



# Transpacific Broadband Group

INTERNATIONAL, INC.

*formerly: Transpacific Broadcast Group International, Inc.*

CORPORATE OFFICE: 9/F SUMMIT ONE TOWER  
530 SHAW BOULEVARD, MANDALUYONG CITY,  
PHILIPPINES, 1550  
TEL: (632) 718-3720, 718-3721, FAX(632) 530-4052  
EMAIL: [tbgi@tbgi.net.ph](mailto:tbgi@tbgi.net.ph)

SATELLITE CENTER: BLDG. 1751 CHICO ST.  
CLARK SPECIAL ECONOMIC ZONE  
ANGELES CITY, PAMPANGA, PHILIPPINES  
TEL.: (6345) 599-3042, FAX (6345) 599-3041

July 29, 2013


**JANET A. ENCARNACION**  
HEAD, DISCLOSURE DEPARTMENT  
THE PHILIPPINE STOCK EXCHANGE  
PSE Center, Exchange Road  
Ortigas Complex, Pasig City

**Dear Ms. Encarnacion,**

In compliance with PSE's requirement, we are sending you here SEC Form 201S - Preliminary Information Statement for 2013.

Thank you.

Very truly yours,

  
CELINIA FAELMOCA

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**TRANSPACIFIC BROADBAND GROUP  
INTERNATIONAL, INC.**

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(Company)

9th Floor Summit One Tower  
530 Shaw Boulevard, Mandaluyong City, 1550

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(Address)

**717-0523**

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(Telephone Number)

**DECEMBER 31**

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(Fiscal Year Ending)  
(month & day)

**SEC Form 20-IS  
(Preliminary Information Statement)**

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(Form Type)

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Amendment Designation (if applicable)

**Annual Stockholders Meeting  
September 11, 2013**

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(Period Ended Date)

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(Secondary License Type and File Number)



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INTERNATIONAL, INC.

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**NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

**TO ALL STOCKHOLDERS**  
**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Transpacific Broadband Group International, Inc. will be held at Managed Care Phil., Inc., Multi Media Center, Ground Floor, Summit One Tower Annex Bldg. 530 Shaw Blvd., Mandaluyong City on Wednesday, 11 September 2013, at 12:30 P.M. (lunch), with these agenda:

1. Proof of Notice of the Meeting
2. Proof of Presence of a quorum
3. Approval of the previous annual minutes of meeting
4. Report of the President
5. Approval of the FY December 31, 2012 Audited Financial Statements
6. Election of Directors
7. Appointment of Independent Auditors
8. Adjournment

The record date for determination of the stockholders entitled to notice of, and to vote at said meeting is fixed at the close of business hours on 14 August 2013.

The enclosed Information Statement is being distributed to stockholders of record as of 14 August 2013, in compliance with the requirements of Section 17.1-(b) of the Securities Regulation Code.

Registration starts at 12:20 in the afternoon. Please bring any form of identification to facilitate registration.

Mandaluyong City, July 29, 2013

**PAUL SARIA**  
Corporate Secretary  
Chief Information Officer

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS**

**Information Statement Pursuant to Section 20  
of the Securities Regulation Code (SRC)**

1. Check the appropriate box:

**Preliminary Information Statement**

**Definitive Information Statement**

2. Name of Registrant as specified in its Charter **TRANSPACIFIC BROADBAND GROUP  
INTERNATIONAL, INC.**

3. Country of Incorporation **Philippines**

4. SEC Identification Number **AS095-006755**

5. BIR Tax Identification Number **004-513-153**

6. Address of principal office **9th Floor Summit One Tower  
530 Shaw Blvd. Mandaluyong City, 1550**

7. Telephone Number **(632) 717-0523**

8. Date, time and place of meeting of security holders:

Date : September 11, 2013, Wednesday  
Time : 12:30 o'clock lunch meeting  
Place : Managed Care Phil., Inc.  
Multi Media Center  
Ground Floor, Summit One Tower Annex Bldg.  
530 Shaw Blvd., Mandaluyong City, 1550

9. Approximate date on which the Information Sheet is first to be sent or given to security holders:

August 21, 2013

10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Subscribed and Outstanding (No. of Shares)</u>	<u>Pesos</u>
Common shares	222,019,330	P222,019,330.00

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

YES  NO

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE  
REQUESTED NOT TO SEND US A PROXY.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS**

September 11, 2013, Wednesday  
12:30 o'clock, Lunch meeting  
Managed Care Phil., Inc.  
Multi Media Center  
Ground Floor, Summit One Tower Annex Bldg.  
530 Shaw Blvd., Mandaluyong City, 1550

**Complete Mailing Address of Principal Office of Registrant**

9<sup>th</sup> Floor Summit One Tower  
530 Shaw Boulevard, Mandaluyong City, 1550

Approximate date on which the Information Sheet is first to be sent or given to security holders is **August 21, 2013**.

**Item 2. DISSENTER'S RIGHT OF APPRAISAL**

There are no matters to be acted upon at the meeting involving instances set forth in Secs. 81 & 82, Title X of the Corporation Code Philippines for which a stockholder may exercise the right of appraisal.

**Procedure for Exercise of Dissenter's Appraisal Right**

Pursuant to the Corporation Code, the appraisal right may be exercised by any stockholders who shall have voted against the proposed corporate action, by making a written demand on the Company, within 30 days after the date on which the vote was taken for payment of the fair value of his shares; provided, that failure to make demand within such period shall be deemed a waiver of the appraisal right. After demanding payment of his shares, the dissenting stockholder shall submit the stock certificates representing his shares to the Company, for notation thereon that such shares are dissenting shares.

The price of the shares of the dissenting stockholder shall be the fair value thereof as at the day immediately prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of the proposed corporate action. If within 60 days from the date of the proposed corporate action was approved by the stockholders, the dissenting stockholders and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three disinterested persons, one of whom shall be named by the stockholder, another by the Company and the third by the two thus chosen. The findings of a majority of the appraisers shall be final, and the Company shall pay the award within 30 days after such award is made.

No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment. Upon such payment, the stockholder shall forthwith transfer his shares to the company.

**Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON**

The following persons have no substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office:

1. each person who has been a director or officer of the Corporation at any time since the beginning of the fiscal year;
2. each nominee for election as a director of the Corporation; and
3. each associate of any of the foregoing persons.

No member of the Board of Directors of the Corporation has informed the Corporation in writing that he intends to oppose any action to be taken by the Corporation at the annual meeting of the stockholders.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

Common Shares	222,019,330
Less: Treasury shares	437,800
Total Outstanding Shares Voting /Shares as of record date	<u>221,581,530</u>

The Company's capital stock consists of common shares only. Each share is entitled to one vote. All stockholders of record at the close of business on **August 14, 2013** shall be entitled to notice and to vote at the Annual Stockholders meeting.

The directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for that year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in

person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his share equal, or by distributing such votes at the same principle among any number of candidates.

**(1) SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS**

Owners of more than 5% of voting securities as of June 30, 2013:

Class	Name of Record Owner and relationship with issuer	Name of Beneficial Owner	Citizenship	Shares Owned	%
Common	1. PCD Nominee Corp. (F) 37 <sup>th</sup> F Tower 1, The Enterprise Center 6766 Ayala Avenue, Makati City	Various	Filipino	82,858,806 <sup>r</sup>	37.39%
Common	2. PCD Nominee Corp. (NF) 37 <sup>th</sup> F Tower 1, The Enterprise Center 6766 Ayala Avenue, Makati City	Various	Non Filipino	80,577,209 <sup>r</sup>	36.36%
Common	3. Unipage Management, Inc. (1) 9 <sup>th</sup> Floor Summit One Tower, 530 Shaw Boulevard Mandaluyong City Investor	Stockholders	Filipino	20,000,000 <sup>r</sup>	9.03%
Common	4. Arsenio T. Ng 9F Summit One Tower, 530 Shaw Blvd. Mandaluyong City Chief Executive Officer	None	Filipino	13,256,429 <sup>b</sup>	5.98%

The clients of PCD Nomination Corporation are the beneficial owners and have the power to decide how their shares are to be voted.

The Board of Directors of Unipage appoints its authorized representative, Celinia Faelmoca and has the right to vote and direct or dispose of the shares held by Unipage.

**(2) Security ownership of management as of June 30, 2013:**

Class	Name of Beneficial Owner	No. of Shares and Nature of Beneficial Ownership	Citizenship	%
	<b>Directors:</b>			
Common	Arsenio T. Ng	13,256,429 <sup>d</sup>	Filipino	5.98%
Common	Kenneth C. Co	7,259,000 <sup>d</sup>	Filipino	3.27%
Common	Hilario T. Ng	400,804 <sup>d</sup>	Filipino	0.18%
Common	HRH Prince Abdul Aziz Bin Talal Al Saud	100,000 <sup>r</sup>	Saudi Arabian	0.05%
Common	Paul Saria	25,804 <sup>d</sup>	Filipino	0.00%
Common	Simon Ung	1,000 <sup>d</sup>	Filipino	0.00%
Common	Oscar B. Mapua	4,000 <sup>d</sup>	Filipino	0.00%
	<b>Officer:</b>			
Common	Santos Cejoco	1,000 <sup>d</sup>	Filipino	0.00
	All directors and executive officers as a group	21,048,037 <sup>d</sup>		9.50%

Each every security holder is the beneficial owner in his own right.

**(3) VOTING TRUST HOLDERS OF 5% OR MORE**

There are no persons who hold more than 5% of a class under voting trust or similar agreement.

**(4) CHANGES IN CONTROL**

The company has no arrangements, which may result in a change in control of the Corporation. There has been no change in control since the beginning of its last fiscal year.

**Item 5. DIRECTORS AND EXECUTIVE OFFICERS**

(1) The names of the incumbent Directors, Executive officers and nominees of the Company and their respective ages and citizenship, current positions held, period of service and business experience during the past five years as required under Section 38 of the Code and SRC Rule 38.1 are as follows:

**Arsenio T. Ng**

Age 54

Period Served September 2000 to Present

Holds a Masters degree in Business Management with distinction from the California State College, Stanislaus, and the University of California, Los Angeles. Mr. Ng attended special studies in Politics and Public Administration at the United States Congress in Washington D.C. He took his undergraduate studies in Business Administration and Finance at the De La Salle University (Jose Rizal honors), Philippines and at the California State College, Stanislaus (cum laude), USA.

In 1994, Mr. Ng served as President and CEO of the Energy Corporation; a company listed in the Philippine Stock Exchange and became Chief Finance Officer of Semirara Coal Corporation, the largest coal mining firm in the Philippines the following year. He is the Chairman and CEO of ATN Holdings Inc., a listed holding company in the PSE, in which he holds major equity stake. He is the Chairman and CEO of Palladian Land Development Inc., and the Chairman and Director of Unipage Management Inc. He is also the Chairman and Director of both Advanced Home Concept Development Corporation, and Hart Realty Development Inc. Mr. Ng is concurrently a Director and Treasurer of Hambrecht and Quist Philippine Ventures II, a private equity fund managed by Hambrecht and Quist, Philippines Inc., a subsidiary of US-based Hambrecht and Quist venture firm.

