Philequity Dollar Income Fund, Inc.
(An Open-End Mutual Fund Company)

Financial Statements
December 31, 2012 and 2011
and Years Ended December 31, 2012, 2011 and 2010

Independent Auditors' Report

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Philequity Dollar Income Fund, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Philequity Dollar Income Fund, Inc. (an open-end mutual fund company), 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 each of the three years in the period ended December 31, 2012, 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 controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Philequity Dollar Income Fund, Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Note 15 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 the management of Philequity Dollar Income Fund, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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PTR No. 3669656, January 2, 2013, Makati City

April 12, 2013

PHILEQUITY DOLLAR INCOME FUND, INC.
(An Open-End Mutual Fund Company)

STATEMENTS OF FINANCIAL POSITION

	December 31, 2012		December 31, 2011	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency
ASSETS				
Cash and cash equivalents (Note 6)	**$315,103**	**₱12,934,953**	$644,167	₱28,240,281
Financial assets at fair value through profit or loss (Note 7)	**3,245,235**	**133,216,897**	2,291,884	100,476,195
Accrued interest receivable	**42,308**	**1,736,742**	26,567	1,164,697
Prepaid expenses	**113**	**4,639**	113	4,954
	$3,602,759	**₱147,893,231**	$2,962,731	₱129,886,127
LIABILITIES AND EQUITY				
Liabilities				
Accrued expenses and other liabilities (Note 8)	**$117,016**	**₱4,803,477**	$1,170	₱51,293
Income tax payable	**15,709**	**644,845**	685	29,676
	132,725	**5,448,322**	1,855	80,969
Equity				
Capital stock (Note 9)	**1,400,014**	**64,935,089**	1,313,853	61,376,407
Additional paid-in capital	**825,667**	**42,367,604**	719,226	37,949,326
Retained earnings	**1,244,353**	**60,314,466**	927,797	46,924,945
Cumulative translation adjustment	**–**	**(25,172,250)**	–	(16,445,520)
	3,470,034	**142,444,909**	2,960,876	129,805,158
	3,602,759	**147,893,231**	$2,962,731	₱129,886,127
Net Asset Value Per Share (Note 9)	**$0.0534385**	**₱2.1937**	$0.0482412	₱2.1149

See accompanying Notes to Financial Statements.

PHILEQUITY DOLLAR INCOME FUND, INC.
(An Open-End Mutual Fund Company)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31					
	2012		2011		2010	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency	Functional Currency	Presentation Currency
REVENUE						
Net gain on financial assets at fair value through profit or loss (Note 7)	**$200,505**	**₱8,270,368**	$12,828	₱571,490	$79,950	₱3,504,904
Interest income (Notes 6 and 7)	**162,486**	**6,811,282**	133,935	5,799,909	128,923	5,652,298
Net foreign exchange gains	**242**	**17,974**	72	3,118	161	7,026
	363,233	**15,099,624**	146,835	6,374,517	209,034	9,164,228
EXPENSES						
Professional fees	**11,201**	**471,885**	8,115	358,653	5,698	257,104
Taxes and licenses	**2,464**	**102,467**	2,077	92,050	2,060	94,343
Others (Note 11)	**1,184**	**51,155**	14,161	620,173	848	39,069
	14,849	**625,507**	24,353	1,070,876	8,606	390,516
INVESTMENT INCOME BEFORE INCOME TAX	**348,384**	**14,474,117**	122,482	5,303,641	200,428	8,773,712
PROVISION FOR INCOME TAX (Note 12)	**16,396**	**673,900**	1,383	59,907	329	14,744
NET INVESTMENT INCOME	**331,988**	**13,800,217**	121,099	5,243,734	200,099	8,758,968
OTHER COMPREHENSIVE INCOME (LOSS)						
Foreign exchange adjustments	**–**	**(8,726,730)**	–	681,004	–	(6,491,320)
TOTAL COMPREHENSIVE INCOME	**$331,988**	**₱5,073,487**	$121,099	₱5,924,738	$200,099	₱2,267,648

See accompanying Notes to Financial Statements.

PHILEQUITY DOLLAR INCOME FUND, INC.
(An Open-End Mutual Fund Company)

STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31					
	2012		2011		2010	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency	Functional Currency	Presentation Currency
CAPITAL STOCK (Note 9)						
Common stock - ₱1 par value						
Authorized, 100,000,000 shares						
Issued and outstanding:						
Balance at beginning of year	**$1,313,853**	**₱61,376,407**	$1,251,506	₱58,763,568	$1,199,306	₱56,463,398
Issuances	**167,326**	**7,111,881**	79,529	3,441,992	62,435	2,803,613
Redemptions	**(81,165)**	**(3,553,199)**	(17,182)	(829,153)	(10,235)	(503,443)
Balance at end of year	**1,400,014**	**64,935,089**	1,313,853	61,376,407	1,251,506	58,763,568
ADDITIONAL PAID-IN CAPITAL						
Balance at beginning of year	**719,226**	**37,949,326**	651,987	35,304,146	594,426	32,753,804
Issuances	**198,400**	**8,431,490**	82,498	3,570,705	65,532	2,943,504
Redemptions	**(91,959)**	**(4,013,212)**	(15,259)	(925,525)	(7,971)	(393,162)
Balance at end of year	**825,667**	**42,367,604**	719,226	37,949,326	651,987	35,304,146
RETAINED EARNINGS						
Balance at beginning of year	**927,797**	**46,924,945**	814,521	42,143,134	618,405	33,507,466
Net investment income	**331,988**	**13,800,217**	121,099	5,243,734	200,099	8,758,968
Excess of redemption costs over the original issuance price	**(15,432)**	**(410,696)**	(7,823)	(461,923)	(3,983)	(123,300)
Balance at end of year	**1,244,353**	**60,314,466**	927,797	46,924,945	814,521	42,143,134
CUMULATIVE TRANSLATION ADJUSTMENT						
Balance at beginning of year	**–**	**(16,445,520)**	–	(17,126,524)	–	(10,635,204)
Other comprehensive income (loss) - foreign exchange adjustments	**–**	**(8,726,730)**	–	681,004	–	(6,491,320)
Balance at end of year	**–**	**(25,172,250)**	–	(16,445,520)	–	(17,126,524)
	$3,470,034	**₱142,444,909**	$2,960,876	₱129,805,158	$2,718,014	₱119,084,324

See accompanying Notes to Financial Statements.

