2011 PERFORMANCE SUMMARY OF SURRENDERED AND SEQUESTERED COMPANIES

A. Background

The Presidential Commission on Good Government (PCGG) was established in 1986 by virtue of Executive Order No.1 with the primary mandate of recovering the ill-gotten wealth of former President Ferdinand E. Marcos, his family and associates. In pursuit of this mandate, corporations belonging or beneficially owned by the Marcoses and their cronies were placed under sequestration. Certain corporations were also surrendered through compromise agreements.

B. Role of PCGG

Corollary to its primary mandate, the PCGG is charged with the preservation of the assets of sequestered corporations pending final judgment by the courts of their ownership and surrendered corporations pending their disposition.

For this purpose, the Commission installed nominee-directors either through a directive from the Office of the President or in line with Executive Order No. 42 (which expired on 31 December 2011) and other applicable laws and jurisprudence.

The nominee-directors are chosen based on their business experience and industry expertise to ensure that the companies are judiciously managed and the corporate assets are preserved, if not enhanced.

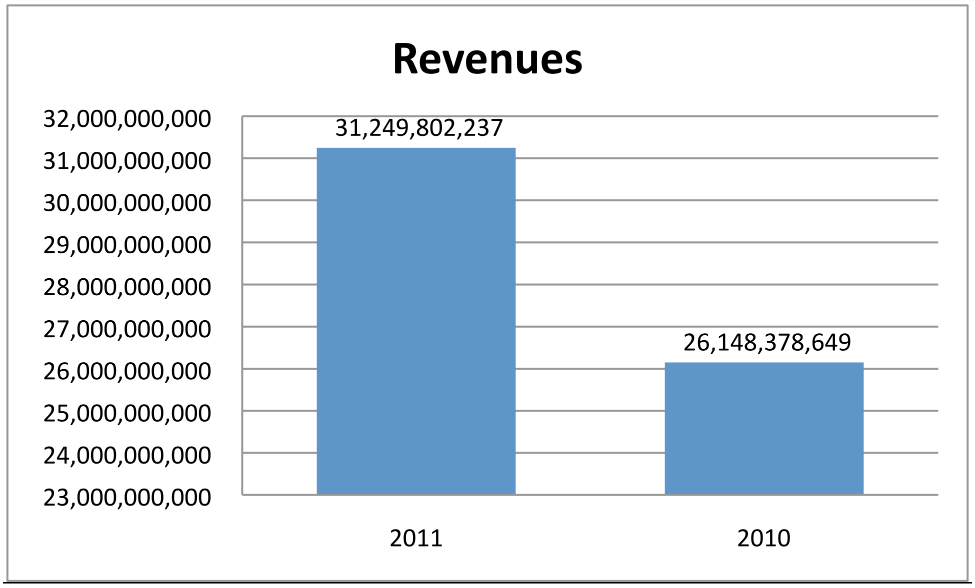
C. Companies

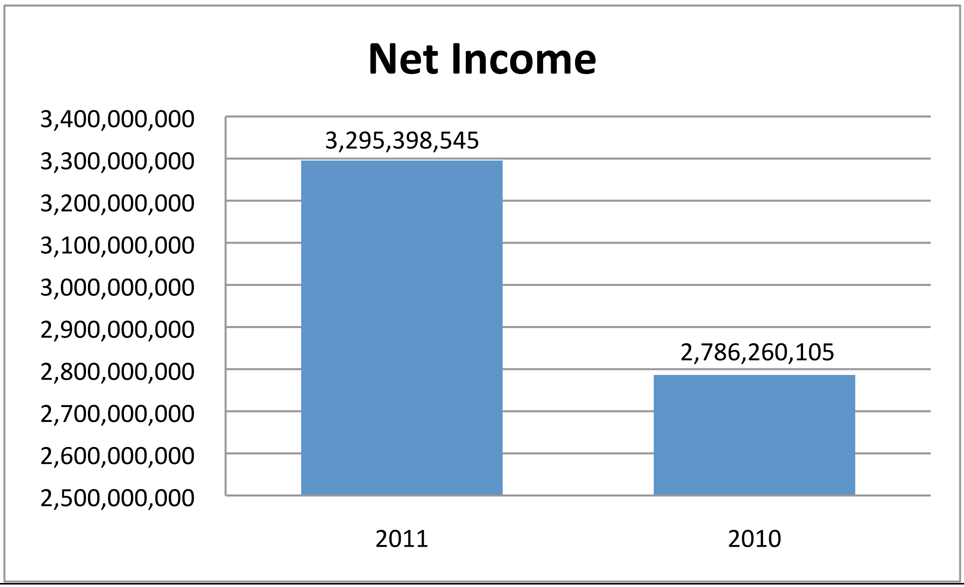
As of 2011, surrendered and sequestered corporations (and their subsidiaries, if any) are under PCGG's supervision are as follows:

Industry	Company
Banking	1. United Coconut Planters Bank (UCPB)
Broadcast	2. Intercontinental Broadcasting Corporation (IBC-13)
Clinical Research	3. Chemfields, Inc.
Insurance	4. United Coconut Planters Life Assurance Corporation (Cocolife) 5. UCPB General Insurance, Inc. (Cocogen)
Manufacturing/Refining	6. CIIF Oil Mills Group (CIIF OMG)
Microfinance	7. UCPB-CIIF Finance and Development Corporation (Cocofinance)
Oleochemical	8. United Coconut Chemicals, Inc. (Cocochem)
Telecommunications	9. Philcomsat
Real Estate	10. Independent Realty Corporation (IRC) 11. Bataan Shipyard and Engineering Company (Baseco)

D. **Consolidated Performance**

The consolidated Revenues increased from P26.1 billion in 2010 to P31.2 billion in 2011, this translates to a 19.5% growth rate, or P5.1 billion. Consolidated Net Income increased by P509 million, from P2.8 billion to P3.3 billion, an 18% improvement.





COMPANY HIGHLIGHTS:

1. UCPB

Established in 1963, the United Coconut Planters Bank (UCPB) was the first private Philippine bank to become a universal bank, obtaining its expanded commercial banking license in 1981.

Today, the bank and its subsidiaries operate nationwide delivering a full range of expanded commercial banking services to a highly diversified clientele. It has strong capabilities in consumer finance, commercial credit, corporate and investment banking, trust banking, domestic and international trade finance, treasury and money market investment, cash management and deposit services.

UCPB	2011	2010	Change
Revenues	6,151,000,000	6,019,000,000	2%
Net Income	3,048,000,000	2,454,000,000	24%

2. IBC 13

The Intercontinental Broadcasting Corporation (IBC) operates mass media communications such as radio, television and/or telecommunication stations. Pursuant to Executive Order No. 4 dated 30 July 2010, IBC has been placed under the supervision and control of the Presidential Communications Operations Office (PCOO).

IBC 13	2011	2010	Change
Revenues	203,000,000	120,000,000	69%
Net Income	55,920,000	(26,230,000)	313%

3. Chemfields

Chemfields, through its 80% owned Joint Venture company with UST – UST Cedres, manages laboratory facilities and provides drug research and evaluation services for pharmaceutical companies. Its key services include bioavailability and bioequivalence (BA/BE), monograph (potency) and dissolution tests for local generics companies and clinical trials in partnership with leading pharmaceutical companies and Clinical Research Organizations (CROs).