In 1998, Mr. Ng became the President and Chairman of Managed Care, Inc. medical complex of 150 doctors, He is also the Director of Beacon Diversified, Inc. that has investments in Skycable. Mr. Ng also acts as Vice Chairman and President of CBCP World.

**HRH Prince Abdul Aziz Bin Talal Bin Abdul Aziz Al Saud**

Age 31

Period Served – June 2009 to present

HRH Prince Abdul Aziz bin Talal Al Saud, is member of the Saudi Royal Family. He is Prince Talal bin Abdul Aziz's fifth son, son of the founding King of Saudi Arabia, Abdul Aziz Bin Saud, and Princess Majdah Al Sudairi, daughter of H.E. Turki bin Khaled Al Sudairi President of the Government Human Rights Commission, and cousin of the Sudairi Seven. HRH Prince Aziz bin Talal is the Honorary President of the Website Services and Internet Technology (WSITGC) of the Gulf Cooperation Council (GCC) and Chairman of the Arab Open University.

**Hilario T. Ng**

Age 52

Period Served September 2000 to Present

A graduate of Bachelor of Architecture at the Southern California Institute of Architecture, Mr. Ng took his MA in Urban Design at the University of California at Los Angeles. Presently, he is President of Palladian International, Inc., Director of ATN Holdings, Inc., Executive Vice President of Palladian Land Development, Inc., Architect, and Managing Partner of HEO Group. He was previously connected with Nadel Partnership, Inc (Architect, 1990), Figure 5, Inc (Project Director, 1988-1989), Stephen Lam & Associates (Project Director, 1987), Richard Magee & Associates (Project Architect, 1985-1986), T.W. Layman & Associates (Project Architect, 1982), Michael Ross & Associates (Project Architect, 1982), and WOU International (Project Architect, 1981).

**Oscar B. Mapua, Jr.**

Age 69

Period Served May 2003 to Present

Mr. Mapua is a member of the Board of Trustees and Executive Vice President of the Mapua Institute of Technology and the Founding Director of the Design Center of the Philippines. He earned his BS Architecture degree from the Rhode Island University in 1969 and his Masters in Architecture from the University of the Philippines in 1987.

**Simoun Ung**

Age 45

Period Served May 2007 to Present

Mr. Ung took Master of Business Administration in the University of Western Ontario in London, in 1991-1993. He is also a graduate in Bachelor of Arts, Psychology and Economics in the University of British Columbia in Vancouver, BC, in 1989. In 1994 he finished Property Management Course, Real Estate Division, Faculty of Extension in Edmonton, AB.

Mr. Ung is the Director and President of Four Star Consulting from 1998 to present. He is also the service provider of Coutts Bank Von Ernst Ltd. in Hongkong from 2001 to present. In 2004 he was elected as Chief Executive Officer and Director of CNP Worldwide Inc., a company that processed over US\$500 million in credit card transactions as agent of Bankard, Inc., the credit card subsidiary of Rizal Commercial Banking Corporation and licensee of Visa, MasterCard and JCB International. Mr. Ung also holds the following positions such as Director of Bastion Payment Systems Corp. from 2005 to present; Business Introducer of EFG Private Bank, SA in Hong Kong, from 2005-present and a Member of

Board of Advisors of Essential Innovations Technology Corp. in Bellingham, WA. From 2006 to present; President and Director of TwinCard Merchant Solutions, Inc. from 2006-present and Chairman of Century Peak Corporation from 2007 to present.

**Kenneth Chua Co**

Age 40, Filipino Citizen

Mr. Kenneth Co is a graduate of AB Economics at Ateneo De Manila University in 1994. At present he is the Proprietor and Owner of Dagupan Commercial, an operator of a wholesale and retail distribution family business dealing mainly with bakery supplies. From 2007 to present, he is also a Distributor of Pharmedex & Nu Skin. A distribution and multilevel network marketing business focused on introducing high quality supplements and skin care products to customers with a goal of contributing the profits significantly to the Nourish the Children Foundation. From 1996 to present, he is also the Administrator of Benito Enterprises, a business engaged mainly in real estate development and lease rental accumulation. Some of his past positions held includes Managing Director of Road on Call from 2005 to 2007 and Chamco Food Ventures Inc. from 1999-2005.

**Paul B. Saria**

Age 43

Period Served September 2000 to Present

A graduate of Bachelor of Architecture at the University of Santo Tomas, Mr. Saria took his graduate studies in Project Management at the Royal Melbourne Institute of Technology, Australia. He is Vice President for Operations of TBGI, Operations Officer of ATN Holdings, Inc. and Project Planning Architect of the Summit One Office Tower. He is likewise Operations Manager of Palladian Land Development Inc. and Advanced Home Concept Development Corporation since 1996.

The aforementioned directors and officers have served the fiscal year ended December 31, 2012, and shall continue to serve until their successors have been duly elected at the Company's next annual stockholders' meeting.

**NOMINEES FOR ELECTION AS DIRECTORS OF THE COMPANY**

The nominees for election as directors of the company are the following:

HRH Prince Abdul Aziz bin Talal (Saudi)	Arsenio T. Ng (Filipino)	Simoun Ung (Filipino)
Kenneth Co (Filipino)	Hilario T. Ng (Filipino)	Santos Cejoco (Filipino)
Oscar B. Mapua Jr. (Filipino)	Paul B. Saria (Filipino)	

Oscar Mapua Jr., and Kenneth Co are the nominees for independent directors. In the approval of nomination for independent directors, the Nominations Committee headed by Oscar B. Mapua (Chairman) and Hilario T. Ng, (Member) has taken into consideration the guidelines prescribed under SRC Rule 38., the independent directors are nominated by Paul B. Saria (Filipino) and Hilario T. Ng (Filipino). Mr. Paul Saria and Arch. Hilario Ng have no relationship with the nominees for independent directors.

**(2) SIGNIFICANT EMPLOYEES**

The company has no significant employees.

**(3) FAMILY RELATIONSHIP**

The Chairman, Arsenio T. Ng, and Director Hilario T. Ng are brothers. Except for the above-mentioned directors the company does not know any other family relationship up to the fourth civil degree either by consanguinity or affinity among the directors, executive officers or persons nominated.

**RESIGNATION OF OFFICER**

There were no resignation, removal or election of company Directors or Officers for the past two years.

**(4) INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS**

The Company is not aware that anyone of the incumbent directors and executive officers and persons nominated to become a director and executive officer have been the subject of bankruptcy petition or pending criminal proceedings in court or have been by judgment or decree found to have violated securities or commodities law enjoined from engaging in any business, securities, commodities or banking activities. This disclosure on legal proceedings covers the last five years up to the latest date of this Information Statement.

Last June 1, 2011, the Company received from the International Chamber of Commerce a notice that GEM Global Yield Fund Limited filed a Request for Arbitration, under reference number 17966/CYK, pertaining to the Equity Line of Credit Agreement signed by both parties. As of to date, the Company has not executed any Terms of Reference on the abovementioned arbitration proceedings.

Other than the above-mentioned, the Company is not involved in any litigation incidental to the conduct of its business. If there is any claim against the company, the Company believes that the cases against it have no legal basis and that there is no pending litigation that will have a material or adverse effect on its financial position or operations.



#### (D) RELATED PARTY TRANSACTIONS

(a) The following are transactions with related parties:

	2012	2013
Collection of loans and interest receivable from: Arsenio T. Ng, President and CEO	P(7,010,257)	P(2,620,834)
(Collection) interest accrual on loans and interests receivable from Unipage Management Inc., affiliated company	(6,469,307)	314,872
Advances for projects	(3,157,640)	300,000
Advances (collections) from related parties ATN Holdings, Inc.	65,000	-
Palladian Land Development, Inc.	278,274	331,977

The movements in advances for projects represents loss on foreign exchange.

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

	2012	2011
Advances for projects	P23,742,360	P26,900,000
Loans and interest receivable	62,638	13,542,203
Other receivables Palladian Land Development, Inc.	2,041,084	2,319,358
ATN Holdings, Inc.	1,062,074	997,074

Key management personnel have not been provided with retirement benefits.

(b) Key management compensation

The compensation paid or payable to key management personnel for the year ended December 31, 2012, 2011 and 2010 are P714,766, P770,145 and 917,320 respectively.

Key management personnel have not been provided with retirement benefits.

(3) The registrant has no parent company.

#### Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Information as to the aggregate compensation during the last two (2) fiscal years paid to the Company's five (5) most highly compensated executive officers and all other officers and directors as a group and the estimated compensation for Year 2013 are as follows:

	2013	2012	2011
Four most highly compensated Executive Officers			
1. Arsenio T. Ng – CEO			
2. Paul B. Saria – Chief Operating Officer			
3. Santos L. Cejoco – Corporate Planning Officer			
4. Christian Nucom – Network Engineer			
5. Vicente Layson – Engineer			
TOTAL	2,000,000	2,000,000	2,000,000
All other officers and directors	300,000	300,000	300,000
Total	2,300,000	2,300,000	2,300,000

The CEO has not received compensation from the company during the period 2000-2012, except for the stock options mentioned above in Stock Options for the Chief Executive Officer.

No bonuses were given to directors and officers, payments were purely compensation in nature.

As per the By-Laws of Transpacific, each Director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the Directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders. There are no other standard or other special arrangements regarding the compensation of the Directors of the Company.

The members of the Board are entitled to receive a reasonable per diem of P5,000 for attendance at each meeting of the Board of Directors. Other than such per diem, there is no other arrangement pursuant to which any amount of compensation is due to the directors for services rendered as such.

#### Warrants and Options

On May 28, 2008 the Board of Directors and Stockholders approved the grant of stock options to the Chief Executive Officer 40 Million shares at par value of P1.00. In addition, the Remuneration Committee resolved to implement additional terms and conditions specifically on the vesting date (Note 19).

## **EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT, AND CHANGE-IN-CONTROL ARRANGEMENT**

An employment contract between the Corporation and a named executive officer will normally include a compensation package, duties and responsibilities, and term of employment.

The Corporation has not entered into any compensatory plan or arrangement with any named executive officer which would entitle such named executive officer to receive any amount under such plan or arrangement as a result of or which will result from the resignation, retirement, or any other termination of such executive officer's employment with the Corporation and its subsidiaries, or from a change-in-control of the Corporation, or a change in the executive officer's responsibilities following a change-in-control of the Corporation.

### **Item 7. INDEPENDENT PUBLIC ACCOUNTANT**

The audited financial position of the Company as of December 31, 2012 to December 31, 2009 was audited by R. R. TAN & ASSOCIATES, CPAs.

The same accounting firm is being recommended for re-election at the scheduled annual meeting for the almost the same remuneration as in the previous year. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to the General Requirements of SRC Rule 68(3)(b)(iv) (Qualifications and reports of Independent Auditors), the Company had engaged R. R. TAN & ASSOCIATES, CPAs as external auditor of the Company, and Ms. Sally S. Velasco has been the Partner In-Charge for CY 2011 and Mr. Domingo A. Daza, Jr. has been the Partner in-charge for audit year 2012, 2010 and 2009.

