the beginning of the year by the discount rate used to measure the defined benefit obligation.

Amendment to PAS 27, "Separate Financial Statements"

As a consequence of the issuance of PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended standard did not affect the financial position and performance of the Company.

Amendment to PAS 28, "Investments in Associates and Joint Ventures"

As a consequence of the issuance of PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended standard did not affect the financial position and performance of the Company.

Annual Improvements to PFRS (2009 to 2011 cycle)

The Annual Improvements to PFRS (2009 to 2011 cycle) contain non-urgent but necessary amendments to PFRS. These amendments are effective for annual periods beginning January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

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

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

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no any impact on the Company's financial position or performance.

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

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, "Income Taxes". The Company expects that this amendment have no any impact on its financial position or performance.

PAS 34, "Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities"

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

Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. The Company assesses the impact of these amendments on its financial position or performance when they become effective.

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2013

Standards issued but not yet effective up to date of the issuance of the Company's financial statements are listed below. The listing consists of standards and interpretations issued, which the Company reasonable expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective in 2014

PAS 32, "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities"

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments will affect presentation only and will have no impact on the Company's financial position or performance.

PAS 36, Impairment of Assets

The amendment requires the disclosure of the level of the fair value hierarchy (from PFRS 13 *Fair Value Measurement*) within which the fair value measurement is categorized, the valuation techniques used to measure fair value less costs of disposal and the key assumptions used in the measurement of fair value measurements categorized within 'Level 2' and 'Level 3' of the fair value hierarchy if recoverable amount is fair value less costs of disposal.

Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities* (effective for annual periods beginning on or after January 1, 2014)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The Company may do not expect that these amendments will have material financial impact in the financial statements.

Philippine Interpretation IFRIC 21, *Levies* (effective for annual periods beginning on or after January 1, 2014)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that trigger payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Company does not expect that IFRIC 21 will have material financial impact in the financial statements.

Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities* (effective for annual periods beginning on or after January 1, 2014)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The Company does not expect that these amendments will have material financial impact in the financial statements.

Effective in 2015

The Annual Improvements to PFRS (2010 to 2012 cycle and 2011 to 2013) contain non-urgent but necessary amendments to PFRS. These amendments are effective for annual periods beginning on or after January 1, 2015 and are applied retrospectively. Earlier application is permitted.

Annual Improvements to PFRS (2010 to 2012 cycle)

PFRS 2, "Share-based Payments"

The amendment clarifies the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

PFRS 3, "Business Combinations"

The amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

PFRS 8, "Operating Segments"

The amendment requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. It also clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

PFRS 13, "Fair Value Measurement"

The amendment clarifies that issuing PFRS 13 and amending PFRS 9 and PAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

PAS 16, "Property, Plant and Equipment"

The amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

PAS 24, "Related Party Disclosures"

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

PAS 38, "Intangible Assets"

The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Annual Improvements to PFRS (2011 to 2013 cycle)

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

The amendment clarifies that an entity, in its first PFRS financial statements, has the choice between applying an existing and currently effective PFRS or applying early a new or revised PFRS that is not yet mandatorily effective, provided that the new or revised PFRS permits early application. An entity is required to apply the same version of the PFRS throughout the periods covered by those first PFRS financial statements.

PFRS 3, "Business Combinations"

The amendment clarifies that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

PFRS 13, "Fair Value Measurement"

The amendment clarifies that the scope of the portfolio exception defined in paragraph 52 of PFRS 13 includes all contracts accounted for within the scope of PAS 39 *Financial Instruments: Recognition and Measurement* or PFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32 *Financial Instruments: Presentation*.

PAS 40, "Investment Property"

The amendment clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in PFRS 3 *Business Combinations* and investment property as defined in PAS 40 *Investment Property* requires the separate application of both standards independently of each other.

PAS 19, "Defined Benefit Plans: Employee Contributions (*Amendments to PAS 19 Employee Benefits*)"

The amendment clarifies that the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in those contributions, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered.

PFRS 9, "Financial Instruments: Classification and Measurement"

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, "Financial Instruments: Recognition and Measurement". Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition.

A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on

specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets but will potentially have no impact on classification and measurement of financial liabilities. The Company, however, has yet to conduct a quantification of the full impact of this standard. The Company will quantify the effect of this standard in conjunction with the other phases, when issued, to present a more comprehensive picture.

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

5. Summary of Significant Accounting Judgments and Estimates

The Company makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the next financial year. Estimates and judgments 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.

(i) Judgments

The following judgments were applied which have the most significant effect on the amounts recognized in the financial statements.

Determination of functional currency

The Company has determined that its functional currency is the Philippine peso which is the currency of the primary economic environment in which the Company operates.

Classification of leases

Judgment is exercise in determining whether substantially all the significant risk and rewards of ownership of the leased asset is transferred to the Company. Leases where the lessor transfer all the risk and rewards incidental to the ownership of the leased asset are taken up as finance leases. Leases where the lessor retains all the risk and rewards to assets are taken up as operating leases.

(ii) Estimates

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

Estimating Allowance for probable losses on receivables

The Company estimates the allowance for probable losses related to its trade receivable based on assessment of specific accounts when the Company has information that certain customers are unable to meet their financial obligation. In these cases, management uses the best available facts and circumstances including but not limited to third party credit reports and known market factors.

In 2013, provision for probable losses amounting to P601,192 was provided for trade receivables.

Estimating Useful Lives of Property and Equipment

The Company reviews annually the estimated useful lives of property and equipment, based on the period on which the assets are expected to be available for use. It is possible that future results of operation could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset account.