Chemfields	2011	2010	Change
Revenues	20,802,594	21,157,165	(-2%)
Net Income	1,713,583	(757,681)	326%

4. Cocolife

United Coconut Planters Life Assurance Corporation (Cocolife) is the 9th largest life insurance companies in terms of premium income. The Company offers a wide range of life insurance products as well as accident and health insurance to the general public.

Cocolife	2011	2010	Change
Revenues	3,919,283,000	3,097,151,000	27%
Net Income	241,761,000	212,301,000	14%

5. Cocogen

UCPB General Insurance Company (Cocogen) is a wholly owned subsidiary of Cocolife. The Company is engaged in the business of non-life insurance. Its main business covers motor, property, liability and casualty, marine, personal accidents and bonds. In terms of premium income, it is the 8th largest nonlife insurance company.

Cocogen	2011	2010	Change
Revenues	1,885,001,000	1,711,151,000	10%
Net Income	46,510,000	1,974,000	2,256%

6. CIIF-OMG

The six companies which comprise the "CIIF Oil Mills Group" were established or acquired from the Coconut Industry Investment Fund (CIIF) which formed part of the coconut levy fund. These companies are engaged in the milling and refining of copra to processed products such as crude coconut oil and edible oil. Among its better known products is Minola Cooking Oil.

CIIF	2011	2010	Change
Revenues	16,657,000,000	14,187,000,000	17%
Net Income	149,000,000	120,000,000	24%

7. Cocofinance

UCPB-CIIF Finance and Development Corporation (Cocofinance) is a subsidiary of the United Coconut Planters Bank and serves as UCPB's wholesale finance and investment vehicle to coconut farmers. Cocofinance provides wholesale financing/lending to accredited rural financial institutions who in turn relend the funds to coconut farmers.

Cocofinance	2011	2010	Change
Revenues	90,486,107	68,919,022	31%
Net Income	14,166,734	2,157,774	557%

8. Cocochem

United Coconut Chemicals, Inc. (Cocochem) is engaged in the manufacturing of various oleochemical products that are sold in the domestic and foreign markets. Its main products include Fatty Alcohol, which is used in the manufacture of soaps, detergents, cosmetics, etc. and glycerine which has certain industrial applications.

Cocochem	2011	2010	Change
Revenues	2,191,842,030	809,105,815	171%
Net Income	(318,057,878)	(10,512,000)	(2,925%)

9. Philcomsat

The Philippine Communications Satellite Corporation (PHILCOMSAT) was organized for the primary purpose of providing telecom services through space relay and repeater stations mounted on communications satellite, and also to install, maintain and operate a satellite station. Philcomsat is 100% owned by Philippine Overseas Telecommunications Corporation (POTC) which is 35% owned by the Republic.

As of January 2012, Philcomsat has not submitted any financial report to the Commission.

10. IRC

The Independent Realty Corporation (IRC) was created for the primary purpose of acquiring, selling, leasing and dealing with real estate properties, and also to engage in the general investment business. The company, as well as its subsidiary corporations, was voluntarily surrendered by Mr. Jose Campos in 1986 in favor of the government.

IRC	2011	2010	Change
Revenues	80,027,433	71,866,423	11%
Net Income	39,256,391	31,190,020	26%

11. Baseco

The current business operation of the Bataan Shipyard and Engineering Corporation (BASECO) involves the lease of properties in Mariveles, Bataan and in the City of Manila. The Bataan property covers around 300 hectares of land under a Joint Venture (49% Baseco -51% Bataan) corporation with the Province of Bataan. The Manila property covers around 6 hectares of land abutting the Pasig River and Manila Bay and more commonly known as Engineering Island.

Baseco	2011	2010	Change
Revenues	51,360,073	43,028,224	19%
Net Income	17,128,715	2,136,992	702%

Summary of Revenues and Net Income
For the Years 2011 and 2010

Company	REVENUES			NET INCOME		
	2011	2010	Change	2011	2010	Change
UCPB	6,151,000,000	6,019,000,000	2%	3,048,000,000	2,454,000,000	24%
IBC 13	203,000,000	120,000,000	69%	55,920,000	(26,230,000)	313%
Chemfields	20,802,594	21,157,165	-2%	1,713,583	(757,681)	326%
Cocolife	3,919,283,000	3,097,151,000	27%	241,761,000	212,301,000	14%
Cocogen	1,885,001,000	1,711,151,000	10%	46,510,000	1,974,000	2256%
CIIF - OMG	16,657,000,000	14,187,000,000	17%	149,000,000	120,000,000	24%
Cocofinance	90,486,107	68,919,022	31%	14,166,734	2,157,774	557%
Cocochem	2,191,842,030	809,105,815	171%	(318,057,878)	(10,512,000)	-2925%
IRC	80,027,433	71,866,423	11%	39,256,391	31,190,020	26%
Baseco	51,360,073	43,028,224	19%	17,128,715	2,136,992	702%
TOTAL	31,249,802,237	26,148,378,649	20%	3,295,398,545	2,786,260,105	18%

UNITED COCONUT PLANTERS BANK
COMPANY REPORT

Company Background

The United Coconut Planters' Bank (UCPB) otherwise known as "Cocobank" is a universal bank engaged in all aspects of financial and banking services. UCPB is one of the largest banks in the Philippines having total resources of Php196.4 billion as of end-December, 2011.

The Sandiganbayan on 11 July 2003, declared in the Partial Summary Judgment (Civil Case No. 0033-A) that (a) the shares of FUB/UCPB transferred to Eduardo M. Cojuangco, Jr. are declared conclusively owned by the Republic of the Philippines; (ECJ Shares) and (b) the UCPB shares of stock of the alleged fronts, nominees and dummies of ECJ, which form part of the 72.2% share of FUB/UCPB paid for by PCA with public funds later charged to coco levy funds, particularly the CCSF, belong to the Republic as their true and beneficial owner (Farmers' Shares).

On 24 January 2012, the Supreme Court held that "it would be best for the interest of all coconut farmers to revert the ownership of the UCPB shares to the government for the entire coconut industry" in affirming with modification the Partial Summary Judgment dated 11 July 2003.[1]

From 2000 up to 2008, UCPB incurred heavy financial losses which brought the Bank's capital below the capital adequacy ratio (CAR) required for an expanded commercial bank. To ensure continuing liquidity, UCPB entered into a financial assistance agreement (FAA) with the Philippine Deposit Insurance Corporation (PDIC) on 7 July 2003 for its rehabilitation. The total financial assistance package of PDIC to UCPB reached Php30 billion, Php12 billion of which was converted into Capital Notes. Hence, by way of protecting the funds it infused, PDIC required as a condition that it be represented by eight board seats in UCPB's fifteen-man Board of Directors.

Performance vs. Banking Industry

Except in terms of loan growth, the Bank is competing at par with its peer banks. Other commercial banks that have performed well in 2011 were Union Bank and Security Bank. As of September 2011, UCPB was ranked 9th in terms of deposits and ranked 12th in terms of assets among commercial and universal banks in the Philippines.