The audit committee headed by Kenneth C. Co (Independent and Chairman) Arsenio T. Ng, and Paul B. Saria has no policies and procedures of the above services.

### **(2) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no events in the past wherein R. R. TAN & ASSOCIATES, CPAs, and the company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope procedures which led to a change in external auditors and if not resolved to the satisfaction of any of these accountants, would have caused the latter to make reference to the subject matter of disagreement in connection with its report.

### **Item 8. COMPENSATION PLANS**

In 2007, the Remuneration Committee approved the grant of stock options for 38.4 million shares at par value to the Chief Executive Officer to compensate the CEO with options of 4.8 million shares per year for the eight-year period 2000-2007.

The grant of options for the CEO was approved based on the following considerations:

1. The CEO has not received compensation since the strategic acquisition of the company in 2000 to date.
2. The CEO was responsible for (a) rehabilitation of P200 million loss arising from a bad financial structure, and (b) collection of P80 million of bad debts, bringing the company to its present state of profitable operations and strong financial position.
3. Under the leadership of the CEO, the company was able to comply with the mandate of its telecommunications franchise to successfully undertake an initial public offering (IPO) that was executed in early 2003 in the face of weak capital markets in Asia.
4. Under the leadership of the CEO, the company attained more than PHP 1.2 billion in market capitalization and more than PHP 2.2 billion capital market turnover in 2007.
5. The CEO used personal bank credit lines for the (a) acquisition of majority stake in the company, (b) rehabilitation of financial position and telecommunications facilities, (c) expansion of digital data services and acquisition of institutional marketing partner for installation of IT laboratories nationwide.
6. The CEO needs the options to enable him to reimburse his personal bank credit lines that the CEO used over the years to fund the comprehensive rehabilitation and expansion of company operations
7. The same grant of stock options for the CEO shall be approved by the Board and ratified by the shareholders.

### **OTHER MATTERS**

#### **Action with Respect to Reports:**

The following reports/minutes shall be submitted to the stockholders for approval/ratification:

1. Minutes of the previous Annual Stockholders' Meeting
  - a. Approval of previous annual minutes of meeting
  - b. Report of the President
  - c. Approval of FY December 31, 2011 audited FS
  - d. Election of Directors
  - e. Appointment of Independent Auditors
2. Annual Report of the President
3. Fiscal Year Ending December 31, 2012 Audited Financial Statements

The president reported the highlights of the audited fiscal year December 31, 2012 financial statements, and the acts of the Board and the executive officers during the above fiscal year. The corporate secretary read to the stockholders the minutes of the previous annual stockholders' meeting.

The stockholders in said meeting approved and ratified the following:

1. the minutes of the previous annual stockholders' meeting,
2. the audited December 31, 2012 financial statements,
3. the appointment of R. R. Tan & Associates, CPAs as external auditor,
4. ratified the acts of the Board and the executive officers during the above fiscal year including but not limited to memberships in (a) remuneration committee, (b) audit committee, and (c) nomination committee. Membership in said committees, which include one independent director in compliance with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code are as follows:

<b>Remuneration Committee:</b>	<b>Audit Committee</b>	<b>Nomination Committee</b>
Kenneth C. Co (Chairman)	Kenneth C. Co (Chairman)	Oscar B. Mapua (Chairman)
Arsenio T. Ng - Member	Arsenio T. Ng	Hilario T. Ng
Hilario T. Ng	Paul B. Saria	Paul B. Saria

The same sets of committee members shall apply for the coming fiscal year.

#### **MERGERS, CONSOLIDATION, ACQUISITIONS AND SIMILAR MATTERS**

No action is to be taken with respect to any transaction involving:

1. the merger or consolidation of the Corporation into or with any person, or of any other person into or with the Corporation;
2. the acquisition by the Corporation or any of its security holders of securities of another person;
3. the acquisition by the Corporation of any other going business or of the assets thereof;
4. the sale or other transfer of all or any substantial part of the assets of the Corporation; or
5. the liquidation or dissolution of the Corporation.

#### **Item 17. AMENDMENTS OF CHARTER, BYLAWS AND OTHER DOCUMENTS**

The procedures under SRC Rule 38 (Guidelines on Nomination and Elections of Independent Directors) shall be incorporated in the company's By-Laws. The Board of Directors pursuant to the authority delegated to it by the stockholder under Article VII Section I of the By-Laws of the Registrant, shall cause the amendment of the By-Laws in a regular or special meeting called for the purpose to include the foregoing procedures on the nomination and election of independent directors.

#### **Item 19. VOTING PROCEDURES**

A majority of the subscribed capital, present in person, shall be sufficient at a stockholders' meeting to constitute a quorum for the election of directors and for the transactions of any business whatsoever, except in those cases in which the Corporation Code requires the affirmative vote of a greater portion.

At each meeting of the stockholders, every stockholder shall be entitled to vote in person, for each share of stock held by him, which has voting power upon the matter in question. The votes for the election of directors, and, except upon demand by any stockholder, the votes upon any question before the meeting, except with respect to the procedural questions determined by the chairman of the meeting, shall be by viva voce or show of hands.

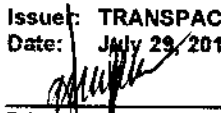
The directors shall be elected by plurality vote at the annual meeting of the stockholders for that year at which a quorum is present. At each election for directors every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his share shall equal, or by distributing such votes at the same principle among any number of candidates.

The manner of counting the vote is done by viva voce unless balloting is demanded by stockholders representing at least 10% of the outstanding capital stock entitled to vote, in the presence of the corporate secretary or the assistant corporate secretary.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on July 25, 2013.

Issuer: **TRANSPACIFIC BROADBAND GROUP INTERNATIONAL INC.**

Date: **July 29, 2013**

  
**PAUL B. SARIA**

Corporate Information Officer

## **BUSINESS AND GENERAL INFORMATION**

### **BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE REGISTRANT'S BUSINESS AND ITS SUBSIDIARIES**

Transpacific Broadband Group International (TBGI or Transpacific) is a domestic corporation registered with the SEC on 14 July 1995. It started commercial operation in the first half of 1996 with an authorized capital stock of Twenty-Five Million Pesos (Php25,000,000.00), divided into Two Hundred Fifty Thousand shares (250,000) with a par value of One Hundred Pesos (Php100.00) each. The amount of capital subscribed was Six Million Two Hundred Fifty Thousand Pesos (Php6,250,000.00) and One Million Five Hundred Sixty-Two Thousand Five Hundred Pesos (Php1,562,500.00) was paid-up. Its primary purpose is to engage in the business of public commercial radio, terrestrial, cable and satellite broadcast. TBGI does not have any subsidiary under it.

On 07 November 2002, the SEC approved the increase in authorized capital stock of TBGI from Twenty-Five Million Pesos (Php25,000,000.00) divided into Two Hundred Fifty Thousand shares with par value of One Hundred Pesos (Php100.00) each, to One Hundred Fifty Million Pesos (Php150,000,000.00) divided into One Hundred Fifty Million (150,000,000) shares with par value of One Peso (Php1.00) each.

On 27 December 2002, the Company's Board of Directors and stockholders approved the following resolutions:

The conversion of additional paid-in capital amounting to Php58,341,330.00 into 58,341,330 shares of stock to be paid, as and by way of stock dividends, to all stockholders of the Company as of 31 December 2002 in proportion to the number of shares held by each stockholder and which will be issued out of the proposed increase in the authorized capital stock from One Hundred Fifty Million Pesos (Php150,000,000.00) to Three Hundred Eighty Million Pesos (Php380,000,000.00);

The increase in authorized capital stock from One Hundred Fifty Million Pesos (Php150,000,000.00) divided into One Hundred Fifty Million (150,000,000) shares with par value of One Peso (Php1.00) per share to Three Hundred Eighty Million Pesos (Php380,000,000.00) divided into Three Hundred Eighty Million (380,000,000) shares with par value of One Peso (Php1.00) per share; and

The amendment of Article Seventh of the Amended Articles of Incorporation in relation to the proposed increase in authorized capital stock.

The Company's subscribed and paid-up capital as of 31 December 2002, after incorporating the effect of stock dividends in 2002, amounts to Php139,341,330.00.

On April 15, 2003, the SEC approved the aforesaid increase and amendments.

The Company is a duly registered Clark Special Economic Zone (CSEZ) enterprise with Registration Certificate No. 95-53 dated 29 November 1995 and has a 25-year Lease Agreement to build, maintain, and manage a satellite earth station within the CSEZ. TBGI holds a 25-year Congressional Telecom Franchise for commercial telecommunications operations under RA 8657, which the legislative body passed into law on 22 June 1998. It also has an approved Provisional Authority to transmit radio signals to satellites granted by National Telecommunication Commission (NTC).

TBGI defines its corporate mission to contribute to national development by providing services in (1) information and communication technology and (2) Internet connectivity to rural communities for the enhancement of delivery of education, e-commerce, health care, and livelihood programs.

TBGI generates revenues mainly from Internet, Intranet, and local loop services subscriptions of schools, corporate private sector and government agencies. The Company sells (1) data services to subscriber schools (at present the Company only provides services to schools) for Internet connectivity and virtual private network connectivity, and (2) video uplink services to local and foreign TV channels. Data and video services were delivered from TBGI earth station in Clark, Pampanga transmitted via Mabuhay satellite to receiving equipment units of clients. The Company provided TV uplink service local Channels 4, 9, and 13, and international cable television program providers including an Egyptian channel and a Korea-based TV shopping network. The company is currently developing the market for disaster management services using the Web EOC software, following the distributorship agreement with its owner developer ESI Acquisition, Inc. of Augusta Georgia ([www.esi911.com](http://www.esi911.com)). Satellite communications is an ideal medium for disaster management.

For the delivery of its services, TBGI owns and operates satellite facilities having separate buildings for transmitter and power generators at the 1.1-hectare area of former US Air Force Satellite Communication facility in CSEZ in Pampanga. TBGI's integral facility, the Clark Development Corp. (CDC) Broadcast Operations Center, houses 20 studios for media production and post-production services inside 277 square meter area of industrial-grade raised flooring, with an enclosed soundproof broadcast studio.

TBGI connection to the Internet features the Asia Broadcasting Satellite 5 space segment, and UUNet fiber optic line to complete the link. As back-up connectivity, a fiber optic line is terminated at TBGI data hub.

The Company does not conduct research and development, in accordance with its policy of using existing technologies and forming alliances or supply arrangements with providers of applicable technology that come in the way to serve market opportunities better.

TBGI operations do not generate waste or toxic emissions. TBGI ensures that all equipment suppliers comply with standards set by the International Radio Consultative Committee of the International Telecommunications Union (ITU).

### **Properties**

All of the Company's properties and equipment units have been paid for in full and fully owned by the Company.

TBGI owns satellite facilities in separate buildings for transmitter and power generators at the 1.1-hectare industrial area in Clark Special Economic Zone in Pampanga. The Company's satellite facility has available 20 studios for media production, post-production, and playback services inside 277 square meters area of industrial-grade raised flooring, and an enclosed soundproof broadcast studio.