The carrying value of property and equipment as at December 31, 2013 and 2012 amounted to P150,634,872 and P162,777,020, respectively.

Deferred tax assets

The Company reviews the carrying amounts of deferred tax asset at each end of reporting period and reduces the deferred tax asset 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 assets to be utilized.

Estimating Retirement Benefits

The determination of the Company's obligation and cost for retirement and other retirement benefits which is based on RA 7641 is dependent on the length of stay of the qualifying employees and reaching the age of 60 upon retirement. Annually, retirement benefits are computed based on existing employees and there is no assurance that the employee will still be with the Company at the age of retirement.

Benefits paid amounted to P270,403 in 2011. Retirement benefit cost recognized in the financial statements amounted to P83,349 in 2013, P56,382 in 2012, and P-0- in 2011.

Determining fair value of financial instruments

Fair value of assets and liabilities is determined in a manner disclosed in Note 6.

Impairment of financial assets

The company follows the guidance of PAS 39 on determining when the investment is other than temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of 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 flow.

Impairment of non-financial asset

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Several factors are considered which could trigger that impairment has occurred. Though management believes that the assumptions used in the estimation of fair values reflected in the 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 material adverse effect on the results of operations.

As at December 31, 2013 and 2012, management believes that no provision for impairment losses is necessary.

Measurement of stock options

The compensation resulting from stock options is measured based on the fair market value of the stock option on the date of grant. If the fair value of the stock option cannot be estimated reliably, the intrinsic value method is used. The intrinsic value is the excess of the market value of the share over the option price.

During 2010, the TBGI Remuneration Committee met to discuss the request of the Chief Financial Officer to indefinitely defer the Stock Option plan for the CEO. The Stock Options Plan for the CEO may be restored only upon the recommendation of the Remuneration Committee and subject to the approval of the Board of Directors.

As at December 31, 2013 and 2012, share options outstanding amounted to P8,921,814.

6. Fair Value Measurement

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable price exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and the fair value in the statements of income unless it qualifies for recognition as some other type of asset.

The company measures fair value of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1

Included in the Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. An asset or liability is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The table below analyzes assets and liabilities measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

2013		Level 1		Level 2		Level 3		Total
Cash and cash equivalents	P	8,598,863	P	-	P	-	P	8,598,863
Trade receivables		25,098,690		-		-		25,098,690
Other short term investments		-		11,833,230		-		11,833,230
Prepayments and other current assets		-		85,013		-		85,013
Other non-current assets		6,291,043		-		-		6,291,043
Advances for projects		16,299,938		-		-		16,299,938
Property and equipment		-		150,634,872		-		150,634,872
Investment property		-		50,287,400		-		50,287,400
Accounts payable and accrued expenses		-		(826,357)		-		(826,357)
Interest bearing liabilities		(5,349,725)		-		-		(5,349,725)
Net financial asset	P	50,938,809	P	212,014,158	P	-	P	262,952,967

2012		Level 1		Level 2		Level 3		Total
Cash and cash equivalents	P	9,500,468	P	-	P	-	P	9,500,468
Trade receivables		30,379,650		-		-		30,379,650
Loans and interest receivable		-		62,638		-		62,638
Other short term investments		-		11,333,590		-		11,333,590
Other non-current assets		3,558,662		-		-		3,558,662
Advances for projects		23,742,360		-		-		23,742,360
Property and equipment		-		162,777,020		-		162,777,020
Investment property		-		50,287,400		-		50,287,400
Accounts payable and accrued expenses		-		(446,836)		-		(446,836)
Interest bearing liabilities		(5,273,526)		-		-		(5,273,526)
Net financial asset	P	61,907,614	P	224,013,812	P	-	P	285,921,426

Fair values were determined as follows:

- *Cash and cash equivalents, short-term investments, receivables, prepayments and other financial liabilities* – the fair values are approximately the carrying amounts at initial recognition due to their short-term nature.
- *Property and equipment and investment properties* – fair value was based on appraiser's report. It is estimated using Market Data Approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as locations, size and shape of the properties.

7. Financial Risk Management Objectives and Policies

Financial Risk

The Company's activities expose it to a variety of financial risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

- *Credit Risk*
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only

dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The table below shows the gross maximum exposure to credit risk of the Company as at December 31, 2013 and 2012.

	Gross Maximum Exposure			
	2013		2012	
Cash and cash equivalents *	P	8,585,863	P	9,487,468
Trade receivables		32,054,048		36,733,816
Advances for projects		16,299,938		23,742,360
Loans and interest receivable		-		62,638
Other non current assets		6,291,043		3,558,662
	P	63,230,892	P	73,584,945

*excludes cash on hand

The credit risk on cash and cash equivalents are limited since funds are invested in financial institutions with high credit ratings.

Trade receivables are accounts with CBCP World Corporation and Peachtree Investment Ltd. where appropriate trade relations have been established including billings and collections processes.

Advances for projects amounting to P16.3 million in 2013 and P23.7 million in 2012 are secured by a pledge of shares of certain officer covering 10,756,429 shares of the Company's common shares with a fair value of P27,966,715.

Other non-current assets are receivables to affiliated companies. These advances do not bear interest and have no fixed repayment period.