Net Income

UCPB posted a consolidated net income of Php3.048 billion IN 2011 or a growth of 24%. Main highlights of the 2011 performance were the growth in the loan portfolio, which grew

[1] However, the issues raised in relation to Partial Summary Judgment dated 11 July 2003 shall be decided in a separate decision. (Defendant Cojuangco elevated the case to the Supreme Court on 15 January 2008.)

by 15%, and the funding level, which grew by 10%. But note that this is lower than the planned Php3.224 billion by Php305 million.

Year	2011	2010	2009	2008	2007
Net Income (in billions)	3.048	2.454	1.658	(1.670)	(2.628)

It should also be noted that while UCPB appears to be operating profitably in the past three years, it was mainly because of the FAA which increased the Bank's capital funds.

Net Interest Income

The net interest income increased by Php246 million as a result of increased level of earning assets, net of higher overall funding cost. This is lower by Php578 million versus the planned total, due to short of planned volume of earning assets.

Non Interest Income

At Php24 million, non-interest income decreased by 1% from 2010. The planned level for non interest income was Php2.8 billion and the 2011 volume was short by Php600 million.

Consumer Loan fees increased as a result of increase in bookings. Similarly, Trust fees have also increased with the collection of fees from CIIF. Income from Treasury transactions fell by 4% or by Php56 million because of limited market trading opportunities. Deposit related fees decreased mainly due to lower charges imposed by BSP on returned checks. The Bank lost Php80 million because of the change in policy.

Income from Oil Mills

Income from oil mills were 19% lower at Php653 million.

Operating Expenses

In 2011, operating expenses were higher than the previous year by Php383 million or by 11%. This was also better than the planned levels by 9% or by Php389 million.

Manpower Cost went up by 10% or Php165 million primarily due to annual merit increase and realignment of salaries. Occupancy and equipment cost increased by Php171 million because of increase in depreciation expense on new hardware equipment purchased and on relocations and renovations. Taxes and Licenses, on the other hand, decreased by Php53 million.

Other operating expenses increased by Php127 million that includes, among others, the following:

- Php29 million – from higher PDIC Insurance expense and Supervision fees
- Php29 million – from higher Travelling costs

- Php11 million – from higher accruals for deposit incentive program
- Php6 million – from higher fuel costs
- Php4 million – from more Management and Professional fees
- Php40 million – from higher supplies expenses

Increase in Non-Performing Loans

For 2011, the NPL increased by 35%. Increase in corporate commercial loan past due was Php562 million, for consumer loans, it was Php284 million, for a total of Php850 million. The main increases came from corporate accounts, such as the Unitrade and Romblon Shipping accounts, while for consumer loans, there was an increase of Php285 million. There was an increase of Php861 million in loans past due.

ROPA Related Losses

Real and other properties acquired (ROPA) related losses in 2011 is Php59 million, down from Php79 million in 2010.

Looking forward to 2012

UCPB is looking at a net income growth of 21%, having pegged the projected 2012 net income at Php3.69 billion. Net interest income is also expected to increase by 31% from Php3.42 billion to Php4.46 billion. Part of 2012 plan is to prepare for a tier 2 capital in case there is a need to increase its capital.

The Bank's handicap remains to be its inability to increase its unimpaired capital of Php15 billion (due to the pending Supreme Court case).

The Bank must continue addressing the issue of increasing NPLs which at more than 5% is above the industry threshold. Related to this is its problem with its non-performing assets which management had been addressing in the past few years. Liquefying its ROPAS is a priority although many of them are tied in litigation. Concededly, making them profitable, or at least, minimizing the attached cost or losses has been difficult.

INTERCONTINENTAL BROADCASTING CORPORATION
COMPANY REPORT

Company Background

On 03 November 1990, 100% of the assets of the Intercontinental Broadcasting Corporation (IBC-13) were ceded to the Republic by the late Ambassador Roberto S. Benedicto, by virtue of a compromise agreement between the Presidential Commission and Good Government (PCGG) and Benedicto. The compromise agreement was approved by the Sandiganbayan in October 1992, and affirmed by the Supreme Court in September 1993.

On 14 January 2011, a new set of directors took over IBC-13's Board. The new Board immediately proceeded to improve the TV network's operation.

Barely two months after the installation of the new Board of Directors in January 2011, IBC-13 signed a Memorandum of Agreement (MOA) with ABC 5 in March 2011 for the primetime block daily (from 5:30 PM to 11:00PM). AKTV (ABC 5) programming started in April 2011. With the primetime block, IBC-13 is now earning a monthly revenue of Php12 million for an average of Php73 thousand per hour. Its daytime block, meanwhile, is offered at Php25-50 thousand per hour.

Net Income

From a net loss of Php26.23 Million in 2010, IBC-13 posted in 2011 a net income before tax of Php55.92 Million. (COA is currently auditing the 2009, 2010, and 2011 books.)

Resolved Issues

Through the reforms initiated by the new management under the leadership of Chairman Eric Canoy, a number of operational issues have been resolved: (1) Payment of salaries and professional fees, as well as the remittance of withholding taxes, are now on time; (2) Delay in the release of 13th month pay has been avoided with the employees receiving it as early as November 2011; (3) Employee benefits have been partially released in 2011; and (4) Arrears of SSS, Pag-ibig and Philhealth contributions are now being paid under a compromise agreement, and contributions are up to date.

Operational and Financial Concerns

Presently still being addressed by the new team are several challenges posed by years of neglect and mismanagement: (1) Delayed payments of power and utilities are being settled, with current bills up to date; (2) Satellite uplink charges and use of satellite used to be paid by a block timer with a 25% mark-up against the barter arrangement. Presently, satellite uplink charges and use of satellite are paid by IBC-13; (3) The practice of utilizing block timer advanced funds for operational expenses and salaries of IBC-13 thru an airtime barter agreement with a 25% mark-up was discontinued and all advances with the block timer fully paid; and (4) Unpaid property taxes amounting to Php27.5 million were also settled.

Pending Issues

The outstanding Php75M loan contracted in 2006 with Bank of Commerce became due and demandable in November 2011. The issue was referred to COA and OGCC for proper action. Exploratory talks with the bank were conducted.

The settlement of unpaid rentals on the Manila transmitter site for 1992 to September 2011 amounting to Php19.5 million, as well as the possible renewal of the lease contract, is currently being negotiated with the property owner.

IBC-13 and RII/Primestate Joint Venture Agreement

In 2010, during the latter part of the previous administration, IBC-13 and RII/Primestate entered into a Joint Venture Agreement (JVA) to develop the 3.64 hectare property (more popularly known as the "Broadcast City") in Quezon City into a mixed-use complex.

The JVA has been the subject of review and scrutiny by several government agencies. Both IBC-13 and the Presidential Communications Operations Office (PCOO), which exercises supervision and control over it, sought guidance from their respective government counsels on the legality of the JVA. The Office of the Government Corporate Counsel (OGCC) and Office of the Solicitor General (OSG) have issued opinions that the JVA is invalid and illegal, for failure to comply with the legal requirements on joint ventures and privatization of government assets.

Given this backdrop, PCOO issued Department Order No. 003 on 18 November 2011 creating a technical working group (TWG) consisting of representatives from the Department of Finance (DOF), Commission on Audit (COA), OGCC, OSG, PCGG and National Economic Development Authority (NEDA). The main objective of the TWG is to study the JVA with the end in view of clarifying and harmonizing the position of all government agencies concerned. COA, DOF, and OSG declined to be part of the TWG.