PHILEQUITY DOLLAR INCOME FUND, INC.
(An Open-End Mutual Fund Company)

STATEMENTS OF CASH FLOWS

	Years Ended December 31					
	2012		2011		2010	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency	Functional Currency	Presentation Currency
CASH FLOWS FROM OPERATING ACTIVITIES						
Investment income before income tax	**$348,384**	**₱14,474,117**	$122,482	₱5,303,641	$200,428	₱8,773,712
Adjustment for:						
Interest income (Notes 6 and 7)	**(162,486)**	**(6,811,282)**	(133,935)	(5,799,909)	(128,923)	(5,652,298)
Net gain on financial assets at fair value through profit or loss (Note 7)	**(161,853)**	**(6,680,772)**	(12,828)	(571,490)	(54,797)	(2,402,178)
Changes in operating assets and liabilities:						
Decrease (increase) in:						
Financial assets at fair value through profit or loss	**(791,498)**	**(26,059,930)**	(64,634)	(2,884,226)	224,290	16,195,502
Prepaid expenses	**–**	**315**	13,449	589,261	(109)	(4,794)
Increase (decrease) in accrued expenses and other liabilities	**115,846**	**4,752,184**	(844)	(36,927)	182	3,118
Net cash generated from (used in) operations	**(651,607)**	**(20,325,368)**	(76,310)	(3,399,650)	241,071	16,913,062
Income tax paid	**(1,372)**	**(58,731)**	(764)	(33,160)	(262)	(11,815)
Net cash provided by (used in) operating activities	**(652,979)**	**(20,384,099)**	(77,074)	(3,432,810)	240,809	16,901,247
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	**146,745**	**6,239,237**	126,830	5,487,857	121,623	5,364,794
Net cash provided by investing activities	**146,745**	**6,239,237**	126,830	5,487,857	121,623	5,364,794
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from subscriptions of capital stock	**365,726**	**15,543,371**	162,027	7,012,697	127,967	5,747,117
Payments for redemptions of capital stock	**(188,556)**	**(7,977,107)**	(40,264)	(2,216,601)	(22,189)	(1,019,905)
Net cash provided by financing activities	**177,170**	**7,566,264**	121,763	4,796,096	105,778	4,727,212
EFFECT OF EXCHANGE RATE DIFFERENCES	**–**	**(8,726,730)**	–	681,004	–	(6,491,320)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(329,064)**	**(15,305,328)**	171,519	7,532,147	468,210	20,501,933
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**644,167**	**28,240,281**	472,648	20,708,134	4,438	206,201
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**$315,103**	**₱12,934,953**	$644,167	₱28,240,281	$472,648	₱20,708,134

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philequity Dollar Income Fund, Inc. (the Fund) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on March 4, 1999, as an open-end mutual fund company. The purposes of which are to, among others, engage in the sale of its capital stock and to invest such proceeds in dollar-denominated debt securities.

Philequity Management, Inc. (PEMI) serves as the fund manager of the Fund.

The registered address of the Fund is 2004-A East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

The accompanying financial statements of the Fund were approved and authorized for issue by the board of directors (BOD) on April 12, 2013.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements of the Fund have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) that have been measured at fair value. The financial statements are presented in US dollar (USD or $) and in Philippine peso (Php or ₱), which are the Fund's functional and presentation currencies, respectively, and all values are rounded to the nearest peso except when otherwise indicated.

Presentation of Financial Statements
The Fund presents its statement of financial position in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months from the reporting date (current) and beyond 12 months from the reporting date (noncurrent) is presented in Note 10.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year except for the following new and amended Philippine Accounting Standards (PAS) and PFRS which were adopted as of January 1, 2012. Except when otherwise indicated, the adoption of the new and amended standards did not have any impact on the accounting policies, financial position or performance of the Fund.

PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
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 amendments affect disclosures only and have no impact on the Fund's financial position or performance.

PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)
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 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, Plant and Equipment*, always be measured on a sale basis of the asset.

Summary of Significant Accounting Policies

Cash and Cash Equivalents
This includes cash in banks and cash equivalents. Cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and which are subject to an insignificant risk of changes in value.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Financial instruments within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are recognized in the statement of financial position when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets and liabilities within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
Financial instruments are initially recognized at fair value of the consideration given. The initial measurement of financial instruments includes transaction costs, except for financial instruments at FVPL. The Fund classifies its financial assets in the following categories: financial assets at FVPL, available-for-sale (AFS) investments, held-to-maturity (HTM) investments and loans and receivables. Financial liabilities are classified either as financial liabilities at FVPL or other financial liabilities carried at amortized cost or cost.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2012 and 2011, the Fund has financial assets at FVPL and loans and receivables.

Determination of fair value
At date of initial recognition and at every reporting date, the fair value of financial instruments that are traded in active markets is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the profit or loss in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Fund determines the appropriate method of recognizing the 'Day 1' amount.

Financial assets and financial liabilities at FVPL
Financial instruments at FVPL include financial assets and financial liabilities that are:
- acquired and held for trading purposes;
- designated upon initial recognition as at FVPL; and
- stand-alone or bifurcated embedded derivative financial instruments not designated as effective hedging instruments.

Financial assets and financial liabilities are classified as held for trading if they are acquired for purposes of selling and repurchasing in the near term.

Financial assets and financial liabilities may be designated by management on initial recognition at FVPL when the following criteria are met:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recognized in the profit or loss in the statement of comprehensive income. Interest earned or incurred is recorded in interest income or expense, respectively.

As of December 31, 2012 and 2011, the Fund's financial assets at FVPL comprise of investments in government securities and corporate bonds.