Credit quality of the Company's assets as at December 31, 2013 and 2012 is as follows:

	December 31, 2013					
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total	
	High grade	Standard grade				
Cash and cash equivalents	P 8,585,863	P -	P -	P -	P 8,585,863	
Trade receivables	-	5,329,680	19,769,009	6,955,359	32,054,048	
Advances for projects	-	-	16,299,938	-	16,299,938	
Other non-current assets	-	-	6,291,043	-	6,291,043	
	P 8,585,863	P 5,329,680	P 42,359,990	P 6,955,359	P 63,230,892	

	December 31, 2012					
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total	
	High grade	Standard grade				
Cash and cash equivalents	P 9,487,468	P -	P -	P -	P 9,487,468	
Receivables						
Trade	-	7,346,763	23,032,887	6,354,166	36,733,816	
Loans and interest	-	-	62,638	-	62,638	
Advances for projects	-	-	23,742,360	-	23,742,360	
Other non-current assets	-	-	3,558,662	-	3,558,662	
	P 9,487,468	P 7,346,763	P 50,396,547	P 6,354,166	P 73,584,944	

High-grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in banks belonging to the top banks in the Philippines in terms of resources and profitability.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

The aging analysis of past due but not impaired receivables is as follows:

December 31, 2013							
	Trade		Advances for projects		Other Non-Current Assets		Total
30-60 days past due	P -	P -	P -	P -	P -	P -	-
61-90 days past due	5,181,480		-		-		5,181,480
over 90 days	14,587,529		16,299,938		6,291,043		37,178,510
	P 19,769,009	P 16,299,938	P 6,291,043	P		P	42,359,990

December 31, 2012									
	Trade			Loans and interests receivable		Advances for projects		Other Non- Current Assets	Total
30-60 days past due	P	2,921,760	P	-	P	-	P	-	2,921,760
61-90 days past due		9,564,302		-		-		-	9,564,302
over 90 days		10,546,825		62,638		23,742,360		3,558,662	37,910,485
	P	23,032,887	P	62,638	P	23,742,360	P	3,558,662	50,396,547

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Either liquidity risk may result from the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The Company manages its liquidity profile to (i) ensure that adequate funding is available at all times; (ii) meet commitments as they arise without incurring unnecessary costs; (iii) to be able to access funding when needed at the least possible cost, and (iv) maintain an adequate time spread of financing maturities.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2013 and 2012.

December 31, 2013							
	< 1 month	> 1 month & < 3 months	> 3 months & < 1 year	> 1 year & < 3 years			Total
Accounts payable and accrued expenses	P 644,228	P 71,879	P 110,250	P -	P		826,357
Interest-bearing liabilities							
Loans payable	-	-	-	5,240,852			5,240,852
Obligations under finance lease	-	81,285	27,588	-			108,873
	P 644,228	P 153,164	P 137,838	P 5,240,852	P		6,176,082

	December 31, 2012								Total
	<1 month	>1 month & <3 months	>3 months & <1 year	>1 year & <3 years					
Accounts payable and accrued expenses	P	-	P 446,836	P	-	P	-	P	446,836
Interest-bearing liabilities									
Loans payable		-	-	4,860,656		-			4,860,656
Obligations under finance lease		-	-	303,997		108,873			412,870
	P	-	P 446,836	P 5,164,653	P	108,873	P		5,720,362

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

i. Currency risk

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the company's functional currency. Significant fluctuations in the exchanges rates could significantly affect the Company's financial position.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at reporting date are as follows:

	2013				2012			
	US Dollar		Peso Equivalent		US Dollar		Peso Equivalent	
Cash and cash equivalents	US\$	5,415	P	240,502	US\$	506	P	20,843
Advances for projects		367,000		16,299,938		455,000		18,742,360
Bank loans		(118,000)		(5,240,852)		(118,000)		(4,860,656)
	US\$	254,415		11,299,588	US\$	337,506		13,902,547

The following table demonstrates the sensitivity to a reasonable change in the US\$ exchange rate, with all other variables held constant, the Company's income before tax for the years ended December 31, 2013 and 2012:

Increase/decrease in Peso to US Dollar Rate	Effect on Income Before Taxes			
	2013		2012	
+P5.00	P	1,272,075	P	1,687,530
-P5.00		(1,272,075)		(1,687,530)

There is no other impact on the Company's equity other than those affecting profit and loss.

ii. Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

Exposure to interest rate risk is as follows:

	2013		2012	
	Principal	Interest rates	Principal	Interest rates
Foreign currency loans	P 5,240,852	1M LIBOR plus 2.70% 1M LIBOR plus 3%	P 4,860,656	1M LIBOR plus 2.75% 1M LIBOR plus 3%
Obligation under finance lease	108,873	11%-19%	412,870	11%-19%
	P 5,349,725		P 5,273,526	

The sensitivity analyses have been determined based on the exposure to interest rates for foreign currency loans that are subject to repricing. If interest rates had been 200 basis points higher/ lower and all other variables were held constant, the Company's profit before taxes would decrease/ increase by P106,995 in 2013 and P105,471 in 2012. This is mainly attributable to the Company's exposure to interest rates on its variable rate financial assets.

Operational risk

Operational risk is the risk of loss from system failure, human error, fraud, or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education, and assessment processes. Business risk such as changes in environment, technology, and industry are monitored through the Company's strategic planning and budgeting processes.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and adjusts 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 Company may adjust the dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The capital structure of the Company consists of issued capital, additional paid-in capital, revaluation increment and retained earnings.

The financial ratio at the year-end, which is within the acceptable range of the Company, is as follows:

	2013		2012	
Equity	P	306,559,472	P	306,974,505
Total Assets		314,078,492		314,022,484
Ratio		0.976		0.978

8. Cash and cash equivalents

As at December 31, 2013 and 2012, cash and cash equivalents represent cash on hand and cash in banks of P 8,598,863 and P 9,500,468, respectively.

Cash in bank represents current accounts and US dollar account that earn interests at prevailing bank interest rates.