Currently, the Committee on Good Government and Public Accountability of the House of Representatives is conducting an inquiry into the alleged irregularities of the JVA. The Office of the Ombudsman is also conducting its own investigation.

CHEMFIELDS INC.
COMPANY REPORT

Company Background

Chemfields Inc. ("Chemfields" or the "Company") was incorporated in April 22, 1975 to primarily engage in the manufacture of semi-synthetic antiobiotics. In 1986, J.Y. Campos surrendered to PCGG the IRC Group of Companies which owns a 60% controlling interest in Chemfileds, while the remaining 40% is owned by United Laboratories, Inc. (Unilab).

In 2002, Chemfields ceased manufacturing operations and disposed of its manufacturing assets. However, on June 4, 2004, Chemfields partnered with the University of Santo Tomas to form a 80:20 joint venture company—UST Center for Drug Research, Evaluation and Studies, Inc. ("UST-Cedres, Inc."). UST-Cedres manages laboratory facilities and provides drug research and evaluation services for pharmaceutical companies. Its key services include bioavailability and bioequivalence (BA/BE), monograph (potency) and dissolution tests for local generics companies and clinical trials in partnership with leading pharmaceutical companies and Clinical Research Organizations (CROs).

UST-Cedres operates a laboratory facility at the Research Institute for Tropical Medicine (RITM) in Alabang, Muntinlupa City. The company represents the sole operating business unit of Chemfields.

Highlights of Operations

A. Chemfields

As of December 2011, Chemfields' assets have gone down from P69M in 2006 to P33M in 2010. With its investment in UST-Cedres yet to bear fruit, Chemfields' main source of revenue is interest income from money market placements. Major expenses of Chemfields include payments of audit and legal fees, directors' compensation, and other operational expenses.

B. UST-Cedres

1. **Erratic Revenue Performance**

   Revenues fluctuated significantly over the five-year review period, with a low figure of P4.4M registered in 2006 and the high of P21.1M registered in 2010. Management expects revenues to stabilize at P21M in 2011.

Year	2006	2007	2008	2009	2010
Service Revenue	4.4M	13.0M	15.2M	6.6M	21.2M

Revenue breakdown in 2011 was as follows:

2011 Revenue	Amount	Percentage
BA/BE Studies	14.0M	67%
Monograph Tests	4.4M	21%
Clinical Trials	1.9M	9%
Seminars	0.7M	3%
Total	21.0M	100%

2. **Negative Financials from 2006 to 2009**

For 3 out of the 5 years, UST-Cedres operated at a gross loss, reflecting an inability to cover the costs of its various services. From 2006 to 2009, accumulated gross losses totalled P14.6M. This situation was further compounded by its operating expenses which averaged P7.9M from 2006 to 2009. This resulted in accumulated operating losses of about P50M for the 5-year period.

Year	2006	2007	2008	2009	2010
Gross Income (Loss)	(4.2M)	(0.6M)	0.2M	(9.9M)	7.5M
Operating Income (Loss)	(11.6M)	(8.7M)	(9.4M)	(19.2M)	(0.7M)

These losses have significantly impaired the company's working capital. In 2006, current ratio stood at 2.0x but has deteriorated to 0.2x in 2010 which means that the company does not have sufficient liquid assets to pay off short-term obligations.

The accumulated losses have eroded the equity of the Company to a negative level of P5.3M in 2010. To keep operations going, majority-owner Chemfields has advanced P17M, while P8.8M of unpaid rent is owed to minority-owner UST.

Cash Flow Analysis

Year	Operations	Equipment	Interest	Working Capital Loans	Balance
Beg Capital					50.0M
2004	(1.9M)	(22.6M)	1.0M	1.8M	28.3M
2005	(3.9M)	(4.1M)	1.0M	(0.8M)	20.5M
2006	(8.8M)	(6.9M)	0.6M	1.7M	7.1M
2007	(5.3M)	(0.2M)	0.1M	0.2M	1.9M
2008	(4.4M)	(0.5M)		6.6M	3.6M
2009	(14.4M)	(0.3M)		12.0M	0.9M
2010	3.6M	(7.5M)		4.5M	1.5M
TOTAL	(35.1M)	(42.1M)	2.7M	26.0M	

Cash flow analysis for Cedres shows that the initial capital of P50M plus the working capital advances of P26M provided by the shareholders were spent primarily for the purchase of laboratory equipment and subsidized the operating losses suffered by the company from 2004 to 2009.

3. **… But a turnaround may be in the horizon**

   Operations improved in 2010 with the recovery in revenues to P21.2M. This was complemented by a cost-reduction program which led the business to realize a gross income of P7.5M (a turnaround from the gross loss of P9.9M in 2009)

   A key element of the cost-reduction program has been the transfer of the laboratory facilities from the UST campus in Manila to the RITM in Alabang. The relocation alone enabled the company to save P2.7M annually on rental expense. Furthermore, management gets their compensation from Unilab which decreases the financial strain on the Company.

   For 2011, the company expects to turn in an operating profit of P1.6M.

   2012 financial projections of UST-Cedres are positive. Revenues are seen at P27.7M, a 31% improvement from 2011, with a Net Profit of P2.1M.

Plans and Prospects

For 2012, management has predicted further growth with UST-Cedres projected to accomplish the following:

1. **Realize revenue growth of 31%**

   Revenues will hit P27.7M, the highest level since the company started operations. The target will be accomplished through new businesses such as the commencement of Bioavailability/Bioequivalence (BA/BE) tests on several generic products, as well as partnerships with Clinical Research Organizations (CROs) such as industry leader Ecron Acunova, for clinical trials. Seminars and workshops, which in 2011 have been well attended and profitable, will be conducted more regularly.

2. **With the revenue growth, improved gross margins and net profitability will follow.**

   With the new businesses, gross profits are expected to improve further to P9.9M in 2012. Consequently, net profits are expected to rise 31% to P2.1M

There are also certain considerations which may help UST-Cedres accomplish its 2012 objectives. These include:

1. **Government Support**

   The big potential for growth in the CRO industry in the country is due to ready availability of clinical trial participants. This remains an untapped field in the Business Process Outsourcing market. With support from DTI and BOI, UST-Cedres has the first-mover advantage and could take the lead in promoting the industry. UST-Cedres tapped the expertise of RITM to beef up its credentials.

As regards BA/BE testing, the FDA and DOH must require that more drugs be tested to ensure efficacy and potency of generic drugs being offered and introduced in the market.

2. **Buy-out of 20% share of UST**

There has been ongoing discussions regarding the buy-out of UST's 20% stake. To date, no valuation has been made on UST's stake. Cedres seeks to look for a partner which has the technical, financial or the marketing expertise to add value to the business and help in its goal of business expansion.

UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION
COMPANY REPORT

Company Background

United Coconut Planters Life Assurance Corporation ("Cocolife" or the "Company) offers a wide range of life insurance products as well as accident and health insurance to the general public.

The Company also offers various mutual products to the investing public such as peso-denominated mutual funds, US Dollar mutual funds, etc. The Company engages in the non-life insurance sector through its wholly-owned subsidiary UCPB General Insurance Co., Inc. ("Cocogen").