Derivatives recorded at FVPL
Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and
- the hybrid or combined instrument is not measured at fair value with fair value changes charged through profit or loss.

The Fund assesses whether embedded derivatives are required to be separated from host contracts when the Fund first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contracts that significantly modifies the cash flows.

As of December 31, 2012 and 2011, the Fund does not have any freestanding derivatives or any bifurcated embedded derivatives.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading designated at FVPL or classified as AFS securities.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under 'Interest income' in the profit or loss in the statement of comprehensive income. The losses arising from impairment of such loans and receivables are also recognized as 'Provision for (reversal of) impairment and credit losses' in the profit or loss in the statement of comprehensive income.

As of December 31, 2012 and 2011, the Fund has outstanding loans and receivables.

Other financial liabilities
Issued financial instruments or their components, which are neither held for trading nor designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed

amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Other financial liabilities include liabilities arising from operations or borrowings which consist of accrued expenses and other liabilities.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

Where the Fund 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 Fund'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 Fund could be required to repay.

Financial liabilities

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

Impairment of Financial Assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
If there is objective evidence that an impairment loss on financial assets carried at amortized cost (i.e. receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss in the statement of comprehensive income. The asset, together with the associated allowance accounts, is written-off when there is no realistic prospect of future recovery.

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss in the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Capital Stock and Redeemable Shares
A puttable financial instrument is classified as an equity instrument if it has all of the following features:
- It entitles the holder to a pro-rata share of the Fund's net assets in the event of the Fund's liquidation;
- The instrument is in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's right to a pro-rata share of the Fund's net assets; and

- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

In addition to the instrument having all the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund; and
- The effect of substantially restricting or fixing the residual return to the puttable instrument holders.

The Fund continuously assesses the classification of the redeemable shares. If the redeemable shares cease to have all the features or meet all the conditions set out above, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in equity. If the redeemable shares subsequently have all the features and meet the conditions set out above, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and resale of redeemable shares are accounted for as equity transactions. Upon sale of shares, the consideration received is included in equity. Redemptions are recorded as charges against equity.

Share Issuance Costs

Share issuance costs such as sales load fee are deducted against 'Additional paid-in capital'. If 'Additional paid-in capital' is not sufficient to absorb the share issuance costs, any excess is charged against 'Retained earnings'.

Retained Earnings

The amounts in retained earnings include accumulated investment income from previous periods reduced by excess of redemption costs over the original issuance price of redeemed shares.

Net Asset Value (NAV) Per Share

NAV per share is computed by dividing net assets (total assets less total liabilities) by the total number of redeemable shares issued and outstanding as of reporting date.

Segment reporting

The Fund is organized into one main operating segment, which invests in debt instruments. All of the Fund's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Fund assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

Net gain on financial assets at FVPL
This item includes two components (a) Net realized gain or loss on sale of financial assets at FVPL and (b) Net unrealized gain or loss on changes in fair value of financial assets at FVPL. Net realized gain or loss on sale of financial assets at FVPL is determined at the time of the sale transaction calculated as the difference between the net sales proceeds and the average cost per share sold or acquisition cost of the instruments.

Net unrealized gain or loss on changes in fair value of financial assets at FVPL comprises changes in the fair value of financial assets for the year and from reversal of prior year's unrealized gains and losses for financial instruments which were realized in the reporting period.

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

Expense Recognition
Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

Provisions
Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Fund expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain that the expense relating to any provision is presented in the profit or loss in the statement of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Increase in provision due to time value of money is recorded as interest expense.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the statement of financial position but are disclosed when an inflow of economic benefits is probable.

Foreign Currency Translations
Based on management's assessment, the functional currency of the Fund is United States dollar (USD). As at the reporting date, the assets and liabilities of the Fund are translated into the Fund's presentation currency, Philippine peso (PHP), at the Philippine Dealing System closing rate at the reporting date, and its income and expenses are translated using the exchange rates as at the dates of the transaction. Foreign exchange differences arising from translation to the presentation currency are taken to the statement of comprehensive income under 'Cumulative translation adjustment'.

Income Taxes

Current income tax

Current income tax liabilities for the current and prior periods are measured at the amounts expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at statement of reporting date.

Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax

credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and unused NOLCO can be utilized.

Deferred tax assets, however, are not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit or loss or other comprehensive income.

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

Events After the Reporting Date

Post-year-end events that provide additional information about the Fund's assets and liabilities at reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements, when material.

Standards Issued but not yet Effective

Standards issued but not yet effective up to date of issuance of the Company's financial statements are listed below. The Fund intends to adopt those standards when they become effective. Except as otherwise indicated, the Fund does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

Effective in 2013

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
  The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. 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:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. 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.

- PFRS 10, *Consolidated Financial Statements*
  This standard becomes effective for annual periods beginning on or after January 1, 2013. It replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. The changes introduced by the standard will require management to exercise significant judgment to determine which entities are controlled, and therefore required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements*
  This standard becomes effective for annual periods beginning on or after January 1, 2013. It replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Involvement with Other Entities*
  This standard becomes effective for annual periods beginning on or after January 1, 2013. It includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and

PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value measurement*
  This standard becomes effective for annual periods beginning on or after January 1, 2013. It establishes a single source of guidance under PFRS for all fair value measurements. It 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. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income* (Amendments)
  The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments to the standard change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

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

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  The amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities* what remains in the standard is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  The amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 11 and PFRS 12, the standard 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.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  The Interpretation is effective for annual periods beginning on or after January 1, 2013. This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Fund.

Effective 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*
  The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to 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. While the amendment is expected not to have any impact on the net assets of the Fund, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The Fund is currently assessing the impact of the amendments to PAS 32.

Effective 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*
  The standard is effective for annual periods beginning on or after January 1, 2015. 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 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 may have an effect on the classification and measurement of the Fund's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- Philippine Interpretation IFRIC-15, *Agreement 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 Securities and Exchange Commission and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the 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.