The video and data uplink equipment located in Clark, Pampanga are state-of-the-art and in excellent condition. These earlier equipment for video uplink were installed in 1996 while the latest equipment for data (VSAT) were installed in 2006 and 2012 to keep up with technology developments.

Complementing the facilities in Clark, Pampanga is the TBGI Network Monitoring and Operations Center at the 9<sup>th</sup> floor of Summit One Building in Mandaluyong City, Metro Manila. TBGI bought the remaining ATN financial interest in the 9<sup>th</sup> Floor of Summit One Tower Building with a total area of 853 square meters. Portion of the 9<sup>th</sup> floor is rented out on a monthly basis without incurring additional expenses on the part of the company. Rent income earned on investment properties amounted to Php1.55 million in 2012 and Php239 thousand in 2011.

In addition, TBGI owns a 210 square meter house inside a 248 square meter lot in Island Park Dasmariñas, Cavite. The facility is used for training, seminars and other human resource development activities.

The Company has no plan to acquire additional real estate properties within the next twelve (12) months.

### **Legal Proceedings**

On June 1, 2011, the Company received from the International Chamber of Commerce a notice that GEM Global Yield Fund Limited filed a Request for Arbitration, under reference number 17966/CYK, pertaining to the Equity Line of Credit Agreement signed by both parties. As of to date, the Company has not executed any Terms of Reference on the abovementioned arbitration proceedings.

Other than the above-mentioned, the Company is not involved in any litigation incidental to the conduct of its business. If there is any claim against the company, the Company believes that the cases against it have no legal basis and that there is no pending litigation that will have a material or adverse effect on its financial position or operations.

### **Submission of Matters to a Vote of Security Holders**

There was no meeting held during the 4th quarter of fiscal year ending December 31, 2012.

### **Management's Discussion and Analysis or Plan of Operation**

#### **(1) Plan of operation**

TBGI started to establish its data services network in 2001 with the installation of a satellite main hub transmitter-receiver to link the interactive broadband requirements of educational institutions. The main hub is linked to remote units in site locations of clients, TBGI was servicing 185 institutions and other clients located in Luzon, Visayas and Mindanao have been connected as of end 2011. Management expects growth in revenues to come increasingly from data services and Internet growth as the satellite data broadcast network expands with market demand.

Aside from its new market development efforts, the Company plans to continue its business in the manner it did last year. The company's internal revenue generation, interest income from various money market placements, and the cash balance are sufficient to satisfy its cash requirements for the next twelve months. It will continue to focus on its existing principal activities and has no plan to engage in major product research and development or purchase or sell any plant and significant equipment. The company values its human resources and it has no plan to decrease the number of its employees.

There is no known trend or uncertainty that will significantly reduce TBGI's liquidity. The demand of schools subscribing for Internet connectivity will require equipment purchases that will be taken out of inventory. Subscriber financing can meet any shortfall in funds for equipment acquisition, which is the ultimate source of funds for subscriber equipment purchases.

There is no liquidity problem foreseen in the next 12 months as current assets of Php55 Million as of 31 December 2012 covers more than twice the Php5.6 Million of current liabilities.

TBGI's profitability is significantly sensitive to revenues and cost of bandwidth used. While there is no known event that will materially affect revenues, the price of bandwidth has declined significantly with the sharing of the new DS3 line with various users located in Summit One Tower.

#### **FY 2012**

Total assets decreased from Php 329.58 million to Php 313.87 million as of December 31, 2012. The net decrease of Php 15.7 million in the total assets resulted from movements in the following:

Decrease in current assets of P8.4 million arising from the following changes:

- a. Increase of PHP 7.4 million in cash primarily due to collection of loans and interest receivables.
- b. Decrease of PHP 0.713 million in accounts receivables due to more collections.
- c. Decrease of PHP 13.5 million in loans receivable due to collection.
- d. Decrease in other short term investments of PHP 1.4 million due to forex rate adjustment.

- e. Decrease of PHP 0.24 million in spares inventory due to transfer to property and equipment.

Decrease in non-current assets of PHP 7.3 million due to the following:

- a. Decrease in advances for projects of PHP 3.1 million due to forex rate adjustment.
- b. Increase of PHP 8.2 million in property and equipment due to acquisition and transfer from spares inventory.
- c. Increase in investment in associates of PHP 4.125 million.
- d. Amortization of franchise by PHP 0.6 million.
- e. Decrease of PHP 0.213 million in other non-current assets.

Total liabilities decreased from PHP 14.668 million as of December 31, 2011 to PHP 6.894 million as of December 31, 2012. The net decrease of PHP 7.774 million was due to the following:

Decrease in current liabilities of PHP 1.782 million arising from the following changes:

- a. Decrease of PHP 1.89 million in accounts payable due to payment.
- b. Decrease of PHP 0.68 million in current portion of interest-bearing liabilities.
- c. Decrease of PHP 7 thousand in income tax payable.

Decrease of non-current liabilities by PHP 6.0 million arising from the following changes:

- a. Decrease of PHP 0.304 million in interest-bearing liabilities.
- b. Subscription payable of PHP 5.62 million in 2011.
- c. Increase of PHP 0.056 million in pension liability.
- d. Decrease of PHP 0.12 in deferred tax liability.

On the equity side, total equity decreased to PHP 307 million as of December 31, 2012 from PHP 315 million of December 31, 2011. The net decrease of PHP 7.8 million is due to the following:

- a. Decrease of PHP 5.72 million in retained earnings due to loss in operation.
- b. Decrease of PHP 2.22 million in revaluation increment on property and equipment.

The following table shows the top five (5) important financial indicators of the company with comparable period in the past year.

	December 31, 2012	December 31, 2011
Current Ratio	9.794	8.60
Debt-to-Equity Ratio	0.022	0.047
Gross Profit Margin	-7.75%	-2.55%
Net Income to Sales Ratio	-25.21%	-13.30%
Net Income (loss) in pesos	(P8,059,145)	(P4,624,387)

The following are important performance indicators of the company:

Current Ratio	Calculated ratio of current assets into current liabilities. Indicates the ability of the company to finance current operations without need for long term capital.
Debt-to Equity Ratio	Calculated ratio of total debt into total equity. Indicates the level of indebtedness of the company in relation to buffer funds provided by equity against any operating losses. Also indicates the capacity of the company to absorb or take in more debt.
Gross Profit margin	Calculate ratio expressed in percentage of the gross margin into revenues. Indicates the ability of the company to generate margin sufficient to cover administrative charges, financing charges and provide income for the stockholders.
Net Income to sales Ratio, and Earnings per Share	Calculated ratio of net income into total revenues. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses and non-cash charges, and the ability of the company to declare dividends for stockholders.

There is no material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

#### FY 2011

Disclosure on material events and uncertainties

- 1 There is no known trend, demands, commitments, events or uncertainties that will have material impact on the issuer's liquidity
- 2 There is no event that will trigger direct or contingent financial obligation that is material to the company.
- 3 There is no material off-balance sheet transaction, arrangement, obligations and other relationships of the company.
- 4 There is no material commitment for capital expenditures.
- 5 There is no known unfavorable trend, events, or uncertainties that have material impact on net sales.
- 6 There is no significant element of income that did not arise from the issuer's operations.

The following are important performance indicators of the company:

Current Ratio	Calculated ratio of current assets into current liabilities. Indicates the ability of the company to finance current operations without need for long term capital.
Debt-to-Equity Ratio	Calculated ratio of total debt into total equity. Indicates the level of indebtedness of the company in relation to buffer funds provided by equity against any operating losses. Also indicates the capacity of the company to absorb or take in more debt.
Gross Profit margin	Calculate ratio expressed in percentage of the gross margin into revenues. Indicates the ability of the company to generate margin sufficient to cover administrative charges, financing charges and provide income for the stockholders.
Net Income to sales Ratio, and Earnings per Share	Calculated ratio of net income into total revenues. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses and non-cash charges, and the ability of the company to declare dividends for stockholders.

Total assets decreased from Php 336.37 million to Php 329.58 million as of December 31, 2011. The net decrease of Php 6.78 million in the total assets resulted from movements in the following:

Decrease in current assets of P19.49 million arising from the following changes:

- Decrease of PHP 2.59 million in cash primarily due to payment of trade payables and interest bearing liabilities.
- Decrease of PHP 2.56 million in accounts receivables due to more collections.
- Decrease of PHP 2.30 million in loans receivable due to partial collection.
- Other short term investments of PHP 12.77 million made in 2011.
- Decrease of PHP 11.56 million in spares inventory due to transfer to property and equipment.

Increase in non-current assets of PHP 12.71 million due to the following:

- Advances for projects of PHP 26.90 for 2011.
- Increase of PHP 30.74 million in property and equipment due to acquisition and transfer from spares inventory.
- Investment property of PHP 50.29 million.
- Investment in associates of PHP 7.5 million.
- Amortization of franchise by PHP 0.6 million.
- Decrease of PHP 1 million in other non-current assets.

Total liabilities decreased from PHP 16.94 million as of December 31, 2010 to PHP 14.65 million as of December 31, 2011. The net decrease of PHP 2.29 million was due to the following:

Decrease in current liabilities of PHP 1.33 million arising from the following changes:

- Decrease of PHP 0.89 million in accounts payable due to payment.
- Decrease of PHP 0.33 million in current portion of interest-bearing liabilities.
- Decrease of PHP 0.09 million in income tax payable.

Decrease of non-current liabilities by PHP 0.96 million arising from the following changes:

- Decrease of PHP 0.64 million in interest-bearing liabilities.
- Subscription payable of PHP 5.62 million incurred in 2011.
- Decrease of PHP 0.27 million in provision for retirement benefits.
- Decrease of PHP 0.52 in deferred tax liability.

On the equity side, total equity decreased to PHP 315 million as of December 31, 2011 from PHP 319 million of December 31, 2010. The net decrease of PHP 4.49 million is due to the following:

- Decrease of PHP 2.26 million in retained earnings due to loss in operation.
- Decrease of PHP 2.22 million in revaluation increment on property and equipment.

The following table shows the top five (5) important financial indicators of the company with comparable period in the past year.

	December 31, 2011	December 31, 2010
Current Ratio	8.60	9.51
Debt-to-Equity Ratio	0.047	0.053
Gross Profit Margin	-2.55%	5.8%
Net Income to Sales Ratio	-13.30%	0.4%
Net Income (loss) in pesos	(P4,624,387)	P141,131

There is no material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

**FY 2010**

The following are important performance indicators of the company:

Current Ratio	Calculated ratio of current assets into current liabilities. Indicates the ability of the company to finance current operations without need for long term capital.
Debt-to-Equity Ratio	Calculated ratio of total debt into total equity. Indicates the level of indebtedness of the company in relation to buffer funds provided by equity against any operating losses. Also indicates the capacity of the company to absorb or take in more debt.
Gross Profit margin	Calculated ratio expressed in percentage of the gross margin into revenues. Indicates the ability of the company to generate margin sufficient to cover administrative charges, financing charges and provide income for the stockholders.
Net Income to sales Ratio, and Earnings per Share	Calculated ratio of net income into total revenues. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses and non-cash charges, and the ability of the company to declare dividends for stockholders.