Identified in the coconut levy fund controversy, Cocolife was included in Annex A of Civil Case No. 0033 entitled "Republic of the Philippines vs Eduardo Cojuangco, Jr., et al." The following are the stockholders and their shareholdings in Cocolife, per its General Information Sheet for 2009.

Stockholders	# of Shares	% to O/S
UCPB-CIIF	255,806,677	46.51%
254,579 Coconut Farmers	46,642,148	8.48%
Others and Directors	247,551,175	45.01%
OUTSTANDING SHARES	550,000,000	100.00%

Industry Ranking

In 2010, the Company's ranking improved in terms of Premium Income, rising from 10th in 2009 to 9th the following year. This improvement was achieved through a P425M (equivalent to 22%) increase in Premium Income.

2010 Ranking Based on Premium Income	
1. Philam Life & Gen	11,254,874,199
2. Sunlife	10,633,280,619
3. Phil. Axa	8,359,866,264
4. Pru Life	7,356,704,771
5. Insular Life	7,129,014,421
6. BPI Philam Life	5,695,869,300
7. Manulife (Phils.)	3,974,603,127
8. Grepalife Financial	3,492,356,444
9. United Cocolife	**2,333,374,408**
10. Generali Pilipinas	1,419,746,109

Preliminary Findings

1. **Steady Rise in Revenues.**

The Company posted a steady growth in revenues from P2.14B in 2006 to P3.36B in 2010, a compounded annual growth rate of 9%. These were driven by net premiums which registered a compounded growth of 7.5% from P1.6B in 2006 to P2.3B in 2010, accounting for 70% of Total Revenue. Another significant revenue driver is Investment Income which rose 27% from P283M to P932M. The substantial improvement in Investment Income starting 2009 was primarily due to the increase in volume of DepEd loans which earns an interest rate of 14% per annum.

Year	2006	2007	2008	2009	2010
Net Premiums	1,604M	1,855M	1,689M	1,895M	2,320M
Investment income	283M	363M	341M	733M	932M
Fees Income	69M	88M	100M	85M	75M
Other Income	189M	145M	90M	33M	29M
Total Revenues	**2,144M**	**2,451M**	**2,219M**	**2,747M**	**3,356M**

2. **Moderate Increase in Expenses**

General and Administrative (G&A) Expenses rose 5% annually from P453M in 2006 to P572M in 2010. While the increase is in line with the average inflation rate of 5% during the period, the proportion of G&A expense to Net Premiums Written of 25% is significantly higher than the major non-life insurance companies, suggesting that Cocolife spends more for every policy written relative to its competitors.

Company	2010 G&A Expense vs Net Premiums Written
Phil Axa	14%
Insular Life	18%
Cocolife	25%

The key item in G&A expenses are employee related costs (Salaries & Wages and Other Employee Benefits) which accounted for almost 40% of G&A expenses.

3. **Strong Net Income Growth**

From 2006 to 2010, the Company posted an average annual net income growth of 20%. However, in 2008, the Company experienced a net loss of P129M. In that year, the net insurance premiums decreased by 9% to P1.7B. The situation was compounded by a 38% drop in investment income. Moreover, the Company was forced to book an unrealized loss of P159M on its remaining equity portfolio.

In the succeeding years, income recovered strongly. The Company posted a Net Income of P165M in 2009 and P212M in 2010.

Year	2006	2007	2008	2009	2010
Net Income	84M	101M	(129M)	165M	212M

4. 2011 Operating Results

Interim results for 2011 show that total revenues grew by 18% from 2010. This growth was achieved despite a 12% drop in Investment Income which, in past years, constituted about 30% of Total Revenue. This was brought about by a 27% increase in Net Premium. From 2006 to 2010, the average growth rate of Premium Income was only around 7.5%.

The increase in the top line, coupled with an increase in the G&A expenses of 13%, yielded an improvement of 14% in the company's Net Income figures.

2011	Amount	Inc (Dec)
Revenues	3,915M	18%
Net Premium	3,255M	27%
Investment Income	660M	(12%)
G&A Expense	544M	13%
Net Income	242M	14%

5. 2012 Plans and Prospects

For 2012, Management projects a P705M increase in Total Revenues, a growth rate of 18%, consisting of P567M (17%) improvement in Net Premiums and P138M (21%) improvement in Investment Income.

Increase in 2012 G&A expense is expected to stay at 8%. Projected Net Income for the year is P280M, from P242M in 2011, a 16% growth.

2012	Amount	Inc (Dec)
Revenues	4,620M	18%
Net Premium	3,821M	17%
Investment Income	799M	21%
G&A Expense	589M	8%
Net Income	280M	16%

Coconut Farmers Insurance Program

The Coconut Farmers Insurance Program provides life insurance to coconut farmers as part of the social amelioration program of the coconut industry. The Program started in 1978 and has covered about 1,130,000 coconut farmers in accordance with the Cocofed and PCA lists.

Cocolife provides a P10,000 life coverage to the coconut farmers and also acts as administrator of the insurance fund reserve contributed by the CIIF Oil Companies. Cocolife processes and advances the claim payments through its branches nationwide at no processing cost.

To date, Cocolife has paid more than P1.87B of claims to beneficiaries of more than 260,000 farmer-claimants. Moreover, the Company was able to extend the life of the insurance reserve it manages, through good investment policies and a positive claims experience. It has also advanced P135M of its funds to pay the claims not covered by the insurance fund.

As of December 31, 2011, around 863,550 coconut farmers are still covered under the Program.

UCPB GENERAL INSURANCE CO., INC.
COMPANY REPORT

Company Background

Incorporated in 1963, UCPB General Insurance Company, Inc. (Cocogen) is engaged in the business of non-life insurance. It currently has 259 employees and 378 licensed agents working out of 18 corporate offices in various locations nationwide.

By product mix, Cocogen's main business covers Motor (33%), Property (25%), Liability and Casualty (14%), Marine (13%), Personal Accident (10%) and Bonds (5%).

Cocogen is a wholly-owned subsidiary of United Coconut Planters Life Assurance Corporation (Cocolife). Identified in the coconut levy fund controversy, Cocolife was included in Annex A of Civil Case No. 0033 entitled "Republic of the Philippines vs Eduardo Cojuangco, Jr., et al". The following are the stockholders and their shareholdings in Cocolife per General Information Sheet of 2009.

Stockholders	# of Shares	% to O/S
UCPB-CIIF	255,806,677	46.51%
254,579 Coconut Farmers	46,642,148	8.48%
Others and Directors	247,551,175	45.01%
OUTSTANDING SHARES	550,000,000	100.00%

Industry Ranking

Cocogen is a key player in the non-life insurance business. In 2010, the Company improved its ranking in terms of Gross Premiums Written, rising from 9th in 2009 to 7th the following year. This performance was mirrored in the category of Net Premiums[1] Earned, where Cocogen climbed to 8th place in 2010, from 9th place in 2009.

2010 Non-Life Industry Rankings

Rank	Company	Gross Premium Written	Rank	Company	Gross Premium Written
1	Malayan	5,858,106,620	6	Chartis	2,816,046,692
2	Prudential	4,066,148,211	7	**UCPB Gen**	**1,711,150,556**
3	BPI/MS	3,539,295,809	8	Phil Charter	1,708,507,328
4	Pioneer	2,718,585,446	9	Fed Phoenix	1,701,163,755
5	Standard	2,382,765,077	10	Mapfre	1,657,172,423

[1] Net Premiums is defined as the Company's Gross Premiums less the Reinsurers' Share of the Gross Premiums. The Net Premium reflect the actual revenue that is due to the Company.