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

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
- PAS 1, *Presentation of Financial Statements*
- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
- PAS 31, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Fund to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

a. *Going concern*
The management of the Fund has made an assessment of the Fund's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The Fund is not aware of any material uncertainties that may cast significant doubts upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

b. *Determination of functional currency*
The functional currency of the Fund has been determined to be USD based on the economic substance of the underlying transactions relevant to the Fund. The USD is the currency of the primary economic environment in which the Fund operates. It is the currency that mainly influences the Fund's revenue and expenses.

c. *Classification of financial instruments*
The Fund exercises judgment in classifying a financial instrument, or its component, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, financial liability or equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

Estimates
The key assumptions concerning the future and other key sources of estimation and uncertainty as of reporting date that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

Recognition of deferred tax assets
The Fund assesses the carrying amounts of deferred tax assets at the reporting date and reduces deferred tax assets 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. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As of December 31, 2012 and 2011, no deferred tax asset is recognized in the statements of financial position (see Note 12).

4. **Financial Risk Management Objectives and Policies**

The Fund's principal financial instruments comprise cash and cash equivalents and financial assets at FVPL. The main purpose of these financial instruments is to seek long-term capital appreciation through investments in dollar-denominated bonds issued by the Philippine and foreign governments as well as private corporations. The Fund has various other financial assets and financial liabilities such as loans and receivable and accrued expenses and other liabilities, which arise directly from its operations.

Governance Framework
The Fund has established a risk management function under Treasury department with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risks. It also supports the effective implementation of policies.

The policies define the Fund's identification of risk and its interpretation, setting of limits structure to ensure the appropriate quality and diversification of assets, and specification of reporting requirements.

Regulatory Framework
The operations of the Fund are governed by the provisions in its prospectus that incorporated relevant investment rules and regulations such as the Investment Company Act (ICA) and the Anti-Money Laundering Law.

The Fund's investment activities are guided by the following limitations/restrictions indicated in its prospectus:
- Unless the applicable Philippine laws, rules, regulations, and orders of the SEC provide otherwise, the Fund shall not sell securities short nor invest in any of the following: margin purchase of securities, commodity futures contract, precious metals and unlimited liability investments.
- The Fund shall not incur any further debt or borrowings unless at the time of its incurrence or immediately thereafter, there is a net asset coverage of at least 300.00% for all its borrowings, or such net asset coverage as the Philippine laws and regulations may prescribe. In the event

that such asset coverage shall fall below 300.00%, the Fund shall within three days thereafter or such period as the applicable Philippine laws and regulations may require, reduce the amount of borrowings to an extent that the net asset coverage shall be at least 300.00% or the coverage required by law.
- Unless permitted by applicable Philippine laws, rules or regulations, the Fund shall not participate in an underwriting or selling group in connection with the public distribution of securities, except its own capital stock.
- The Fund shall not invest in real estate properties and developments.
- The Fund shall not invest in any company for the purposes of exercising control or management.
- The Fund shall not issue or sell senior securities of which it is the issuer.
- The Fund shall not extend loans to individuals. Loans or credit extensions to corporations shall be limited to commercial papers and bonds registered with the SEC, or subject of a grant of exemption therefrom, and which have been preapproved by the BOD.
- The Fund shall not invest in the securities of other investment companies.
- The Fund shall not purchase from or sell to any of its officers or directors, or to any of the officers or directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members, any security other than the capital stock of the Fund.
- The total operational expenses of the Fund shall not exceed 10.00% of its total investment fund, total net worth or total NAV as shown in the previous year's audited financial statements, or such other limitations as may be prescribed by the applicable Philippine laws or regulations.

Risk Management Policies

The Fund is exposed to financial risk through its financial assets and liabilities. The most significant components of financial risk are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing the aforementioned risks and are summarized below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is limited to the carrying value of its financial assets as of reporting date. The Fund does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

Credit quality per class of financial assets

As of December 31, 2012 and 2011, the financial assets of the Fund are viewed by management as high grade and there are no past due or impaired financial assets as of reporting date.

The Fund's basis in grading its financial assets follows:

High grade cash and cash equivalents are short-term placements and working cash fund deposited in local banks belonging to the top twenty banks in terms of resources and profitability.

High grade accounts are accounts considered to be of high value. The counterparties have a remote likelihood of default and have consistently exhibited good paying habits.

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.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

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. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; counterparties failing to repay a contractual obligation; or the inability to generate cash inflows as anticipated.

The Fund is exposed to daily cash redemptions of redeemable participating shares. The Fund is exposed to the risk of being unable to meet its payment obligations to redeeming shareholders. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily liquidated.

To limit this risk, the Fund strictly complies with ICA Rule 35-1 which requires all Investment Companies/Mutual Funds to invest at least ten percent of its net assets in liquid/semi-liquid assets. This Rule defines such assets as (a) Treasury notes or bills, certificates of indebtedness issued by the Bangko Sentral ng Pilipinas (BSP) which are short-term, and other government securities; and (b) savings or time deposits with government or commercial banks in the name of the Fund.

The following table sets out the different investments as of December 31, 2012 and 2011 and their respective percentages to total net assets of the Fund using functional currency:

	2012	2011
Financial assets at FVPL		
Government securities	**66.11%**	51.37%
Corporate bonds	**27.41**	26.02
Cash and cash equivalents	**9.08**	21.75
Total investments	**102.60%**	99.14%

The tables below analyze the financial assets and liabilities of the Fund into their relevant maturity groups based on remaining contractual undiscounted cash flows as of December 31, 2012 and 2011:

2012

	Functional Currency							**Presentation Currency**						
	On demand	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**	**On demand**	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Financial Assets														
Financial assets at FVPL:														
Government securities	**$–**	**$15,000**	**$–**	**$93,000**	**$432,000**	**$2,471,700**	**$3,011,700**	**₱–**	**₱615,750**	**₱–**	**₱3,817,650**	**₱17,733,600**	**₱101,463,285**	**₱123,630,285**
Corporate bonds	**–**	**219,125**	**–**	**327,625**	**373,250**	**113,000**	**1,033,000**	**₱–**	**8,995,081**	**–**	**13,449,006**	**15,321,913**	**4,638,650**	**42,404,650**
Loans and receivables:														
Cash and cash equivalents	**172,499**	**142,758**	**–**	**–**	**–**	**–**	**315,257**	**7,081,059**	**5,859,969**	**–**	**–**	**–**	**–**	**12,941,028**
	172,499	**376,883**	**–**	**420,625**	**805,250**	**2,584,700**	**4,359,957**	**7,081,059**	**15,470,800**	**–**	**17,266,656**	**33,055,513**	**106,101,935**	**178,975,963**
Financial Liabilities														
Accrued expenses and other liabilities*	**–**	**116,986**	**–**	**–**	**–**	**–**	**116,986**	**–**	**4,802,249**	**–**	**–**	**–**	**–**	**4,802,249**
Redeemable shares	**3,470,034**	**–**	**–**	**–**	**–**	**–**	**3,470,034**	**142,444,909**	**–**	**–**	**–**	**–**	**–**	**142,444,909**
Net Asset (liability)	**($3,297,535)**	**$259,897**	**$–**	**$420,625**	**$805,250**	**$2,584,700**	**$772,937**	**(₱135,363,850)**	**₱10,668,551**	**₱–**	**₱17,266,656**	**₱33,055,513**	**₱106,101,935**	**₱31,728,805**

**Excludes government-related payables*

2011

	Functional Currency							Presentation Currency						
	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Assets														
Financial assets at FVPL:														
Government securities	$–	$10,000	$–	$70,900	$323,600	$1,582,250	$1,986,750	₱–	₱438,400	₱–	₱3,108,256	₱14,186,624	₱69,365,840	₱87,099,120
Corporate bonds	–	7,956	–	38,965	331,860	593,965	972,746	–	348,791	–	1,708,226	14,548,742	26,039,426	42,645,185
Loans and receivables:														
Cash and cash equivalents	5,922	639,045	–	–	–	–	644,967	259,620	28,015,733	–	–	–	–	28,275,353
	5,922	657,001	–	$109,865	655,460	2,176,215	3,604,463	259,620	28,802,924	–	4,816,482	28,735,366	95,405,266	158,019,658
Financial Liabilities														
Accrued expenses and other liabilities*	–	1,146	–	–	–	–	1,146	–	50,241	–	–	–	–	50,241
Redeemable shares	2,960,876	–	–	–	–	–	2,960,876	129,805,158	–	–	–	–	–	129,805,158
Net Asset (liability)	($2,954,954)	$655,855	$–	$109,865	$655,460	$2,176,215	$642,441	(₱129,545,538)	₱28,752,683	₱–	₱4,816,482	₱28,735,366	₱95,405,266	₱28,164,259

**Excludes government-related payables*

As of December 31, 2012 and 2011, all financial liabilities of the Fund are contractually payable at their face amounts. The Fund considers its cash equivalents and financial assets at FVPL as liquidity risk management tools. These financial instruments may be liquidated or sold by the Fund anytime the need for immediate funding arises.

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.

The Fund is exposed to the risk that the value of the Fund's financial assets will be adversely affected by the fluctuations in the price level or volatility of one or more of the said assets. The two main components of the risks recognized by the Fund are systematic risk and unsystematic risk.

Systematic risk is the variability in price caused by factors that affect all securities across all markets (e.g. significant economic or political events). Unsystematic risk on the other hand, is the variability in price caused by factors which are specific to the particular issuer (corporation) of the debt security. Through proper portfolio diversification, this risk can be minimized as losses on one particular debt security may be offset by gains in another.

To further mitigate these risks, the Fund ensures that the investment portfolio is adequately diversified, taking into consideration the size of the portfolio. The effectiveness of the diversification of the portfolio may be evaluated by comparing the volatility of the portfolio versus the volatility of the Hong Kong Shanghai Banking Corporation Asia Dollar Bond (HSBC ADB) Index for the Philippines, which is a basket of all outstanding dollar-denominated government securities.

The table below shows the comparison of the volatility of the investment portfolio as of December 31, 2012 and 2011 measured by the Fund's annualized daily standard deviation and volatility of the HSBC ADB Index.

Volatility of investment portfolio	**2012**	2011
The Fund	**4.15%**	3.90%
HSBC ADB Index	**4.92%**	5.79%

a. *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund's exposure to market risk for changes in interest rates relates primarily to its financial assets at FVPL, cash and cash equivalents and loans and receivables.

The Fund's market 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.

Refer to table below for simulation of measurable changes in 2012 and 2011 using modified duration at 100 basis points as an approximation:

2012			2011		
Basis points change in interest rates	**Effect on Pre-Tax Income**		Basis points change in interest rates	Effect on Pre-Tax Income	
	Functional Currency	**Presentation Currency**		Functional Currency	Presentation Currency
+100	**($202,131)**	**(₱8,297,478)**	+100	($123,285)	(₱5,404,836)
-100	**226,706**	**9,306,281**	-100	132,618	5,813,986

b. Fair value interest rate risk
Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. The Fund's fixed rate investments are exposed to such risk.

c. Cash flow interest rate risk
Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Fund's floating rate investments are exposed to such risk.

As of December 31, 2012 and 2011, the Fund does not have exposure to cash flow interest rate risk as the Fund does not have any floating rate financial instruments.

5. Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flows models and option pricing models, as appropriate.

As of December 31, 2012 and 2011, the fair values of the Fund's financial assets and liabilities approximate their carrying amounts as discussed below:

Cash and cash equivalents, accrued interest receivable, and other receivables
The carrying amounts approximate the fair values due to short-term maturity of these instruments.

Financial assets at FVPL
Fair value is estimated using bid prices.

Accrued expenses and other liabilities
The carrying amounts approximate fair values considering that these are due and demandable.