Total assets increased from Php332.72 million to Php336.37 million as of December 31, 2010. The net increase of Php3.65 million in the total assets resulted from movements in the following:

Decrease in current assets of Php3.84 million arising from the following changes:

- Decrease of Php7.98 million in cash primarily due to advances to projects
- Decrease of Php1.46 million in accounts receivables due to more collections.
- Decrease of Php8.69 million in loans receivable due to partial collection.
- Short term investments of Php13.15 million made in 2010.
- Increase of Php1.02 million in spares inventory due to equipment purchases.

Increase in non-current assets of Php7.50 million

- Increase of Php1.2 million in advances to projects
- Decrease of Php0.50 million in property and equipment due to depreciation
- Increase of Php7.50 million in investment to associates
- Amortization of franchise by Php0.6 million for 2010
- Decrease of Php0.1 million in other non-current assets

Total liabilities increased from Php13.55 million as of December 31, 2009 to Php16.94 million as of December 31, 2010. The net increase of Php3.39 million was due to the following:

Decrease in current liabilities of Php1.60 million arising from the following changes:

- Decrease of Php1.07 million in current portion of interest-bearing liabilities
- Decrease of Php0.17 million in accounts payable and accrued expenses
- Decrease of Php0.36 million in income tax payable

Increase of non-current liabilities by Php4.99 million

- Decrease of Php0.64 million in interest-bearing liabilities
- Subscription payable of Php5.62 million incurred in 2010
- Increase of Php0.19 million in provision for retirement benefits
- Decrease of Php0.18 in deferred tax liability

On the equity side, total equity increased to Php319.42 million as of December 31, 2010 from Php312.16 million of December 31, 2009. The net increase of Php0.26 million is due to the following:

- Increase of Php2.48 million in retained earnings due to realized net income
- Decrease of Php2.22 million in revaluation increment on property and equipment

The following selected liquidity and profitability ratios indicate the financial condition and a stable performance of the company:

	December 31, 2010	December 31, 2009
Current Ratio	9.51	8.42
Debt-to-Equity Ratio	0.053	0.043
Gross Profit Margin	5.8%	19.8%
Net Income to Sales Ratio	0.4%	2.9%

There is no material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

#### **Information on Independent Accountant and related Matter**

##### **(1) External Audit Fees and Services**

R. R. TAN & ASSOCIATES, CPAs, the external auditor of the company, audited the financial position as at December 31, 2012 and 2011 with a contract amount of P260,000 for both year inclusive of out of pocket expenses.

R. R. Tan & ASSOCIATES, CPAs will audit the Company's statement of financial positions and the related statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ending and will provide an audit report on the financial statements referred to above in accordance with Philippine Financial Reporting Standards.



As part of the engagement, R. R. Tan & ASSOCIATES, CPAs will also assist in the preparation of the Company's annual income tax returns for filing with the Bureau of Internal Revenue;

There were no tax fees paid for the last two fiscal years for professional services rendered on tax accounting, compliance, advice, planning and any other form of tax services.

There were no other fees paid by the company for product and other services provided by the auditor.

The audit committee headed by Kenneth C. Co (Chairman), Arsenio T. Ng (Member) and Paul B. Saria (Member) has no policies and procedures of the above services.

**(2) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no events where R. R. Tan & ASSOCIATES, CPAs and the company had any disagreement on any matter of accounting principles or practices, financial statements disclosures, audit scope or procedures which led to a change in external auditors and if not resolved to the satisfaction of any of these accountants, would have caused the latter to make reference to the subject matter of disagreement in connection with its report.

**Expansion Plans**

The initial batch of 34 VSAT installations of remote units in 2002 provided access to the Internet by at least 150,000 students. The VSAT connections increased to 80 VSAT units in as many number of subscriber schools at the end of 2003 reached over a hundred schools nationwide in 2004. Transpacific also installed its web site [www.tbgi.net.ph](http://www.tbgi.net.ph) and is developing a portal, which form the basis for hosting of B2B and B2C e-commerce.

TBGI has at its disposal the use of facilities owned by the ATN Group for the performance of broadband services. Summit One Tower hosts the fiber optic backbone with bandwidth of 1 DS3 (equivalent to 22 E1 or 44 Mbps), and the necessary tower height for WIFI transmission in Metro Manila. With the DS3 bandwidth supply now available at Summit One Tower, the TBGI WIFI network envisaged for Metro Manila will be implemented in alliance with equipment suppliers from Taiwan and the USA.

With the company's sound financial condition and market niche in client schools that will eventually become last mile network nodes, TBGI will become a major wireless data services provider for schools in the Philippines. Hence, there is no foreseeable event, which may have a material impact on its short-term liquidity, and no seasonal aspect had material effect on the financial condition of the Company's operation. Funding for the expansion will be sourced from borrowings and available credit facilities from local and international banks.

TBGI market development and business expansion are focused on the following:

1. ESI Acquisition Inc. of Georgia, USA has appointed TBGI as exclusive distributor of WebEOC in the Philippines. Web EOC is a software/middleware used in the USA for counter-terrorism and disaster management applications. The US government is anchor client of WebEOC, mainly for military, transportation, health, disaster management, etc. applications. In the Philippines, the MetroManila Development Authority has been using WebEOC in their daily operations under a Proof-of Concept agreement, which may progress into a subscription agreement. Other prospective customers of the WebEOC system are the Department of Justice, Department of Budget and Management, MERALCO, Department of National Defense, Philippine Coast Guard, and the Manila International Airport.
2. TBGI has made investments in ATN Philippines Solar Energy Group, Inc. (ATN Solar) in cooperation with project proponent ATN Holdings, Inc. The TBGI affiliate has secured its Certificate of Registration and Solar Energy Service Contract from the Department of Energy for a 30 Megawatt Solar PV Power Plant near Metro Manila. The project is awaiting issuance of DOE Certificate of Commerciality and is undertaking simultaneous financial and technical closing with suppliers and banks.

**Market Price for Registrant's Common Equity and Related Stockholder Matters**

**(1) Market Information**

The registrant's common equity is principally traded at the Philippine Stock Exchange. TBGI high and low sales prices for the last two years are indicated in the table below.

	Jan 1 to Dec 31, 2012		Jan 1 to Dec 31, 2011	
	High	Low	High	Low
Qtr. 1	3.10	2.68	4.30	3.15
Qtr. 2	2.94	2.50	3.20	2.90
Qtr. 3	2.50	2.42	3.03	2.40
Qtr. 4	2.60	2.08	3.28	2.42

**The price information as of the latest practicable trading date, July 25, 2013 has a high and low of P2.40 and P2.39 respectively.**

**(2) Holders**

There is no acquisition, business combination or other reorganization that affect the transaction on amounts and percentage of present holdings of the registrant's common equity owned beneficially by:

- (a) more than five percent (5%) beneficial owner of registrant's common equity;
- (b) each directors and nominee; and
- (c) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of shares.

There are approximately 391 holders of common shares of the Company as of September 30, 2012 (bases on the number of accounts registered with the Stock Transfer Agent).

The top 20 stockholders as of June 30, 2013 are as follows:

Shareholders of Each Class	No. of Shares Held	% of Total Shares Outstanding
1. PCD Nominee Corp. (F)	82,858,806	37.39%
2. PCD Nominee Corp. (NF)	80,577,209	36.36%
3. Unipage Mangement Inc.	20,000,000	9.03%
4. Ng, Arsenio T.	13,256,429	5.98%
5. Limqueco, Abraham	2,368,000	0.92%
6. Liu, Jessilyn	1,500,000	0.68%
7. Escueta, Ramon	1,409,473	0.64%
8. Eng Chin Kho Ng	800,000	0.36%
9. Yap, Rodolfo	800,000	0.36%
10. Ng, Hilario Tiu Ng	400,804	0.18%
11. Ng, Mark T.	375,000	0.17%
12. Ng, Tiffany Anne	375,000	0.17%
13. Ng, Matthew H	375,000	0.17%
14. Ng, Annie Cham	375,000	0.17%
15. Ng, Bun Kui	360,000	0.16%
16. Ng, Irene	360,000	0.16%
17. Oliva, Dulce Maria	360,000	0.16%
18. Limqueco, Margie Villaflor	350,000	0.16%
19. Reyes-Lap, Honorio O.	300,000	0.14%
20. Limqueco, Margie V.	218,000	0.10%

(3) Dividends

There was no cash dividend declared for the last three fiscal years and there are no restrictions that limit the payment of dividend on common shares.

(4) Recent Sales of Unregistered Securities

The Company has not sold any securities within the past three years that were not registered under the RSA.

**SEC FORM 17-A**

**A copy of SEC Form 17-A will be provided to any stockholder of Transpacific Broadband Group International Inc. without any charge upon written request addressed to:**

**Paul B. Saria**  
 Transpacific Broadband Group International, Inc.  
 9<sup>th</sup> Floor Summit One Tower  
 530 Shaw Blvd., Mandaluyong City, Metro Manila

**SEC FORM 17Q – Quarter Ending June 30, 2013**

**A copy of the 2<sup>nd</sup> quarter report for the period ended June 30, 2013 will be available to all stockholders during the Annual Stockholder Meeting.**




**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**


April 11, 2013

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

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

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

  
ARSENIO T. NG  
President and CEO

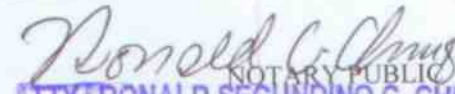
  
PAUL B. SARIA  
Chief Operating Officer

  
HILARIO T. NG  
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 11th day of April 2012, affiants exhibiting to me their driver's license, as follows:

NAMES	RES. CERT. NO.	EXPIRY DATE	PLACE OF ISSUE
Arsenio T. Ng	DL NO1-86-031588	03/13/2015	Manila
Paul B. Saria	DL N04-93-264992	12/15/2013	Mandaluyong
Hilario T. Ng	DL F03-89-049-506	08/23/2015	Manila

Doc. No. : 209  
Page No. : 23  
Book No. : 1  
Series of 2013 : 2013

  
NOTARY PUBLIC  
**ATTY. RONALD SEGUNDINO C. CHING**  
NOTARY PUBLIC  
ADMIN. NO. 2011-008-UNTIL DEC. 31, 2013  
ROLL NO. 54888  
NO. 945 BENAVIDEZ ST. BINONDO  
PTR NO. MLA. 1313278/11-9-2012  
IBP NO. MLA. 878388/11-15-2012  
MCLE COMPLIANCE NO. 111-00016300

***Report of Independent Public Accountants***

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

***Report on the 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, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

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

***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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Transpacific Broadband Group International, Inc. as of December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**Report on the 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 29 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