Rank	Company	Net Premium Earned	Rank	Company	Net Premium Earned
1	Malayan	2,543,754,741	6	Phil Charter	951,034,931
2	Prudential	2,176,437,265	7	Pioneer	891,133,736
3	BPI/MS	1,376,563,110	8	**UCPB Gen**	**863,460,034***
4	Mapfre	1,103,239,765	9	Fed Phoenix	810,140,485
5	Standard	969,308,298	10	Chartis	725,976,863

*Difference in amount between Industry Ranking and Audited Financial Statement is due to Statutory and GAAP reporting standards.

Financial Highlights: Findings

1. ***Recovering Net Income***

The combination of stricter expense controls and a 10.43% rise in Total Revenue has enabled the Company to turnaround from a Net Loss of P143 million in 2009 to a Net Income of P11 million in 2010. The Net Loss of 2009 can be attributed to the large payout of claims arising from the damage wrought by Typhoon Ondoy.

Year	2006	2007	2008	2009	2010
Net Income	13M	13M	49M	(143M)	11M
Premiums	905M	958M	798M	758M	860M
Claims	436M	468M	371M	533M	441M
% of Claims to Premium	48%	49%	46%	**70%**	51%

2. ***Low Return on Equity***

Despite the turnaround in the company's net income in 2010, Cocogen's return on equity (ROE) figure of 2.0% is the non-life industry's lowest. Phil Charter and BPI/MS led this category with 18% and 17% ROE, respectively.

Cocogen's net worth at the end of 2010 amounted to P564M. However, P100M of the equity amount consists of UCPB stocks (which are non-earning and non-marketable) that were contributed by Cocolife to increase Cocogen's paid-up capital in 2004.

Company	2010 ROE
Malayan	5.5%
Phil Charter	18.0%
BPI/MS	17.0%
Pioneer	2.5%
Chartis	16.0%
UCPB Gen	**2.0%**

3. ***Consistent Revenue Performance***.

From 2006 to 2010, Cocogen delivered an average annual revenue of P1.05 billion. The key driver for revenues remains Net Premiums Earned, which stood at P759 million in 2009 and P860 million in 2010. As of 2010, Net Premiums Earned accounted for 79.80% of Total Revenues. The remaining 20.20% in total revenue stems from Commission Income[2] of P139.57 million (↑ 0.12% from 2009) and Investment & Other Income of P78.16 Million (↑ 0.40% from 2009).

Year	2006	2007	2008	2009	2010
Revenues	1,102M	1,153M	1,013M	976M	1,077M
Net Premiums Earned	905M	958M	798M	759M	860M

4. ***Prudent Expense Management in 2010.***

From 2006 to 2010, the Company has kept a tight rein on operating expenses. During this period, operating expenses grew at a Compounded Annual Growth Rate (CAGR) of 3.18% from P194 million in 2006 to P227 million in 2010, well below the national average inflation rate of 5.06% for the same period.

Category	CAGR ('06 to '10)
Salaries and Benefits	3.60%
Ad and Promo	6.44%
Rent	3.89%
Utilities	5.70%
Operating Expense	3.18%

Salaries and other benefits remains the biggest operating expense item. In 2010, the Company's salaries and other benefits reached P96.26 million, accounting for 42.38% of operating expenses. However, Cocogen has been consistent in keeping salaries and other benefits within 41% to 44% throughout the review period. Compared with other non-life companies, the salaries and other benefits of Cocogen is lower, both as a percentage of operating expenses and net revenue.

Company	Compensation vs Opex	Compensation vs Net Revenue
Malayan	49%	15%
Prudential	45%	13%
Phil Charter	46%	14%
UCPB Gen	**42%**	**11%**

Average commission expense for the 5 year period was 20.25%, which is at the lower end of the industry range of 20 to 25%. Other major expense items for 2010 include

[2] Refers to Commission Income from Reinsurance

Advertising and Promotions of P 30 million, Rent of P18 million, and Utilities of P14 million.

Year	2006	2007	2008	2009	2010
Gross Premium	1.47B	1.54B	1.42B	1.52B	1.62B
Commission	284M	306M	292M	311M	343M
Percentage	19.36%	19.90%	20.48%	20.38%	21.15%

2011 Results

The Company posted a Net Income of P46.5M in 2011, a 322% increase from the previous year. Gross Premiums Written registered a 16% growth, from P1.62B in 2010 to P1.88B in 2011.

OIL MILLS GROUP

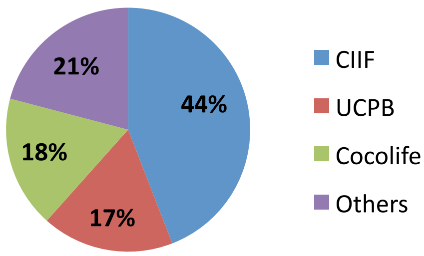
LEGASPI OIL COMPANY, INC.
GRANEXPORT MANUFACTURING CORPORATION
SAN PABLO MANUFACTURING CORPORATION
CAGAYAN DE ORO OIL COMPANY, INC.
SOUTHERN LUZON COCONUT OIL MILL, INC.
ILIGAN COCONUT INDUSTRIES, INC.

BRIEF BACKGROUND OF THE SIX CORPORATIONS COMPRISING THE CIIF OIL MILLS GROUP

The companies which comprise the CIIF Oil Mills Group ("CIIF OMG" or "the Group") are primarily engaged in the milling and refining of copra to processed products such as crude coconut oil and edible oil. They were acquired or established from the Coconut Industry Investment Fund (CIIF). The CIIF formed part of the Coconut Consumers Stabilization Fund (CCSF), also known as the coconut levy fund, which was created in 1973 by Presidential Decree (PD) No. 276. The appropriation of PhP2.6 Billion funds for the CIIF from the collection of the CCSF and the Coconut Industry Development Fund (CIDF) to finance investments in various companies for the benefit of the coconut farmers was authorized by PD No. 961, the "Coconut Industry Code."

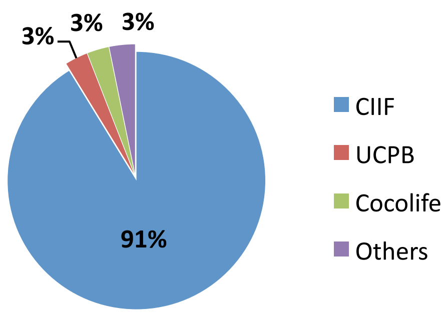
LEGASPI OIL COMPANY, INC.

Legaspi Oil Company, Inc. (LEGOIL) was incorporated and organized on 24 April 1958, and registered with the Securities and Exchange Commission (SEC) on 30 June 1958. LEGOIL is engaged in the coconut oil milling business substantially for export. LEGOIL has an 18% equity interest in each of the 14 CIIF Holding Companies (CIIF HCs) which hold shares in San Miguel Corporation (SMC).