Fair value hierarchy
The Fund uses the following hierarchy of inputs used in determining the fair value of financial instruments carried at fair value:

Level 1: quoted (unadjusted) prices in active markets for identified assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2012 and 2011, the Fund has financial assets at FVPL with carrying amount of $3.25 million (₱133.22 million) and $2.29 million (₱100.48 million), respectively, which are classified as Level 1. In 2012 and 2011, there were no transfers among the three levels in the fair value hierarchy.

6. Cash and Cash Equivalents

This account consists of:

	2012		2011	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency
Cash in banks	**$172,499**	**₱7,081,059**	$5,922	₱259,620
Short-term placements	**142,604**	**5,853,894**	638,245	27,980,661
	$315,103	**₱12,934,953**	$644,167	₱28,240,281

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Fund and earn interest at the respective short-term deposit rates. The Fund's short-term placements earn interest rates per annum ranging from 0.25% to 1.75%, 0.10% to 1.60% and 0.25% to 1.60% in 2012, 2011 and 2010, respectively.

In 2012, 2011 and 2010, interest income earned on cash in banks and short-term placements amounted to $2,996 (₱0.13 million), $8,851 (₱0.38 million) and $3,558 (₱0.15 million), respectively.

7. Financial Assets at FVPL

This account consists of investments in:

	2012		2011	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency
Government securities	**$2,294,027**	**₱94,169,809**	$1,521,328	₱66,695,020
Corporate bonds	**951,208**	**39,047,088**	770,556	33,781,175
	$3,245,235	**₱133,216,897**	$2,291,884	₱100,476,195

Financial assets at FVPL consist of held-for-trading investments in government securities issued by the Philippine and other foreign governments and corporate bonds.

Net gain on financial assets at FVPL consists of:

	2012		2011		2010	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency	Functional Currency	Presentation Currency
Net unrealized gain on changes in fair value of financial assets at FVPL	**$161,853**	**₱6,680,772**	$12,828	₱571,490	$54,797	₱2,402,178
Net realized gain on sale of financial assets at FVPL	**38,652**	**1,589,596**	–	–	25,153	1,102,726
	$200,505	**₱8,270,368**	$12,828	₱571,490	$79,950	₱3,504,904

Details on gains realized from investments sold are as follows:

	2012	2011	2010
	Functional Currency	Functional Currency	Functional Currency
Proceeds	**$495,067**	$–	$878,938
Cost of debt securities	**456,415**	–	853,785
Net realized gain on sale of financial assets at FVPL	**$38,652**	$–	$25,153

In 2012, 2011 and 2010, government securities bear annual coupon rates ranging from 3.30% to 7.25%, 4.00% to 7.25% and 4.53% to 9.74%, respectively. In 2012, 2011 and 2010, corporate bonds bear annual coupon rates ranging from 5.25% to 8.00%, 5.50 to 8.00% and 0.00% to 8.00%.

In 2012, 2011 and 2010, interest income earned on government securities and corporate bonds amounted to $159,490 (₱6.69 million), $125,084 (₱5.42 million) and $125,365 (₱5.50 million), respectively.

Interest income consists of:

	2012		2011		2010	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency	Functional Currency	Presentation Currency
Cash and cash equivalents (Note 6)	**$2,996**	**₱126,274**	$8,851	₱383,062	$3,558	₱156,275
Debt securities						
Government securities	**87,262**	**3,637,945**	90,895	3,936,121	111,896	4,905,522
Corporate bonds	**72,228**	**3,047,063**	34,189	1,480,726	13,469	590,501
	$162,486	**₱6,811,282**	$133,935	₱5,799,909	$128,923	₱5,652,298

8. Accrued Expenses and Other Liabilities

This account consists of:

	2012		2011	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency
Financial Liabilities:				
Accounts Payable	**$113,008**	**₱4,638,974**	$304	₱13,327
Accrued expenses	**2,828**	**116,072**	377	16,528
Due to PEMI (Note 13)	**1,150**	**47,203**	465	20,386
	116,986	**4,802,249**	1,146	50,241
Nonfinancial Liabilities:				
Documentary stamp tax payable	**21**	**873**	2	88
Withholding tax payable	**9**	**355**	22	964
	30	**1,228**	24	1,052
	$117,016	**₱4,803,477**	$1,170	₱51,293

Accounts payable pertains to payable to shareholders for the unpaid redemption proceeds, and subscriptions without confirmation from the investors. Subscription is confirmed by submitting the required subscription documents. Once confirmed, these subscriptions are reclassified to equity.

9. Equity

Capital Stock
The Fund's capital stock consists of 100,000,000 authorized common shares at ₱1 par value per share. As of December 31, 2012 and 2011, the Fund has 64,935,089 and 61,376,407 shares issued and outstanding, respectively.

The movements of the Fund's shares are as follows:

	2012	2011	2010
Beginning balance	**61,376,407**	58,763,568	56,463,398
Shares issued during the year	**7,111,881**	3,441,992	2,803,613
Shares redeemed during the year	**(3,553,199)**	(829,153)	(503,443)
Ending balance	**64,935,089**	61,376,407	58,763,568

NAV Per Share
As an open-end mutual fund company, the Fund stands ready at any time to redeem the outstanding capital stock at NAV per share.

The shares are entitled to payment of a proportionate share of the Fund's NAV on the redemption date or upon winding up of the Fund. The Fund's issued and outstanding shares are redeemed at their NAV calculated in accordance with redemption requirements. The total expected cash outflow on redemption of all the shares equals the Fund's equity. Issuance, repurchase and resale of redeemable shares is based on the prevailing NAV per share at the date of the transaction.

	2012		2011	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency
NAV attributable to holders of redeemable shares (a)	**$3,470,034**	**₱142,444,909**	$2,960,876	₱129,805,158
Number of shares outstanding (b)	**64,935,089**	**64,935,089**	61,376,407	61,376,407
NAV per share (a/b)	**$0.0534385**	**₱2.1937**	$0.0482412	₱2.1149

Capital Management

The Fund's investment objective is to seek long-term capital appreciation through investment primarily in various dollar-denominated bonds issued by the Philippine or foreign government and private corporations, while taking into consideration the liquidity and safety of its investments to protect the interest of its investors.