9. Trade receivables

The composition of this account is as follows:

		2013		2012
Trade	P	32,054,048	P	36,733,816
Less: Allowance for probable losses		(6,955,358)		(6,354,166)
	P	25,098,690	P	30,379,650

Trade accounts have credit terms of 30-90 days.

On November 14, 2013, the Company received a 150ft SSMW Self Supporting Rohn Tower with compression strength at 1985kN, tension at 1846kN, total Shear at 542 kN and overturning moment at 11,558.8kN-m (Rohn Tower) in settlement of the Company's outstanding receivable from Peachtree Investment Holdings, Ltd amounting to P4.8 million which also approximates the fair value of Rohn Tower.

More particularly, Rohn Tower is a telecommunication device that is able to support the microwave aerals then used to carry telecommunication traffic from a specific location. It constitutes a directional antenna of a medium wave or long wave radio station. The Company intends to sell the Rohn Tower at its fair value of P4.8 million.

The movement of allowance for probable losses is as follows:

		2013		2012
Balance, January 1	P	6,354,166	P	6,354,166
Provision		601,192		-
Balance, December 31	P	6,955,358	P	6,354,166

10. Short-term investments

Short-term investments are foreign currency deposits earmarked for the acquisition of capital equipment to augment the Company's expansion plans.

These investments with carrying value of P11,833,230 in 2013 and P11,333,590 in 2012 earn interest of 8% annually.

11. Spare parts inventory

Spare parts inventory consists of communication supplies and materials that are normally provided to the customers in the delivery of services. Spare parts inventory costing P358,189 and P241,983 was transferred to property and equipment in 2013 and 2012, respectively. Spare parts inventory amounting to P3,501,048 in 2013 and P3,859,237 in 2012 are carried at cost.

12. Prepayments

This account represents payment for rental amounting P85,013 in 2013 covering the month of January 2014.

13. Advances for projects

In accordance with the memorandum of agreement (MOA) entered into between His Royal Highness Prince Abdul Aziz Bin Talal (HRH of Kingdom of Saudi Arabia) and the Company dated November 5, 2008, the latter made an investment in E-commerce including media, telecoms, internet and education technology services which will promote global understanding, mutual respect and openness to humanity and to further gain a foothold in Asia providing bridge in Saudi Culture and friendship in the Philippines and other Asian nations.

Brief descriptions of these projects are as follows:

(i) *TBGI Media/Satellite Project*

With an allocation of US \$82,000, the project aims to provide video and online content from Middle East to educate and create a social development in Mindanao following the Bangsamoro Framework Agreement.

(ii) *OFW Assistance Project*

In partnership with the AGFund Microfinance Bank, the project aims to help the less fortunate citizens to have access to microfinance. The project has a total allocation of US \$68,000

(iii) *TBGI-ESI Webeoc Project for (a) Metropolitan Manila Development Authority (b) Office of the Executive Secretary and (c) Department of Justice*

With total project allocation of US \$217,000, TBGI intends to provide WebEOC applications concerning security, military, transportation, disaster management among others to these government agencies.

On November 2013, following the roll-out of the above projects, reallocations were made as follows:

HRH - TBGI Middle East Project	US \$	Peso amount
1. TBGI Media Sattelite Project	\$ 82,000	P 3,641,948
2. AGFund Microfinance Bank Project for OFW	68,000	3,020,152
3. TBGI - ESI Webeoc Project for MMDA	80,000	3,553,120
4. TBGI - ESI Webeoc Project for Office of the Executive Secretary	80,000	3,553,120
5. TBGI - ESI Webeoc Project for the Department of Justice	57,000	2,531,598
	\$ 367,000	P 16,299,938

From the original allocation of US \$455,000, the excess amounting to US \$182,144 has been invested as part of TBGI subscription to ATN Solar shares of stock. (see Note 14)

The funds cannot be expended and considered "in-trust" until such time the investment of HRH in TBGI is effected. In the event that such investment would not push through, the entire funds will be returned to TBGI.

To ensure the completion of the investment or the return of the deposit in the event the investment is not completed, a share pledge agreement was executed on December 15, 2009 by the Company and Mr. Arsenio T. Ng, a proponent of the investment project, whereby the latter pledges his 10,756,429 shares of TBGI as security with a fair value of P27,966,715.

14. Advances to and Investment in an Associate

The composition of this account is as follows:

		2013		2012
Investment in associate	P	30,000,000	P	7,500,000
Advances to associate		-		4,125,000
	P	30,000,000	P	11,625,000

In 2010, the Company subscribed to 7.5 million shares in ATN Philippines Solar Energy Group Inc. (ATN Solar). From the 7.5 million shares subscribed P1.875 million have been paid and the balance of P5.625 million was paid in full in 2012.

As discussed in Note 14, following the reallocation of project advances, the amount of US \$182,144 or P7,875,000 was used to subscribe to additional 7,875,000 shares of ATN Solar.

Moreover on December 15, 2013, an additional 4,125,000 shares of ATN Solar was issued to the Company in settlement of the Company's cash advance to ATN solar amounting to P4,125,000.

On December 13, 2013 and December 20, 2013, additional cash subscription (at par) to ATN Solar amounting to P5 million and P5.5 million, respectively were made. Accordingly, the Company held 30 million shares of ATN Solar's share capital which is equivalent to 41.17% as of December 31, 2013. Equity interest of the Company in ATN Solar in 2012 is 20.69%.

In 2011, ATN Solar is a grantee by Department of Energy of the 30-MW Rodriguez Solar Power Project.

As at December 31, 2013, certain conditions are yet to be finalized including supply of material, project financing and government permits. ATN Solar has not started commercial operation.