PTR No. 8535570, January 18, 2013, Pasig City

SEC Accreditation No. 1088-A, valid until February 23, 2014

BIR Accreditation No. 07-001024-10-2010, valid until  
October 27, 2013

April 12, 2013  
Pasig City



**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**

<b>ASSETS</b>	<i>Notes</i>	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>			
Cash and cash equivalents	5	P 9,500,468	P 2,051,769
Trade receivables - net	6	30,379,650	31,092,958
Loans and interests receivable	7	62,638	13,542,203
Other short term investments	8	11,333,590	12,775,600
Spare parts inventory	9	3,859,237	4,101,220
		<b>55,135,583</b>	<b>63,563,749</b>
<b>Non-current Assets</b>			
Advances for projects	10	23,742,360	26,900,000
Property and equipment	14	162,777,020	170,219,413
Investment property	15	50,287,400	50,287,400
Advances to and investment in an associate	11	11,625,000	7,500,000
Franchise - net	12	6,742,405	7,342,405
Other non-current assets	13	3,558,663	3,771,937
		<b>258,732,848</b>	<b>266,021,155</b>
<b>TOTAL ASSETS</b>		<b>P 313,868,431</b>	<b>P 329,584,904</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	16	P 446,836	P 1,536,468
Current portion of interest-bearing liabilities	17	5,164,653	5,849,729
Income tax payable		18,045	25,230
<b>Total Current Liabilities</b>		<b>5,629,534</b>	<b>7,411,427</b>
<b>Non-current Liabilities</b>			
Interest-bearing liabilities - net of current portion	17	108,873	412,872
Subscription payable	11	-	5,625,000
Pension liability	18	1,018,765	962,383
Deferred tax liability- net	25	136,754	256,669
<b>Total Non-current Liabilities</b>		<b>1,264,392</b>	<b>7,256,923</b>
<b>Total Liabilities</b>		<b>6,893,926</b>	<b>14,668,349</b>
<b>Equity</b>			
Share capital	19	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		5,525,312	7,750,126
Retained earnings		41,517,827	47,235,063
Treasury shares		(437,800)	(437,800)
<b>Total Equity</b>		<b>306,974,505</b>	<b>314,916,555</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 313,868,431</b>	<b>P 329,584,904</b>

See accompanying notes to financial statements



**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**

	Notes	2012	2011	2010
REVENUES FROM UPLINK AND OTHER DATA-RELATED SERVICES		P 31,960,293	P 34,636,059	P 40,156,316
DIRECT COSTS	20	34,436,838	35,519,402	37,808,839
GROSS PROFIT		(2,476,544)	(883,342)	2,347,477
OTHER INCOME	21	2,566,714	1,523,647	2,661,959
TOTAL INCOME		90,169	640,305	5,009,437
ADMINISTRATIVE EXPENSES	22	7,797,468	4,766,012	3,966,730
FINANCE COSTS - NET		232,285	371,034	645,339
PROFIT (LOSS) BEFORE INCOME TAX		(7,939,584)	(4,496,741)	397,368
INCOME TAX EXPENSE	25	119,561	127,646	256,236
PROFIT (LOSS) FOR THE YEAR		(8,059,145)	(4,624,387)	141,131
OTHER COMPREHENSIVE INCOME				
Revaluation increment of property and equipment absorbed through depreciation		2,341,909	2,341,909	2,341,909
Effect of deferred income tax		(117,095)	(117,095)	(117,095)
TOTAL COMPREHENSIVE INCOME (LOSS)		(5,834,331)	(2,399,573)	2,365,945
EARNINGS (LOSS) PER SHARE	26	(0.0363)	(0.0208) P	0.0006

*See accompanying notes to financial statements*





TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Notes	2012	2011	2010
<b>SHARE CAPITAL</b>	19	P 222,019,330	P 222,019,330	P 222,019,330
<b>SHARE PREMIUM</b>		29,428,022	29,428,022	29,428,022
<b>SHARE OPTIONS OUTSTANDING</b>	19			
Balance, January 1		8,921,814	8,921,814	8,921,814
Options granted		-	-	-
Balance, December 31		8,921,814	8,921,814	8,921,814
<b>REVALUATION INCREMENT ON PROPERTY AND EQUIPMENT- NET OF TAX</b>				
Balance, January 1	19	7,750,126	9,974,940	12,199,754
Revaluation increment absorbed through depreciation		(2,224,814)	(2,224,814)	(2,224,814)
Balance, December 31		5,525,312	7,750,126	9,974,940
<b>RETAINED EARNINGS</b>				
Balance, January 1		47,235,063	49,517,540	47,034,500
Revaluation increment absorbed through depreciation	19	2,341,909	2,341,909	2,341,909
Profit (loss) for the year		(8,059,145)	(4,624,387)	141,131
Balance, December 31		41,517,827	47,235,063	49,517,540
<b>TREASURY SHARES</b>		(437,800)	(437,800)	(437,800)
		P 306,974,505	P 314,916,555	P 319,423,846

*See accompanying notes to financial statements*





TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Notes	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss) profit before income tax expense	P	(7,939,584)	(4,496,741)	397,368
Adjustments for:				
Depreciation and amortization	14	15,712,064	16,167,314	15,599,396
Provision for retirement benefits	18	56,382	-	186,502
Unrealized foreign exchange loss (gain)	21,22	5,199,978	334,667	(1,029,306)
Amortization of franchise	12	600,000	600,000	600,000
Interest expense	17	-	(215,187)	645,339
Interest income	21	(1,016,258)	1,284,583	(1,088,138)
Operating income before Working Capital Changes		12,612,583	13,674,636	15,311,161
(Increase) Decrease in Operating Assets:				
Trade receivables-net		1,207,612	2,562,576	1,462,306
Spare parts inventory		-	-	(1,023,400)
Other current asset		-	151,193	(169,471)
Other non-current assets		(18,829)	983,084	98,739
Increase (decrease) in Operating Liabilities:				
Accounts payable and accrued expenses		(1,089,632)	(894,228)	(172,557)
Cash generated by operations		12,711,734	16,477,261	15,506,778
Income taxes paid		(18,045)	(99,939)	(613,355)
Retirement benefits paid	18	-	(270,403)	-
Interest received		521,954	522,213	832,739
<b>Net Cash Provided by Operating Activities</b>		<b>13,215,643</b>	<b>16,629,132</b>	<b>15,726,162</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Advances for projects		3,157,640	300,000	(1,200,000)
Investment in associate		(4,125,000)	-	(1,875,000)
Loans receivable		13,479,564	1,293,402	8,941,342
Change in other short term investments		1,442,010	-	(13,152,470)
Acquisition of property and equipment	14	(8,027,688)	(19,537,424)	(14,393,079)
Payment of subscription		(5,625,000)	-	-
<b>Net Cash Provided (Used) in Investing Activities</b>		<b>301,526</b>	<b>(17,944,022)</b>	<b>(21,679,207)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds of bank loans		-	-	5,540,293
Debt Servicing:				
Principal		(636,207)	(781,941)	(6,920,505)
Interest		(232,285)	(155,847)	(645,339)
<b>Net Cash Used in Financing Activities</b>		<b>(868,493)</b>	<b>(937,788)</b>	<b>(2,025,551)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>				
IN CASH AND CASH EQUIVALENTS	21.22	(5,199,978)	(334,667)	(148)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>7,448,699</b>	<b>(2,587,345)</b>	<b>(7,978,744)</b>
CASH AND CASH EQUIVALENTS, January 1		2,051,769	4,639,114	12,617,858
CASH AND CASH EQUIVALENTS, December 31	P	9,500,468	2,051,769	4,639,114

See accompanying notes to financial statements



**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

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**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 9.03% 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, 2012 (including the comparative figures as of December 31, 2011 and 2010) were authorized for issue by the President on April 11, 2013.

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**2. Summary of Significant Accounting Policies**

*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.

*Changes in Accounting Standards*

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, 2012.





Standards Effective in 2012

Amendments to PFRS 7, "Financial Instruments: Disclosures - Transfers of Financial Assets"

The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

Amendment to Philippine Accounting Standard (PAS) 12, "Income Taxes - Deferred Tax: Recovery of Underlying Assets"

This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, "Investment Property", will be recovered through sale and, accordingly, requires that any related deferred income tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, "Property and Equipment", always be measured on a sale basis of the asset. The adoption of the amendment did not have any significant impact on the financial position or performance of the Company.

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 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 did not affect the financial position and performance of the Company.

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.

Effective in 2013

**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 will affect disclosures only and will have no impact on the Company's financial position or performance.

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

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Company's financial position or performance.

**PAS 19, Employee Benefits (Amendment)**

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording.

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

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, "Income Taxes". The Company expects that this amendment will not have any impact on its financial position or performance.



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

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

**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 statement of financial position;
- (c) The net amounts presented in the statement of financial position;
- (d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:  
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 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.

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.

Effective in 2015

**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.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for 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.

#### Financial Instruments

##### *Initial Recognition*

Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of financial assets, except financial assets at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized (regular way trades) on the trade date, i.e., the date that the Company commits to purchase or sell the asset.



The fair value for instruments traded in active market at the end of reporting period is based in 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 profit or loss for the period 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 (FVTPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The classification is dependent on the purpose for which the instrument is acquired at the time of acquisition and re-evaluates such recognition on a regular basis. As of December 31, 2012 and 2011, the Company's financial instrument consist only of loans and interest receivable and other financial liabilities.

(i) 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. Loans and receivables are carried at cost or amortized cost in the statement of financial position. Amortization is determined using the effective interest method less any impairment losses.

(ii) Other financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as expense in the profit or loss for the period.

*Reclassification of financial assets*

A financial asset is reclassified out of the FVTPL 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 FVTPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of comprehensive 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.

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

*Impairment of financial assets*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has occurred, 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.

*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 for the period.

*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 statement of comprehensive 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
Transportation equipment	10 years
Furniture and fixtures	10 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.

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 Statement of Comprehensive 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 statement 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 comprehensive 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.





Impairment of Non-financial Assets

The Company's property and equipment and investment property 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 carrying 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 indication that an impairment loss previously recognized may no longer exists and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

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 statement of comprehensive 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 statement of comprehensive 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 statement.

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.

3. **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.

*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.

(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:

*Determination of fair value of investment property*

The Company has adopted the fair value model in determining the carrying value of its investment properties. The Company has obtained the services of an independent appraiser to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties with adjustment to reflect any changes in economic conditions since the date of the transaction that occurred on those prices.

*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.

*Estimated 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, 2012 and 2011 amounted to P162,777,020 and P170,219,413, 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 P56,382 in 2012, P-0- in 2011 and P186,501 in 2010.

*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, 2012 and 2011, 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, 2012 and 2011, share options outstanding amounted P8,921,814.

**4. 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, 2012 and 2011.

	Gross Maximum Exposure			
	2012		2011	
Cash and cash equivalents *	P	9,487,468	P	2,038,769
Trade receivables		36,733,816		37,447,124
Advances for projects		23,742,360		26,900,000
Loans and interest receivable		62,638		13,542,203
Other receivables		3,103,158		3,316,432
	P	73,129,441	P	83,244,528

\*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.

Loans and interest receivable in 2011 are collateralized by time deposit in the amount of P6,326,374.

Advances for projects amounting to P23.7 million in 2012 and P26.9 million in 2011 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.