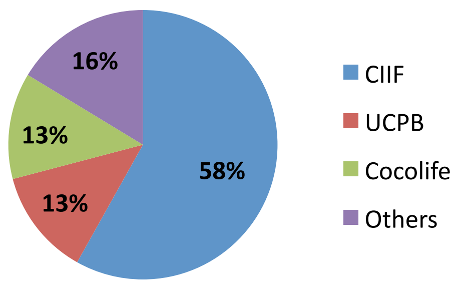
GRANEXPORT MANUFACTURING CORPORATION

Granexport Manufacturing Corporation (GRANEX) was incorporated and organized on 15 June 1974, and registered with the SEC on 26 July 1974. The company is engaged in the coconut oil milling business substantially for export and is engaged in trading of various types of coconut oil products and oleo chemicals. In February 2010, CIIF ownership in GRANEX increased from 45% to 91.24% as a result of the conversion of redeemable shares held by CIIF to common shares. GRANEX has a 19% equity interest in each of the 14 CIIF HCs.



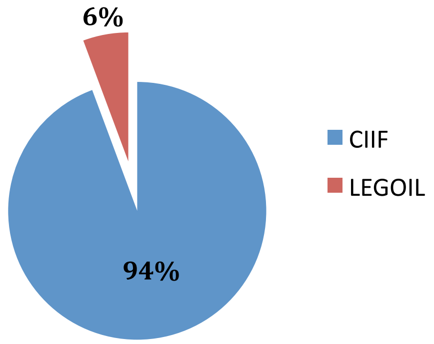
SAN PABLO MANUFACTURING CORPORATION

San Pablo Manufacturing Corporation (SPMC) was incorporated and organized on 20 June 1965, and registered with the SEC on 26 June 1965. SPMC is engaged in the purchasing, processing and selling of coconut oil and other coconut products. In February 2010, CIIF ownership interest increased from 43.8% to 58.13% as a result of the aforementioned conversion of redeemable shares held by CIIF to common shares. SPMC has a 19% equity interest in each of the 14 CIIF HCs.



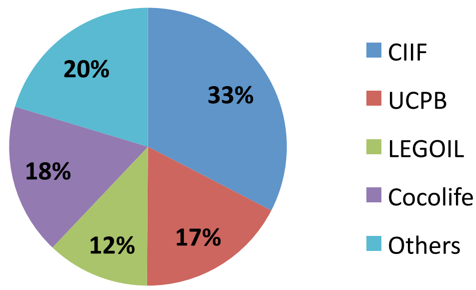
Cagayan de Oro Oil Company, Inc.

Cagayan de Oro Oil Co., Inc. (CAGOIL) was incorporated and organized under the laws of the Philippines and was registered with the SEC on 20 May 1974. It is engaged in the coconut oil milling business substantially for export. In February 2010, CIIF's ownership interest in CAGOIL increased from 30% to 94.32% and LEGOIL's ownership decreased from 70% to 5.67% as a result of the conversion of redeemable shares held by CIIF to common shares. CAGOIL has 18% equity interest in each of the 14 CIIF HCs.



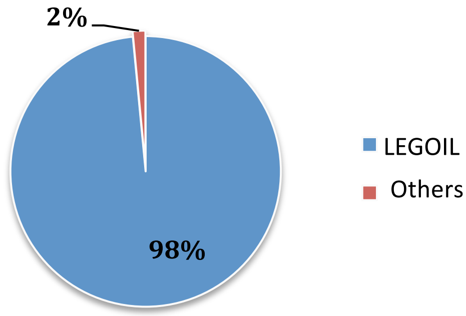
Southern Luzon Coconut Oil Mills, Inc.

Southern Luzon Coconut Oil Mills, Inc. (SOLCOM) was incorporated and organized on 4 December 1972, and registered with the SEC on 23 February 1973. Over the years, SOLCOM operated its crushing facilities intermittently due to inadequate supply of copra. Since 2007, the company decided to temporarily shut down its plant facilities due to the cost ineffectiveness of continuing plant operations. SOLCOM's present main activity is holding shares of stocks in the 14 CIIF HCs where it has 11% equity interest in each company.



Iligan Coconut Industries, Inc.

Iligan Coconut Industries, Inc. (ILICOCO) was incorporated and organized on 27 September 1974, and registered with the SEC on 18 November 1974. ILICOCO divested its coconut milling operations in 1984. Since then, its main activity is the holding of shares of stock in the 14 CIIF HCs where ILICOCO has a 15% stake in each company.

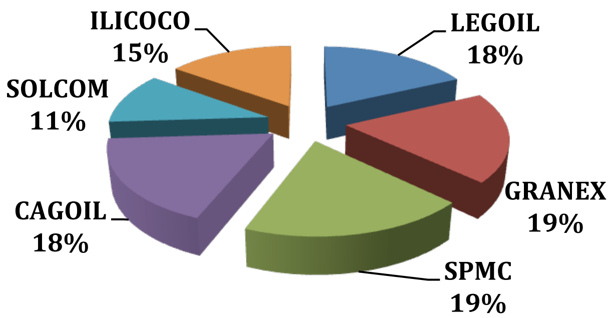


14 CIIF Holding Companies

In 12 August 1983, CIIF-OMG caused the incorporation of 14 subsidiaries that act as "holding companies."

1.	Anglo Ventures Corporation
2.	ASC Investors, Inc.
3.	ARC Investors, Inc.
4.	AP Holdings, Inc.
5.	Fernandez Holdings, Inc.
6.	First Meridian Development, Inc.
7.	Randy Allied Ventures, Inc.
8.	Rock Steel Resources, Inc.
9.	Roxas Shares, Inc.
10.	San Miguel Officers Corp, Inc.
11.	Soriano Shares, Inc.
12.	Te Deum Resources, Inc.
13.	Toda Holdings, Inc.
14.	Valhalla Properties Limited, Inc.

Through various loans obtained and advances made, these 14 companies acquired about PhP1.656B worth of common shares of stock in SMC. The respective percentage ownership shares of the CIIF OMG companies in each of the 14 HCs are uniform and summarized as follows:



CHANGES IN GOVERNANCE IMPLEMENTED IN 2011

The operational management of the Group has always been consolidated under one organization for coordination and efficiency, as the companies have related and complementary businesses and ventures. During the past administration however, in a show of exceptional patronage politics, the boards of the various corporations (average size: 7 directors) were packed with as many nominees who were able to get desire letters from the Palace, resulting at times with boards having more directors than there were seats. At any given time, the total number of directors for the Group exceeded 40; making processes unwieldy and costs high.

Upon review of the then-existing set-up, it was determined by the Commission, in consultation with the Department of Finance, that the most optimal arrangement would be to: (1) keep one "management team" in place for the Group; and (2) limit the number of directors by constituting two "mother boards" for the six corporations. In effect, the boards of SPMC, SOLCOM and LEGOIL would be comprised of the same seven directors (Group A) while those of GRANEX, CAGOIL and ILICOCO would have another set of seven directors (Group B). The formal election of the members of the board was effected on 16 September 2011, per instructions from the Office of the Executive Secretary (10 August 2011), to wit:

	Group A	Group B
1	Ramon Magsaysay Jr. (Chairman)	Wigberto Tañada (Chairman)
2	Bienvenido Bautista	Roberto Macasaet Jr.
3	Ermilando Napa	Wilfredo Paras
4	Jesus Arranza	Jesus Arranza
5	Andres Bautista	Andres Bautista
6	Maita Chan-Gonzaga	Maita Chan-Gonzaga
7	-	-

As can be gleaned from the foregoing, each group requires one more nominee-director to bring the total to 7 each. The Commission has made the repeated recommendation that the last 2 slots be filled up by 2 farmer-representatives. The Commission is also open to the suggestion that the current by-laws of the 6 companies be amended to allow for 9 board seats in each company; thus increasing the slots for farmer representation to 3, instead of 1, in both Group A and Group B boards.