The financial information of ATN Solar is as follows:

		2013		2012
Total assets	P	68,778,748	P	18,812,500
Total liabilities		3,126,000		4,125,000
	P	65,652,748	P	14,687,500

15. Franchise-net

The Company holds a 25-year Congressional Franchise to construct, establish, install, maintain, and operate communication systems for the reception and transmission of messages within the Philippines with a cost of P15M.

The movement in this account is as follows:

		2013		2012
Balance, January 1	P	6,742,405	P	7,342,405
Amortization		(600,000)		(600,000)
Balance, December 31	P	6,142,405	P	6,742,405

16. Other non-current assets

This account consists of:

	2013	2012
Advances to:		
Palladian Land Development Inc. (PLDI) (see note 26)	P 4,773,464	P 2,041,083
ATN Holdings, Inc. (ATN) (see note 26)	1,062,074	1,062,074
Security deposit	455,505	455,505
Other asset	4,800,000	-
	P 11,091,043	P 3,558,662

Advances to PLDI and ATN Holdings generally consist of cash advances.

The company, PLDI and ATN are all affiliated companies.

The aforementioned receivables are not subject to interest and have no fixed repayment period.

Other asset comprise of telecommunication device received by the company from a certain client in settlement for its outstanding receivable. The company intends to sell the asset for P4.8 million, a price which approximates its fair value. (see Note 9)

17. Property and equipment - net

The movement in this account is as follows:

2013	Building & improvements	Uplink/data Equipment	Furniture & Fixtures	Leasehold improvements	Transportation equipment	Total
Carrying Amount						
At January 1, 2013	P 21,393,402	P 250,287,892	P 5,180,726	P 19,145,709	P 14,675,284	P 310,683,013
Reclassification from spare parts inventory	-	358,189	-	-	-	358,189
Additions	2,500,000	953,307	-	-	-	3,453,307
At December 31, 2013	23,893,402	251,599,388	5,180,726	19,145,709	14,675,284	314,494,509
Accumulated depreciation						
At January 1, 2013	14,975,396	114,179,825	1,571,572	7,902,418	9,276,782	147,905,993
Provisions	1,069,672	12,509,086	213,069	898,846	1,262,971	15,953,644
At December 31, 2013	16,045,068	126,688,911	1,784,641	8,801,264	10,539,753	163,859,637
Net Book Value						
At December 31, 2013	P 7,848,334	P 124,910,477	P 3,396,085	P 10,344,445	P 4,135,531	P 150,634,872

2012	Building & improvements	Uplink/data Equipment	Furniture & Fixtures	Leasehold improvements	Transportation equipment	Total
Carrying Amount						
At January 1, 2012	P 21,393,402	P 247,158,409	P 4,795,726	P 18,280,657	P 10,785,148	P 302,413,342
Reclassification from spare parts inventory	-	241,983	-	-	-	241,983
Additions	-	2,887,500	385,000	865,052	3,890,136	8,027,688
At December 31, 2012	21,393,402	250,287,892	5,180,726	19,145,709	14,675,284	310,683,013
Accumulated depreciation						
At January 1, 2012	13,905,724	101,670,739	1,358,503	7,003,572	8,255,392	132,193,929
Provisions	1,069,672	12,509,086	213,069	898,846	1,021,390	15,712,064
At December 31, 2012	14,975,396	114,179,825	1,571,572	7,902,418	9,276,782	147,905,993
Net Book Value						
At December 31, 2012	P 6,418,006	P 136,108,067	P 3,609,154	P 11,243,291	P 5,398,502	P 162,777,020

Building and improvements, uplink equipment, leasehold improvements and data equipment were revalued on October 28, 2002 by a firm of independent appraisers at market prices. The net appraisal increment resulting from the revaluation is credited to the "Revaluation Increment" account shown under equity. The amount of revaluation increment absorbed through depreciation is transferred from the revaluation increment to retained earnings. Management believes that fair value has not significantly changed since date of initial valuation.

Had the building and improvements, uplink equipment, leasehold improvements and data equipment been carried at cost less accumulated depreciation, amortization and impairment losses, if any, their carrying amounts would have been as follows:

	2013	2012
Building and improvements	P 615,144	P 2,331,914
Uplink/data equipment	30,246,510	32,003,948

18. Investment properties

As of December 31, 2013 and 2012, the breakdown of the Company's investment properties is shown below:

Condominium units	P 43,368,400
Land and improvements	6,919,000
	P 50,287,400

The fair market value of the condominium units is based on the appraisal made by a firm of independent appraisers on November 22, 2007.

The fair market value of the land and improvement is based on the latest available appraisal made by a firm of independent appraisers on January 23, 2003. The assigned value was estimated using the Market Data Approach, which is based on sales and listing of comparable property registered within the vicinity that considered factors such as locations, size and shape of the properties.

Portion of the condominium unit is rented out without incurring additional expense on the part of the Company. Rent income earned on investment properties amounted to P2,047,872 in 2013, P1,550,456 in 2012 and P239,064 in 2011.

The zonal values of the Company's investment properties based on the latest valuation dates are as follows:

Condominium units	P 42,632,000
Land and improvements	2,315,520
	P 44,947,520

19. Accounts payable and accrued expenses

This account consists of:

	2013	2012
Trade payables	P 71,879	P 171,943
Accrued and other liabilities	644,228	274,893
Deposits	110,250	-
	P 826,357	P 446,836

Trade payables which include transponder lease and internet services are settled on a 1-3 months term. Accrued expenses are settled on a 30-day term. Other liabilities include statutory liabilities payable in subsequent month.

Deposits are amounts paid by clients as guarantee to agreements entered into by the Company. The amount is expected to be settled upon the termination of the contract.