Due to the Fund's nature as an open-end mutual fund, its capital, consisting entirely of common shares, is variable and increases or decreases depending on the volume of subscriptions and redemptions made by its various shareholders. The maximum number of shares that can be issued is determined by the Fund's authorized capital but may be increased by the Fund upon approval by the SEC. The investment restrictions of the Fund are discussed in Note 4.

As of December 31, 2012 and 2011, the Fund does not have any outstanding debt on its statements of financial position. Any liabilities reflected therein are short-term in nature and generally reflect amounts that are due for settlement with its counterparties or its investors within the standard settlement periods prescribed for each transaction:

a) Stock purchases: three days after date of transaction
b) Redemptions from shareholders: maximum of seven days after date of transaction, as prescribed by the ICA Rule 35-1.

As of December 31, 2012 and 2011, the number of shareholders of the Fund's outstanding redeemable shares is 110 and 85, respectively.

There are no changes made in the objectives and policies during the years ended December 31, 2012, 2011 and 2010.

Minimum Capital Requirement

As an investment company registered with the SEC, the Fund must continually comply with the minimum subscribed and paid-up capital of ₱50.0 million as required under Section 12 *Structure and Capitalization of Investment Companies* of the ICA. As of December 31, 2012 and 2011, the Fund has complied with this externally imposed capital requirement.

10. Maturity Analysis

The following table shows an analysis of assets and liabilities and analyzed according to whether they are expected to be recovered or settled within one year from reporting date:

	2012					
	Functional Currency			**Presentation Currency**		
	Up to 1 year	**More than 1 year**	**Total**	**Up to 1 year**	**More than 1 year**	**Total**
Financial Assets						
Cash and cash equivalents	**$315,103**	**$–**	**$315,103**	**₱12,934,953**	**₱–**	**₱12,934,953**
Financial assets at FVPL:						
Government securities	**–**	**2,294,027**	**2,294,027**	**–**	**94,169,809**	**94,169,809**
Corporate bonds	**200,418**	**750,790**	**951,208**	**8,227,159**	**30,819,929**	**39,047,088**
Accrued interest receivable	**42,308**	**–**	**42,308**	**1,736,742**	**–**	**1,736,742**
Nonfinancial assets						
Prepaid expenses	**113**	**–**	**113**	**4,639**	**–**	**4,639**
	$557,942	**$3,044,817**	**$3,602,759**	**₱22,903,493**	**₱124,989,738**	**₱147,893,231**
Financial Liabilities						
Accrued expenses and other liabilities	**$116,986**	**$–**	**$116,986**	**₱4,802,249**	**₱–**	**₱4,802,249**
Nonfinancial Liabilities						
Withholding tax payable	**9**	**–**	**9**	**355**	**–**	**355**
Documentary stamp tax payable	**21**	**–**	**21**	**873**	**–**	**873**
Income tax payable	**15,709**	**–**	**15,709**	**644,845**	**–**	**644,845**
	$132,725	**$–**	**$132,725**	**₱5,448,322**	**₱–**	**₱5,448,322**

	2011					
	Functional Currency			Presentation Currency		
	Up to 1 year	More than 1 year	Total	Up to 1 year	More than 1 year	Total
Financial Assets						
Cash and cash equivalents	$644,167	$–	$644,167	₱28,240,281	₱–	₱28,240,281
Financial assets at FVPL:						
Government securities	–	1,521,328	1,521,328	–	66,695,020	66,695,020
Corporate bonds	–	770,556	770,556	–	33,781,175	33,781,175
Accrued interest receivable	26,567	–	26,567	1,164,697	–	1,164,697
Nonfinancial assets						
Prepaid expenses	113	–	113	4,954	–	4,954
	$670,847	$2,291,884	$2,962,731	₱29,409,932	₱100,476,195	₱129,886,127
Financial Liabilities						
Accrued expenses and other liabilities	$1,146	$–	$1,146	₱50,241	₱–	₱50,241
Nonfinancial Liabilities						
Withholding tax payable	22	–	22	964	–	964
Documentary stamp tax payable	2	–	2	88	–	88
Income tax payable	685	–	685	29,676	–	29,676
	$1,855	$–	$1,855	₱80,969	₱–	₱80,969

11. Other expenses

Breakdown of other expenses is as follows:

	2012		2011		2010	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency	Functional Currency	Presentation Currency
Dues and fees	**$555**	**₱25,050**	$457	₱20,000	$428	₱20,000
Bank charges	**449**	**18,568**	99	4,220	182	8,186
Creditable withholding tax write-off	**–**	**–**	13,453	589,421	–	–
Others	**180**	**7,537**	152	6,532	238	10,883
	$1,184	**₱51,155**	$14,161	₱620,173	$848	₱39,069

12. Income Taxes

The provision for income tax consists of:

	2012		2011		2010	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency	Functional Currency	Presentation Currency
RCIT	**$16,962**	**₱696,933**	$–	₱–	$–	₱–
Deferred tax	**(793)**	**(32,605)**	–	–	–	–
Final tax	**227**	**9,572**	698	30,231	262	11,815
MCIT	**–**	**–**	685	29,676	67	2,929
	$16,396	**₱673,900**	$1,383	₱59,907	$329	₱14,744

Republic Act (RA) No. 9337, *An Act Amending National Internal Revenue Code*, provides that RCIT rate shall be 35.00% until December 31, 2008. Starting January 1, 2009, the RCIT rate shall be 30.00%. The National Internal Revenue Code (NIRC) of 1997 also provides for rules on the imposition of a 2.00% MCIT on modified gross income. The MCIT and NOLCO may be applied against the Fund's income tax liability and taxable income, respectively, over a three-year period from the year of inception. Moreover, starting July 1, 2008, the optional standard deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT.