Credit quality of the Company's assets as at December 31, 2012 and 2011 is as follows:

	December 31, 2012					Total	
	Neither past due nor impaired		Past due but not impaired	Past due and impaired			
	High grade	Standard grade					
Cash and cash equivalents	P	9,487,468	-	-	-	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 receivables		-	-	3,103,158	-	3,103,158	
	P	9,487,468	P	7,346,763	P	49,941,043	
				P	6,354,166	P	73,129,441

	December 31, 2011					Total	
	Neither past due nor impaired		Past due but not impaired	Past due and impaired			
	High grade	Standard grade					
Cash and cash equivalents	P	2,038,769	-	-	-	P 2,038,769	
Receivables							
Trade		-	P	6,218,500	P	24,874,458	
Loans and interest		-	-	13,542,203	-	13,542,203	
Advances for projects		-	-	26,900,000	-	26,900,000	
Other receivables		-	-	3,316,432	-	3,316,432	
	P	2,038,769	P	6,218,500	P	68,633,093	
				P	6,354,166	P	83,244,528



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, 2012						
	Trade	Loans and interests receivable	Advances for projects	Other Receivables	Total	
30-60 days past due	P 2,921,760	P -	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	3,103,158	37,454,981	
	P 23,032,887	P 62,638	P 23,742,360	P 3,103,158	P 49,941,043	

December 31, 2011						
	Trade	Loans and interests receivable	Advances for projects	Other Receivables	Total	
30-60 days past due	P 3,155,366	P -	P -	P -	P 3,155,366	
61-90 days past due	10,329,006	-	-	-	10,329,006	
over 90 days	11,390,086	13,542,203	26,900,000	3,316,432	55,148,721	
	P 24,874,458	P 13,542,203	P 26,900,000	P 3,316,432	P 68,633,093	

*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, 2012 and 2011.

	December 31, 2012				Total
	< 1 month	> 1 month & < 3 months	> 3 months & < 1 year	> 1 year & < 5 years	
Accounts payable and accrued expenses	P -	P 446,836	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





	December 31, 2011				Total
	< 1 month	> 1 month & < 3 months	> 3 months & < 1 year	> 1 year & < 5 years	
Accounts payable and accrued expenses	P 467,222	-	P 1,069,246	-	P 1,536,468
Interest-bearing liabilities					
Loans payable	-	-	5,213,522	-	5,213,522
Obligations under finance lease	-	-	636,207	412,872	1,049,079
	P 467,222	-	P 6,918,975	P 412,872	P 7,799,069

*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 position.

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

	2012		2011	
Cash and cash equivalents	US\$	506	US\$	8,147
Advances for projects		455,000		455,000
Bank loans		(118,000)		(118,000)
	US\$	337,506	US\$	345,147

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, 2012 and 2011:

Increase/decrease in Peso to US Dollar Rate	Effect on Income Before Taxes	
	2012	2011
+P5.00	US\$ 1,687,530	US\$ 1,725,735
-P5.00	US\$ (1,687,530)	US\$ (1,725,735)

There is no other impact on the Company's equity other than those affecting the 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:

	2012		2011	
	Principal	Interest rates	Principal	Interest rates
Foreign currency loans	P 4,860,656	1M LIBOR plus 2.75% 1M LIBOR plus 3%	P 5,213,522	1M LIBOR plus 2.75% 1M LIBOR plus 3%
Obligation under finance lease	412,870	11%-19%	1,049,079	11%-19%
	P 5,273,526		P 6,262,601	

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 P464,571 in 2012 and P742,068 in 2011. This is mainly attributable to the Company's exposure to interest rates on its variable rate financial assets; and
- Equity would decrease/increase by P441,342 in 2012 and P704,964 in 2011.

**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.

Fair values

Comparative carrying amounts and fair values of financial instruments as at December 31, 2012 and 2011 are as follows:

	2012		2011	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Cash and cash equivalents	P 9,500,468	P 9,500,468	P 2,051,769	P 2,051,769
Trade receivables	30,379,650	30,379,650	31,092,958	31,092,958
Loans and interest receivable	62,638	62,638	13,542,203	13,542,203
Other short term investment	11,333,590	11,333,590	12,775,600	12,775,600
Other receivables	3,103,158	3,103,158	3,316,432	3,316,432
Advances for projects	23,742,360	23,742,360	26,900,000	26,900,000
Accounts payable and accrued expenses	(446,836)	(446,836)	(1,536,468)	(1,536,468)
Interest bearing liabilities	(5,273,526)	(5,273,526)	(6,262,601)	(6,262,601)
Net financial asset	P 72,401,502	P 72,401,502	P 81,879,893	P 81,879,893





Due to short-term nature of transactions, cash on hand and in banks, trade and other receivables, other short term investments fair values approximates the carrying amounts at initial recognition.

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:

	2012	2011
Equity	306,974,505	314,916,555
Total Assets	313,868,431	329,584,904
Ratio	0.98	0.95

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**5. Cash and cash equivalents**

As at December 31, 2012 and 2011 cash and cash equivalents represent cash on hand and cash in banks of P 9,500,468 and P2,051,769, respectively.

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

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**6. Trade receivables - net**

The composition of this account is as follows:

	2012	2011
Trade	P 36,733,816	P 37,447,124
Less: Allowance for probable losses	(6,354,166)	(6,354,166)
	P 30,379,650	P 31,092,958

Trade accounts have credit terms of 30-90 days.

During 2012 and 2011 there were no changes affecting the allowance for probable losses.



**7. Loans and interest receivable**

This account consists of:

	2012	2011
Loans receivable		
Mr. Arsenio T. Ng	P -	P 6,624,864
Unipage Management, Inc.	-	6,154,435
		12,779,299
Interest receivable		
Mr. Arsenio T. Ng	62,638	448,031
Unipage Management, Inc.	-	314,873
	62,638	762,904
	P 62,638	P 13,542,203

*Loan to Mr. Arsenio T. Ng*

The original loan to Mr. Arsenio T. Ng is covered by a Contract of Loan executed on July 11, 2008. The loan agreement binds Mr. Ng to pay the loan on or before November 30, 2009 inclusive of interest at 5% per annum. On November 30, 2009, the same Contract of Loan was renewed extending its due date to November 30, 2010. And on November 30, 2010, both parties has agreed for another renewal of the Contract of Loan on the remaining amount of P8,985,095 payable on or before November 30, 2011. On November 26, 2011, the contract of loan was renewed for the remaining amount of P7,072,895 payable on or before November 30, 2012. The agreement provides that in the event of default, the debtor shall be liable for monthly interests at the same rate in addition to compounded penalties equivalent to legal interests on total amounts due, without prejudice to the right of the Company to enforce any of its rights under the Contract of Loan. The loan is secured with a collateral guarantee under Time Deposit of P6,326,374.

*Loan to Unipage Management Group Inc.*

The original loan to Unipage Management Inc. (UMI) is covered by a contract of loan executed on December 15, 2008. The loan agreement binds UMI to pay the loan on or before December 15, 2009 inclusive of interest at 5% per annum. On December 15, 2009, the loan was extended up to December 15, 2010 with principal amount of P 6,331,856 (inclusive of unpaid interest as of December 15, 2009). In addition, on December 15, 2010, both parties have agreed for another renewal of the Contract of Loan on the remaining amount of P 5,831,856 payable on or before December 15, 2011. On December 15, 2011, the contract of loan was renewed for the remaining amount of P6,469,307 payable on or before December 15, 2012.

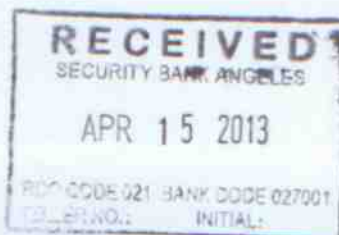
The loan is secured by (i) Time Deposit under China Banking Corporation for P 5,146,294 under the beneficial ownership of the debtor.

The loan was granted to facilitate the production, publication, and marketing of a book "A Nation's Guide to Financial Prosperity which is aimed to promote the public relations efforts of the company on a sustainable basis.

The loan and interest was paid in full during 2012.

Mr. Arsenio T. Ng, UMI, and the Company are related parties.

As of December 31, 2012, the loan to Mr. Arsenio T. Ng was paid in full except for P62,638 interest receivable which was paid subsequently in 2013.





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**8. Other Short Term Investments**

Other 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 P11,333,590 in 2012 and P12,775,600 in 2011 earn interest of 8% annually.

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**9. 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 P241,983 and P11,199,592 was transferred to property and equipment in 2012 and 2011, respectively. Spare parts inventory amounting to P3,859,237 in 2012 and P4,101,220 in 2011 are carried at cost.

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**10. Advances for projects**

In accordance with memorandum agreement (MOA) entered into between His Royal Highness Prince Abdul Aziz Bin Talal (HRH) 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.

As at December 31, 2012 and 2011, funds amounting to P23.7 million and P26.9 million, respectively have been released to HRH to cover projects in the pipeline that HRH and the Company is pursuing.

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. The said agreement was renewed for another year starting on December 15, 2012.

The amount of P 23.7 million is unspent as at December 31, 2012.

HRH is the Company's Chairman and Mr. Arsenio T. Ng is the Company's President.

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**11. Advances to and Investment in an Associate**

During 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 is presented in the liability section as "Subscription Payable". In 2012, the balance of subscription was paid in full.

The Company holds a 20.69% and 30% interest in ATN Philippines Solar Energy Group Inc. in 2012 and 2011, respectively.



The Company's advances to and investment in associate are as follows:

		2012		2011
Investment in associate	P	7,500,000	P	7,500,000
Advances to associate		4,125,000		-
	P	11,625,000	P	7,500,000

In 2011, ATN Solar was awarded by Department of Energy for the 30-MW Rodriguez Solar Power Project.

As at December 31, 2012, certain conditions are yet to be finalized including supply of material, project financing and government permits. ATN Solar has not started commercial operation.

## 12. Franchise-net

The movement in this account is as follows:

		2012		2011
Franchise	P	7,342,405	P	7,942,405
Amortization		(600,000)		(600,000)
	P	6,742,405	P	7,342,405

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.

## 13. Other non-current assets

This account consists of:

		2012		2011
Advances to:				
Palladian Land Development Inc. (PLDI) (see note 23)	P	2,041,084	P	2,319,358
ATN Holdings, Inc. (ATN) (see note 23)		1,062,074		997,074
Security deposit		455,505		455,505
	P	3,558,663	P	3,771,937

The company, PLDI and ATN are all affiliated companies.