20. Interest-bearing liabilities

Details of this account as at December 31 are as follows:

		2013		2012
Foreign currency loans	P	5,240,852	P	4,860,656
Obligation under finance lease		108,873		412,870
		5,349,725		5,273,526
Less: current portion		108,873		5,164,653
	P	5,240,852	P	108,873

Foreign currency loans

Foreign currency loans were obtained from China Banking Corporation ("CBC"). The principal amount matured in 2013 and was renewed for another 3 years up to 2016. Annual interest rate is 2.7057% and is payable monthly in arrears. The loan is secured by real estate mortgages executed by related parties, namely, Palladian Land Development, Inc. and ATN Holdings, Inc.

Obligation under finance lease

On various dates, the Company acquired transportation equipment availed under financing terms of the banks, which requires monthly amortization of principal plus interest ranging from 10% to 12%.

Future minimum lease commitments for obligation under the finance leases are as follows:

		2013		2012
Due within 1 year	P	108,873	P	303,997
Due after 1st year up 5th year		-		108,873
Total		108,873		412,870
Amount representing interest		2,479		32,536
Present value of lease payments	P	111,352	P	445,406

Interest expense related to obligation under finance lease amounted to P30,057 in 2013, P84,641 in 2012 and P215,187 in 2011.

21. Retirement benefits

Retirement benefit paid computed under RA 7641 amounted to P270,403 in 2011. Retirement benefit cost recognized in the financial statements amounted to P83,349 in 2013, P56,382 in 2012 and P-0- in 2011. The movement in Liability for Retirement benefits for the year ended December 31, 2013 and 2012 is as follows:

Balance, January 1	P	1,018,765	P	962,383
Expense recognized		83,349		56,382
	P	1,102,114	P	1,018,765

Management believes that retirement benefits computed under RA 7641 does not materially differ from that of PAS 19.

22. Equity

Share capital

The Company's capital structure is as follows:

	Shares	Amount
Authorized - P1 par value per share	380,000,000	P 380,000,000
Issued and outstanding	222,019,330	222,019,330
Shares held in treasury	437,800	437,800

Issued capital held in treasury totaled 437,800 shares.

The Company's shares are listed and traded at the Philippine Stock exchange ("PSE"). The listing of the offer shares was approved by the Board of Directors of the PSE on October 22, 2003. The listing date is on December 12, 2003.

The Company has committed to issue to ATN Holdings Inc., a related party, 13,000,000 common shares in consideration for the acquisition of investment property and the payment of loan to ATN amounting to P2.5 million in 2007. These shares were to become available after the listing of 170,980,670 unissued common shares. The additional listing of subject shares was not carried out as of December 31, 2013.

Documentary requirements are still being collated for the Company's application for exemption from the registration of new shares with the Securities and Exchange Commission.

Share options

On March 28, 2008, the Board of directors approved the grant of stock options to the Chairman and CEO as follows:

- (1) 35 million shares at par value of P1.00 per share as a compensation for services rendered as CEO of the Company during the period 2001 to 2007; and
- (2) 5 million shares at par value of P1.00 per share as compensation for services to be rendered as CEO of the Company during the period 2008 and onwards, on the condition that he will not sell the shares acquired by him under the said stock options in quantities exceeding 20% of the trading volume of the Philippine Stock Exchange in any single business day.

The stock option is measured using the intrinsic value method, as the fair value of the option cannot be estimated reliably.

As the aforementioned approved grant had no vesting period, the financial impact is the recognition of an expense amounting to P104 million. Management believes that the Company cannot afford this expense in 2008. Consequently, additional terms and conditions of the stock option of the CEO was considered by the Remunerations Committee specifically on vesting dates which extends to 2023 and approved by the Board of Directors in a special meeting on April 23, 2009. Details of the vesting schedule are as follows:

Vesting Schedule	Share Options	No. of years from 2008
May 23, 2008	Grant date	
May 23, 2009	-	1
May 23, 2010	-	2
May 23, 2011	-	3
May 23, 2012	-	4
May 23, 2013	500,000	5
May 23, 2014	500,000	6
May 23, 2015	500,000	7
May 23, 2016	500,000	8
May 23, 2017	500,000	9
May 23, 2018	500,000	10
May 23, 2019	500,000	11
May 23, 2020	500,000	12
May 23, 2021	500,000	13
May 23, 2022	5,500,000	14
May 23, 2023	30,000,000	15
	<u>40,000,000</u>	

During 2010, the TBGI Remuneration Committee met to discuss the request of the Chief Financial Officer to indefinitely defer the Stock Option plan for the CEO. After deliberation on the request, the Remuneration Committee unanimously resolved and the following were approved by the Board of Directors:

1. The Stock Options Plan for the CEO of Forty Million (40,000,000) TBGI shares for the period 2001 to 2008 shall be indefinitely deferred.
2. The Forty Million (40,000,000) TBGI shares Stock Option Plan for the CEO with a vesting schedule of 20 years shall be indefinitely deferred.