The table below shows movements of NOLCO:

Year Incurred	Amount	Utilized	Balance	Expiry Year
2008	₱675,857	₱675,857	₱–	2011
2009	349,208	349,208	–	2012
2010	201,876	201,876	–	2013
	₱1,226,941	₱1,226,941	₱–	

In 2012 and 2011, the Fund applied its unused NOLCO amounting to ₱0.23 million and ₱1.00 million, respectively.

Details of the Fund's MCIT follow:

Year Incurred	Amount	Utilized	Balance	Expiry Year
2010	₱2,929	₱2,929	₱–	2013
2011	29,676	29,676	–	2014
	₱32,605	₱32,605	₱–	

In 2012, the Fund applied its MCIT against its income tax liability amounting to ₱32,605.

In 2012, 2011 and 2010, the reconciliation between the Fund's provision for income tax computed at the statutory income tax rates to the provision for income tax shown in the statements of comprehensive income is summarized as follows:

	2012	2011	2010
Statutory income tax rates	**₱4,342,235**	₱1,591,092	₱2,632,114
Income tax effects of:			
Net unrealized gain on changes in fair value of financial assets at FVPL	**(2,004,232)**	(171,447)	(720,653)
Interest income subjected to final tax and tax-exempt income	**(1,087,240)**	(1,265,536)	(1,629,391)
Net realized gain on sale of financial assets at FVPL	**(476,879)**	–	(330,818)
Non-deductible expense	–	176,826	–
Changes in unrecognized deferred tax assets:			
NOLCO	**(67,379)**	(300,704)	60,563
MCIT	**(32,605)**	29,676	2,929
	₱673,900	₱59,907	₱14,744

13. Related Party Disclosures

Parties are considered to be related if one party has the ability to, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Fund; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Fund that gives them significant influence over the Fund and close members of the family of any such individual. Transactions are based on terms agreed by related parties. Other related parties include PEMI and other funds with common set of directors with the Fund and being managed by PEMI.

The Fund's related party transactions pertain to transactions with PEMI. As the fund manager of the Fund, PEMI is entitled to the following, pursuant to the Management and Distribution Agreement dated March 14, 2003.

a. The Fund shall pay an annual management fee of a maximum of 1.00% of the average NAV of the Fund. The NAV shall be determined in accordance with the procedures agreed upon by both parties. The Agreement shall remain in effect from year to year, unless otherwise terminated or amended by the parties in accordance with specified terms and conditions. PEMI had waived charges for management fee amounting to $0.04 million (₱1.57 million), $0.03 million (₱1.25 million) and $0.03 million (₱1.29 million) in 2012, 2011 and 2010, respectively.

b. The Fund shall remit to PEMI sales commission of a maximum of 3.50% of the gross investment based on tiered-front end sales schedule charged to shareholders. This is withheld and remitted by the Fund to PEMI. This is payable the following month.

The Fund shall reimburse the expenses paid by PEMI on behalf of the Fund. The related expenses are ultimately due to third-parties.

Related party transactions and balances as of and for the years ended December 31, 2012, 2011 and 2010 follows:

		2012	
	Amount/Volume	**Outstanding Balance**	**Terms and Conditions**
Other Related Party (PEMI)			
Sales commission for remittance	**₱109,029**	**₱47,203**	Due the following month, non-interest bearing and unsecured.

		2011	
	Amount/Volume	Outstanding Balance	Terms and Conditions
Other Related Party (PEMI)			
Sales commission for remittance	₱65,840	₱395	Due the following month, non-interest bearing and unsecured.
Reimbursement for various expenses	19,991	19,991	Due at the end of the year, non-interest bearing and unsecured.

		2010	
	Amount/Volume	Outstanding Balance	Terms and Conditions
Other Related Party (PEMI)			
Sales commission for remittance	₱56,304	₱4,669	Due the following month, non-interest bearing and unsecured.

The outstanding balances due to PEMI are included as part of 'Accrued expenses and other liabilities' account in the statements of financial position (see Note 8).

The Fund has no key management personnel. The key management functions are being handled by PEMI.

As of December 31, 2012, 2011 and 2010, seven shares of the Fund are held by directors. There were no movements in the number of shares held by directors in 2012, 2011 and 2010.

14. Segment Reporting

The table below analyzes the Fund's revenue streams per investment type:

	2012		2011		2010	
	Functional Currency	**Presentation Currency**	Functional Currency	Presentation Currency	Functional Currency	Presentation Currency
Financial assets at FVPL	**$359,995**	**₱14,955,376**	$137,912	₱5,988,337	$205,315	₱9,000,927
Short-term placements and cash in banks	**2,996**	**126,274**	8,851	383,062	3,558	156,275
Net realized foreign exchange gains	**242**	**17,974**	72	3,118	161	7,026
	$363,233	**₱15,099,624**	$146,835	₱6,374,517	$209,034	₱9,164,228

15. Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011 and 15-2010

Supplementary Information Required Under RR No. 19-2011

For the taxable year December 31, 2012, the Fund reported the following revenues and expenses for income tax purposes, as required under RR 19-2011:

Sales/receipts/fees:	
Interest income from corporate bonds	₱3,047,063
Interest income from other foreign government securities	107,969
Cost of sales/services	–
Non-operating and taxable other income	–
Foreign exchange gains	18,180
Itemized deductions	(850,102)
	₱2,323,110

The details of itemized deductions are as follows:

Professional fees	₱471,885
NOLCO	224,595
Taxes and licenses	102,467
Dues and Fees	25,050
Bank charges	18,568
Others	7,537
	₱850,102

Supplementary Information Required Under RR No. 15-2010
The Fund also reported and/or paid the following types of taxes during the year:

Taxes and Licenses
In 2012, the Fund reported and/or paid the following taxes and licenses fees:

Municipal permits	₱61,549
Documentary stamp tax	35,774
Community tax	2,494
Fire safety clearance	2,035
Annual registration	500
Barangay clearance	115
	₱102,467

Withholding taxes
As of December 31, 2012, total remittances and balance of withholding taxes follow:

	Total remittances	Balance
Expanded withholding taxes	₱20,562	₱355
Final withholding taxes	9,572	–
	₱30,134	₱355