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





**14. Property and equipment - net**

The movement in this account is as follows:

2012	Building & improvements	Uplink/data Equipment	Furniture & Fixtures	Leasehold improvements	Transportation equipment	Total
<b>Carrying Amount</b>						
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
<b>Accumulated depreciation</b>						
At January 1, 2012	13,905,724	101,670,739	1,358,501	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	1,571,570	7,902,418	9,276,782	147,905,993
<b>Net Book Value</b>						
At December 31, 2012	P 6,418,006	P 136,108,067	P 3,609,156	P 11,243,291	P 5,398,502	P 162,777,020

2011	Building & improvements	Uplink/data Equipment	Furniture & Fixtures	Leasehold improvements	Transportation equipment	Total
<b>Carrying Amount</b>						
At January 1, 2011	P 21,393,402	P 216,421,393	P 4,795,726	P 18,280,657	P 10,785,148	P 271,676,326
Reclassification from spare parts inventory	-	11,199,592	-	-	-	11,199,592
Additions	-	19,537,424	-	-	-	19,537,424
At December 31, 2011	21,393,402	247,158,409	4,795,726	18,280,657	10,785,148	302,413,342
<b>Accumulated depreciation</b>						
At January 1, 2011	12,836,052	89,193,920	1,155,057	6,162,396	6,679,190	116,026,615
Provisions	1,069,672	12,476,819	203,444	841,176	1,576,202	16,167,314
Disposal	-	-	-	-	-	-
At December 31, 2011	13,905,724	101,670,739	1,358,501	7,003,572	8,255,392	132,193,929
<b>Net Book Value</b>						
At December 31, 2011	P 7,487,678	P 145,487,670	P 3,437,225	P 11,277,085	P 2,529,756	P 170,219,413

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:

	2012	2011
Building and improvements	P 2,331,914	P 3,401,586
Uplink/data equipment	32,003,948	33,098,959

The transportation equipment subject of the finance lease has a carrying value of P1,508,365 in 2012 and P2,280,890 in 2011.



### 15. Investment properties

As of December 31, 2012 and 2011, 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 P1,550,456 in 2012, P239,064 in 2011 and P544,516 in 2010.

### 16. Accounts payable and accrued expenses

This account consists of:

		2012		2011
Trade payables	P	171,943	P	1,069,246
Accrued liabilities		273,590		446,521
Other liabilities		1,302		20,701
	P	446,836	P	1,536,468

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.

### 17. Interest-bearing liabilities

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

		2012		2011
Foreign currency loans	P	4,860,656	P	5,213,522
Obligation under finance lease		412,870		1,049,079
		5,273,526		6,262,601
Less: current portion		5,164,653		5,849,729
	P	108,873	P	412,872

#### Foreign currency loans

Foreign currency loans were obtained from China Banking Corporation ("CBC") payable up to 2013. Annual interest rate is 2.7485% 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 20%.

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

		2012		2011
Due within 1 year	P	303,997	P	636,207
Due after 1st year up 5th year		108,873		412,872
Total		412,870		1,049,079
Amount representing interest		84,641		215,187
Present value of lease payments	P	497,511	P	1,264,266

Interest expense related to obligation under finance lease amounted to P84,641 in 2012, P215,187 in 2011 and P332,602 in 2010.

**18. 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 P56,382 in 2012, P-0- in 2011 and P186,501 in 2010. The movement in Liability for Retirement benefits for the year ended December 31, 2012 and 2011 is as follows:

		2012		2011
Balance, January 1	P	962,383	P	1,232,786
Benefits paid/expense recognized		56,382		(270,403)
	P	1,018,765	P	962,383

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

**19. 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 Second Board of 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. Subject shares were to be issued not later than October 22, 2008 as the Company has undertaken on best efforts basis, to make new shares available on June 22, 2008. The additional listing was not carried out as of December 31, 2012.



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		
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 (40) million 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:

		2012		2011
Revaluation increment	P	7,750,126	P	9,974,940
Cumulative amount of revaluation absorbed through depreciation		(2,224,814)		(2,224,814)
	P	5,525,312	P	7,750,126

*Retained earnings*

As of December 31, dividend declaration out of retained earnings is restricted to the following:

		2012		2011
Fair value gains on investment property	P	5,525,312	P	7,750,126
Treasury stock		437,800		437,800
	P	5,963,112	P	8,187,926

**20. Direct costs**

This account consists of:

		2012		2011		2010
Depreciation	P	15,712,064	P	16,167,313	P	15,599,396
Transponder lease (see Note 27)		10,853,268		10,630,894		12,988,615
Rental expense (see Note 27)		1,923,220		1,747,268		1,692,500
Salaries, wages & other benefits		1,769,295		1,804,492		2,280,441
Utilities and communication		1,027,837		1,031,237		1,046,636
Transportation and travel		823,417		1,484,609		1,271,246
Taxes and licenses		770,395		466,498		810,811
Amortization of franchise		600,000		600,000		600,000
Security services		418,638		665,816		448,969
Office supplies		275,897		603,673		602,634
Insurance		262,808		295,852		239,718
Repairs and maintenance		-		21,750		227,873
	P	34,436,838	P	35,519,402	P	37,808,839

**21. Other income**

The composition of this account is as follows:

		2012		2011		2010
Rent income	P	1,550,456	P	239,064	P	544,516
Interest income		1,016,258		1,284,583		1,088,138
Unrealized foreign exchange gain		-		-		1,029,306
	P	2,566,714	P	1,523,647	P	2,661,959



**22. Administrative expenses**

This account consists of:

	2012	2011	2010
Unrealized foreign exchange loss	P 5,199,978	P 334,667	P -
Power, utilities and communication	776,401	1,427,303	1,109,710
Salaries, wages and other benefits	755,610	770,145	917,320
Legal and professional fees	445,000	672,700	1,040,000
Permits, taxes and licenses	444,430	427,884	514,805
Representation and entertainment	154,030	255,000	167,757
Transportation and travel	21,027	129,885	196,165
Miscellaneous	993	748,427	20,973
	P 7,797,468	P 4,766,012	P 3,966,730

**23. Related party transactions**

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

	2012	2011
Collection of loans and interests receivable from Mr. Arsenio T. Ng President and CEO (see Note 7)	P (7,010,257)	P (2,620,834)
(Collection) interest accrual on loans and interests receivable from Unipage Management Inc. an affiliated company (see Note 7)	(6,469,307)	314,872
Advances for projects (see Note 10)	(3,157,640)	(300,000)
Advances (collections) from related parties (see note 9)		
ATN Holdings, Inc.	65,000	-
Palladian Land Development, Inc.	(278,274)	331,977

The movements in advances for projects represent loss on foreign exchange.

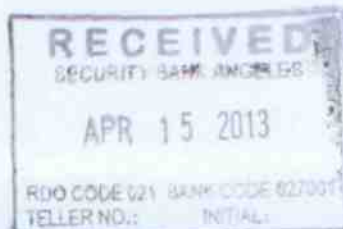
The year-end balances of receivables and advances to related parties after considering related party transactions for the year are as follows:

	2012	2011
Advances for projects	P 23,742,360	P 26,900,000
Loans and interest receivable	62,638	13,542,203
Other receivables		
Palladian Land Development, Inc.	2,041,084	2,319,358
ATN Holdings, Inc.	1,062,074	997,074

(b) Key management compensation

The compensation paid or payable to key management personnel for the year ended December 31, 2012, 2011 and 2010 are P714,766, P770,145 and P917,320, respectively.

Key management personnel have not been provided with retirement benefits.



#### 24. 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.

#### 25. Income taxes

The major components of provision for income tax for the years ended December 31, 2012, 2011 and 2010 are as follows:

	2012		2011		2010	
Current	122,380	P	165,590	P	317,026	
Deferred	(2,819)		(37,944)		(60,790)	
	<b>P 119,561</b>	<b>P</b>	<b>127,646</b>	<b>P</b>	<b>256,236</b>	

The components of net deferred tax assets that were not recognized in the statements of financial positions are as follows:

	2012		2011		2010	
Deferred tax assets						
Unrealized loss on fair value adjustment on investment property - net	P 103,116	P	103,116	P	103,116	
Pension liability	50,938		48,119		61,639	
Unrealized foreign exchange gain	-		-		51,465	
Deferred tax liability						
Revaluation increment	290,808		407,903		524,998	
Net deferred tax liability	<b>P 136,754</b>	<b>P</b>	<b>256,669</b>	<b>P</b>	<b>308,777</b>	





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

	2012		2011		2010
Income (loss) before income tax	P	(7,939,584)	P	(4,496,741)	P 397,368
Statutory income tax (@5%)		(396,979)		(224,837)	19,868
Adjustment for:					
Interest income subject to final tax		-		(114)	(2,846)
Depreciation on revaluation increment		117,095		117,095	117,095
Pension liability		2,819		-	9,325
Unrealized gain in 2011 realized in 2012		-		16,594	-
Unrecognized foreign exchange gain		-		-	(51,465)
Non-deductible operating expense		399,445		256,852	225,049
Actual provision for income tax	P	122,380	P	165,590	P 317,026

## 26. 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:

	2012		2011		2010
Profit (loss) for the year (a)	P	(8,059,145)	P	(4,624,387)	141,131
Weighted average number of shares					
Outstanding during the year (b)		222,019,330		222,019,330	222,019,330
Earnings (loss) per share		(0.0363)		(0.0208)	0.0006

As at December 31, 2012, 2011 and 2010, there are no potential ordinary shares with dilutive effect.

## 27. Contracts and other commitments

### (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 comprehensive income amounted to P10,853,268 in 2012, P10,630,894 in 2011 and P12,988,615 in 2010. 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 comprehensive income amounted to P1,923,220 in 2012, P1,747,268 in 2011 and P1,692,500 in 2010.

(d) Lease Agreement with Palladian Land Development Inc.

The Company leases Unit 8B of the Summit One Parking Building for a period of five (5) years starting October 15, 2008 Dto October 14, 2013. Rental rate is P80,000 per month. For the first two years of occupancy, no rental shall be charged in consideration for the cost of improvements that the Company will construct. No payments were made in 2012.

(e) Lease Agreement with IPP, 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.

On March 31, 2010, the lease agreement with IPP expired and was not renewed anymore.

In 2012, Just Marketing, Primeasia and Globex entered into a lease agreement with TBGI.

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**28. Other significant matters**

*Contingencies*

In the normal course of business, the Company may become defendant in lawsuits involving settlement of insurance claims. The Company recognized adequate provisions in its books to cover possible losses that may be incurred on these claims. In the opinion of management, liabilities arising from these claims, if any, will not have material effect on the Company's financial position and will have no material impact in the financial statements, taken as a whole.

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**29. Supplementary Information Required under Revenue Regulations 15-2010 and 19-2011**

The Bureau of Internal Revenue (BIR) issued Revenue Regulations 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, 2012 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 2012 amounted to P2,447,616 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	21,950
Creditable withholding taxes		27,840

- As of December 31, 2012, the Company has no pending tax cases within and outside the administration of the BIR.

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

- Details of Company's operating and non-operating income are as follows:

Uplink and other data-related services	P	31,960,293
Other income		2,566,714

- Details of direct costs for income tax purposes are as follows:

Depreciation and amortization	P	13,370,155
Transponder lease		10,853,268
Rental expense		1,923,220
Salaries, wages and other benefits		1,753,757
Utilities and communication		1,027,837
Transportation and travel		823,417
Taxes and licenses		770,395
Amortization of franchise fee		600,000
Security services		418,638
Office supplies		275,897
Insurance		262,808
	P	32,079,391

- Taxes and licenses presented as part of direct costs and operating expenses in the Company's statement of comprehensive income are as follows:

Annual listing fee - PSE	P	250,000
Annual registration fee - SEC		5,050
Annual registration fee - BIR		500
Renewal of license - NTC		17,045
Supervision and regulation - NTC		753,350
Business permit		3,444
Real estate tax		160,125
Documentary stamp tax		25,311
	P	1,214,825