Revaluation increment

The movement of this account as at December 31 is as follows:

		2013		2012
Balance, January 1	P	5,525,312	P	7,750,126
Cumulative amount of revaluation absorbed through depreciation		(2,224,814)		(2,224,814)
Balance, December 31	P	3,300,498	P	5,525,312

23. Direct costs

This account consists of:

	2013	2012	2011
Depreciation (see Note 17)	P 15,953,644	P 15,712,064	P 16,167,313
Transponder lease (see Note 30)	10,860,851	10,853,268	10,630,894
Rental expense (see Note 30)	2,067,267	1,923,220	1,747,268
Salaries, wages & other benefits	1,238,481	1,712,913	1,804,492
Transportation and travel	1,190,720	823,417	1,484,609
Utilities and communication	837,304	1,027,837	1,031,237
Taxes and licenses	776,933	770,395	466,498
Amortization of franchise	600,000	600,000	600,000
Security services	387,667	418,638	665,816
Office supplies	276,888	275,897	625,423
Insurance	222,624	262,808	295,852
Provision for retirement (see Note 21)	83,349	56,382	-
	P 34,495,728	P 34,436,838	P 35,519,402

24. Other income

The composition of this account is as follows:

	2013	2012	2011
Rent income (see Note 18)	P 2,047,872	P 1,550,456	P 239,064
Interest income	524,459	1,016,258	1,284,583
Unrealized forex gain	551,287	-	-
	P 3,123,618	P 2,566,714	P 1,523,647

25. Administrative expenses

This account consists of:

	2013	2012	2011
Provision for doubtful accounts	P 601,192	P -	P -
Legal and professional fees	460,000	445,000	672,700
Permits, taxes and licenses	404,697	444,430	427,884
Representation and entertainment	250,500	154,030	255,000
Transportation and travel	115,628	21,027	129,885
Unrealized foreign exchange loss	-	5,199,978	334,667
Power, utilities and communication	-	776,401	1,427,303
Salaries, wages and other benefits	-	755,609	770,145
Miscellaneous	143,738	993	748,427
	P 1,975,755	P 7,797,468	P 4,766,012

Pursuant to a *Teaming Agreement* executed in January 2013, a 75%-25% cost sharing of cost/expenses related to technical operations was implemented. All other cost including, but not limited to salaries, utilities and associate dues shall be borne solely by Palladian.

Accordingly, certain cost and expenses of the Company were significantly reduced during 2013.

The teaming agreement is effective until December 31, 2014 subject to re-negotiation in 2015.

26. Related party transactions

(a) The following are transactions with related parties during the year:

	2013	2012
Collection of loans and interests receivable from Mr. Arsenio T. Ng President and CEO (see Note 10)	P (62,638)	P (7,010,257)
Collection on loans and interests receivable from Unipage Management Inc. an affiliated company	-	(6,469,307)
Advances for projects	(7,442,422)	(3,157,640)
Advances (collections) from related parties (see note 17)		
ATN Holdings, Inc.	-	65,000
Palladian Land Development, Inc.	2,732,381	(278,274)

The movements in advances for projects are as follows:

	2013	2012
Amount transferred to ATN Solar (see Note 13)	P (7,875,000)	P -
Foreign exchange gain (loss)	432,578	(3,157,640)
	P (7,442,422)	P (3,157,640)

The year-end balances of receivables and advances to related parties after considering related party transactions for the year are as follows:

	2013	2012
Advances for projects	P 16,229,938	P 23,742,360
Loans and interest receivable	-	62,638
Other receivables		
Palladian Land Development, Inc.	4,773,464	2,041,083
ATN Holdings, Inc.	1,062,074	1,062,074

(b) Key management compensation

The compensation paid or payable to key management personnel for the year ended December 31, 2012 and 2011 are P714,766 and P770,145, respectively.

As a result of the Teaming Agreement discussed in Note 26, no expenses were incurred relating to compensation of key management personnel in 2013.

27. Registration with Clark Special Economic Zone

The Company is a duly registered Clark Special Economic Zone ("CSEZ") enterprise with Registration Certificate No. 2002-065 dated July 25, 2002. This certificate supersedes Certificate of Registration No. 95-53 issued by Clark Development Corporation ("CDC") to the Company on November 29, 1995 and shall be valid until July 9, 2020 unless earlier revoked by CDC.

Pursuant to Section 15 of Republic Act No. 7227, Section 5 of Executive Order No. 80 and Proclamation 163, and as further confirmed by BIR Ruling No. 046-95 dated March 3,

1995, the Company is entitled to all incentives available to a CSEZ-registered enterprise, including but not limited to exemption from customs and import duties and national and internal revenues taxes on importation of capital of goods, equipment, raw materials, supplies and other articles including household and personal items;

Subject to compliance with BIR Revenue Regulations and such other laws on export requirements, exemption from all local and national taxes, including but not limited to corporate withholding taxes and value added taxes ("VAT"). In lieu of paying taxes, the enterprise shall pay 3% of gross income earned to the national government, 1% to the local government units affected by the declaration of the CSEZ and 1% to the development fund to be utilized for the development of the municipalities contiguous to the base area; and

Exemption from inspection of all importations at the port of origin by the Societe Generale de Surveillance ("SGS"), if still applicable, pursuant to Chapter III, C.1 of Customs Administrative Order No. 6-94.

However, in cases where the Company generated income from its sale of services to customs territory customers exceeding 30% of its total income, the entire income from all sources is subjected to the regular corporate income tax of 30% based on net income (e.i. gross income less allowable deductions) rather than the 5% preferential tax based on gross income.

28. Income tax expense (benefit)

The major components of provision for income tax for the years ended December 31, 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Current	138,026	122,380 P	165,590
Deferred	(351,934)	(2,819)	(37,944)
P	(213,908) P	119,561 P	127,646

The components of deferred taxes that were recognized in the statements of financial position are as follows:

	2013	2012	2011
Deferred tax assets			
Unrealized loss on fair value adjustment on investment property - net	P 103,116 P	103,116 P	103,116
Pension liability	55,106	50,938	48,119
Allowance for doubtful accounts	347,768	-	-
	505,990	154,054	151,235
Deferred tax liability			
Revaluation increment	(173,712)	(290,807)	(407,902)
	(173,712)	(290,807)	(407,902)
Net	P 332,278 P	(136,753) P	(256,667)

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense is as follows:

		2013		2012		2011
Loss before income tax	P	(746,036)	P	(7,939,584)	P	(4,496,741)
Statutory income tax (@5%)		(37,302)		(396,979)		(224,837)
Adjustment for:						
Interest income subject to final tax		(26,223)		(50,813)		(64,229)
Depreciation on revaluation increment		117,095		117,095		117,095
Provision for retirement		4,167		2,819		-
Non-deductible operating expense		80,289		450,258		337,561
Effect of deferred tax		(351,934)		(2,819)		(37,944)
Actual provision for income tax	P	(213,908)	P	119,561	P	127,646

29. Earnings (loss) per share

Earnings (Loss) per share is computed by dividing the profit (loss) for the year by the weighted average number of common shares as follows:

		2013		2012		2011
Profit (loss) for the year (a)	P	(532,129)	P	(8,059,145)	P	(4,624,387)
Weighted average number of shares						
Outstanding during the year (b)		222,019,330		222,019,330		222,019,330
Earnings (loss) per share		(0.0024)		(0.0363)		(0.0208)

As at December 31, 2013, 2012 and 2011, there are no potential ordinary shares with dilutive effect.

30. Lease commitments

Company as a Lessee

(a) Lease Agreement with Mabuhay Satellite Corporation

On November 19, 2006, the Company renewed its transponder lease agreement with Mabuhay Philippine Satellite Corporation to lease 10.5MHz of the C-band transponder. The lease agreement requires monthly payment of US\$21,680 over the lease term of three (3) years. On November 20, 2009, the same lease agreement was renewed. The lease agreement expired in June 2011 and was no longer renewed.

In June 2011, the Company entered into a transponder lease agreement with Asia Broadcast Satellite, Ltd which requires monthly payment of US\$20,445 over the lease term of three (3) years.

Transponder lease recognized in the statements of income amounted to P10,860,851 in 2013, P10,853,268 in 2012 and P10,630,894 in 2011. None of these leases includes contingent lease rental.

(b) Lease Agreement with Clark Development Corporation

The Company leases a land it presently occupies in Clarkfield, Pampanga with Clark Development Corporation for a period of twenty-five years starting July 10, 1995 to July 10, 2020.

Initially the lease agreement requires minimum guaranteed rental of P17,000 per month for the first two (2) years and 10% annual compounded increase thereafter or a certain percentage of gross revenues whichever is higher for the succeeding years.

Certain amendments have been made to the original contract with regard to the reduction in leased area and corresponding rates. The minimum lease rental is P67,400.

(c) Staff Housing and Guest House

The Company leases its staff houses and a residential unit in Clarkfield, Pampanga. Both leases have minimum term of one year and renewable within one year upon mutual agreement of both parties.

Rent expense recognized in the statements of income amounted to P2,067,267 in 2013, P1,923,220 in 2012 and P1,747,268 in 2011.

Company as a Lessor

(d) Lease Agreement with Microcircuits, Just Marketing, Primeasia, and Globex with TBGI as lessor

The Company has short-term lease agreements with the aforementioned tenants with varying rates. The rent income from these leases do not have direct operating expenses.

Rent income recognized in the statements of income amounted to P2,047,872 in 2013, P1,550,456 in 2012 and P239,064 in 2011.

31. Supplementary information required under Revenue Regulations 15-2010 and 19-2011

The Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 15-2010 and 19-2011, which require additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the calendar year ended December 31, 2013 is presented in compliance thereto.

(i) *Supplementary information required under RR 15-2010*

- The taxable income declared in the Company's Income Tax Return for 2013 amounted to P2,836,584 which is subject to a 3% tax rate.
- The amounts of withholding taxes paid and accrued, by category are as follows:

Tax on compensation	P	33,404
Creditable withholding taxes		30,193

- As of December 31, 2013, the Company has no pending tax cases within and outside the administration of the BIR.

(ii) *Supplementary information required under RR 19-2011*

- The Company's revenue for income tax purposes amounted to P32,783,126.
- The Company's other taxable income represents its rental income amounting to P2,047,872.

- Details of Company's direct cost are as follows:

Depreciation	P	13,611,735
Transponder lease		10,860,851
Rental expense		2,067,267
Salaries, wages & other benefits		1,238,481
Transportation and travel		1,190,720
Utilities and communication		837,304
Taxes and licenses		776,933
Amortization of franchise		600,000
Security services		387,667
Office supplies		276,888
Insurance		222,624
	P	32,070,470

- Taxes and licenses presented in the statements of income are as follows:

<i>Direct costs</i>		
Supervision and regulatory fee - NTC	P	753,390
Other licenses - NTC		23,543
		776,933
<i>Administrative expenses</i>		
Annual listing fee - PSE		250,000
Business permits and licenses		3,366
Real property tax		120,094
Other permits and licenses		31,237
	P	404,697

32. Other matters

Non cash investing and financing activities:

Non cash investing and financing activities which were excluded in the statements of cash flows are as follows:

- On November 2013, advances for foreign projects amounting to P7,875,000 was used to subscribe to additional shares of ATN Solar.
- On December 2013, additional shares of ATN Solar was issued to the Company in settlement of the Company's cash advance to ATN Solar amounting to P4,125,000.
- On November 14, 2013, the Company received a 150ft SSMW Self Supporting Rohn Tower with compression strength at 1985kN, tension at 1846kN, total Shear at 542 kN and overturning moment at 11,558.8kN-m (Rohn Tower) in settlement of the Company's outstanding receivable from Peachtree Investment Holdings, Ltd amounting to P4.8 million which also approximates the fair value of Rohn Tower.