As far as the 14 HCs are concerned, each company is supposed to have 5 directors. By practice, uniform boards are elected for all, and the CIIF OMG Management Team also acts as their management team. Since 1986, the PCGG Chairman is also elected to sit as Chairman of all 14 CIIF HCs. As of 4 October 2011, these companies have, as common directors, the following:

- Andres D. Bautista (Chairman)
- Ramon Magsaysay, Jr.
- Wigberto E. Tañada
- Jesus L. Arranza
- Jeronimo Kilayko

FINANCIAL INFORMATION (AND HIGHLIGHTS): 2006-2011

CIIF OIL MILLS GROUP

PHP in Millions	2011	2010	2009	2008	2007	2006
Revenues	16,657	14,187	8,998	10,637	9,217	10,584
Cost of Sales	15,838	13,388	8,238	9,982	9,266	10,030
Gross Profit	819	799	760	655	(49)	554
Administrative expenses	*240*	*223*	*206*	*204*	*268*	*262*
Selling expenses	*244*	*267*	*326*	*266*	*323*	*834*
Interest – net	*130*	*138*	*146*	*143*	*106*	*154*
Total Operating Expenses	614	628	678	613	697	1,250
Operating Income (Loss)	205	171	82	42	(746)	(696)
Net Income (Loss)*	149	120	36	(10)	(766)	(815)

** This excludes dividend income.*

The Group posted revenues of PhP16.66B in 2011, an increase of PhP2.47B or 17% from 2010 results. The increase in revenues for this year has been attributed to management's effective trading strategy that allowed the group to weather the sharp drops in copra production.

Despite the fact that the Group registered the highest amount of sales in 2011, administrative expenses increased by only PhP17M or 8% from last year's comparable figure; while selling expenses actually went down by PhP23M or 9%.

Net income for 2011 was PhP149M, an increase of PhP29M or 24% from 2010.

14 HOLDING COMPANIES

As these 14 companies are essentially holding corporations, not operational ones, there is considerably less information specific to 2011 to take note of. It bears noting however that the 14 Holding Companies currently collectively own 753,848,312 preferred shares in San Miguel Corporation. The current value of this block, at PhP75/share, is PhP56.538B. The shares have also earned dividend income of approximately PhP8.8B as of January 2012. Additionally, the following comments are proffered:

- The cash dividends declared by the 14 HCs in 2010 to the parent CIIF OMG companies, amounting to PhP1.009B, remain unpaid due to the Supreme Court order that the SMC dividends be escrowed pending resolution of the main case involving the coco levy and the CIIF block of SMC shares.
- The 14 HCs will be able to recover PhP8.136M in the nature of business tax credit/refund stemming from a compromise settlement with Makati City.

2012 BUSINESS PLAN AND OTHER MAJOR ACTIONS UNDER CONSIDERATION

Based on the 2012 Business Plan, the combined projected operating income of CIIF OMG is estimated at PhP283M. Of this, 46% will be contributed by the sales of Minola coconut-based products, 43% from the sales/trading of crude coconut oil, cochin and other by-products and 11% from the sales of Mitra Palm Oil-based products.

Profitability ***(PhP in Millions)***	**Plan 2012**				
		Growth Over		**Actual**	**Actual**
	Amount	**2011**	**2010**	**2011**	**2010**
Revenues	17,901	7%	26%	16,657	14,187
Operating Income	283	38%	65%	205	171

The Group is also keen to establish nurseries for coconut seedlings in seven of the oil mill plants nationwide to propagate coconut planting and replanting. PhP10M has already been allocated for this undertaking, a corporate complement of the PCA's national program to replace aging coconut trees. The nursery project will be initially launched in a 2-hectare lot within the GRANEX plant in Iligan City.

For the long term, CIIF OMG will also be looking at, among other things: producing high-value products to provide bigger margins for both food and non-food products; collaborating with third parties especially food companies in the production of oleochemical products; and launching a more aggressive and effective advertising and promotion campaign for both Minola oil and margarine.

Finally, in light of the 24 January 2012 decision of the Supreme Court in *Cocofed v. Republic* (G.R. Nos. 177857-58 and 178193) which held that the Group, the CIIF HCs and the CIIF Block of SMC shares are "owned by the government to be used only for the benefit of all coconut farmers and for the development of the coconut industry" and are to be reconveyed to the government, a major concern for the Commission is the proper way of effecting the ruling once it has attained finality. The Commission, in coordination with the Presidential Task Force on the Coco Levy (composed of the Presidential Management Staff, the Commission, the Department of Agrarian Reform, the Department of Agriculture, the Philippine Coconut Authority, and the National Anti-Poverty Commission), is currently undertaking a comprehensive review of all pertinent issues relating to the matter.

UCPB-CIIF FINANCE AND DEVELOPMENT CORPORATION
COMPANY REPORT

Company Background

UCPB-CIIF Finance and Development Corporation ("Cocofinance" or the "Company") was incorporated in November 3, 1994 as a subsidiary of United Coconut Planters Bank ("UCPB"). Although Cocofinance is not a sequestered company it has been deemed sequestered as a result of the PCGG's sequestration of 95% of the ownership of UCPB. Cocofinance serves as UCPB's wholesale finance and investment entity that provides credit facilities to coconut farmers.

Cocofinance lends to accredited rural financial institutions and cooperatives who in turn re-lend the funds to coconut farmers. As a lender to coconut farmers and their families, Cocofinance has disbursed a total of P4.4B to this sector as of the end of 2009.

Cocofinance currently has 7 offices nationwide located in Cabanatuan, Lucena, Naga, Tagbilaran, Iloilo, Davao and Zamboanga. As of December 31, 2011, the Company is servicing 268 Cooperatives and 11 Rural Financial Institutions, or a total of 279 clients with a total outstanding loan portfolio of P772M.

Highlights of Operations

1. **Strong Capitalization**

   Cocofinance is well-capitalized with total equity of P1.07B as of 2010. This amount exceeds the BSP's capital requirement of P10M for Finance Companies operating within Metro Manila. Moreover, Cocofinance's lending operations are funded exclusively through its equity. An Examination Report from the BSP in 2011 also noted the strong capital adequacy of the Company.

   The capitalization of the Company came primarily from the capital infusion of UCPB and CIIF which amounted to P975M and the Retained Earnings from 1995 to 2010 of about P92M.

2. **Strong Liquidity Position**

   Due to its strong capitalization, the Company does not rely on external borrowings to finance its operations. In 2010, the Company's Current Ratio, which measures the company's ability to meet its short terms obligations, stood at 75x.

3. **Moderate Asset Risk**

   The BSP Examination Report noted that the quality of Cocofinance's loan portfolio needs improvement. The report further noted that the Company's Past Due, Non-Performing Loans and Non-Performing Assets Ratios stood at 17%, 11% and 11%

respectively, as of October 2010. This is due to lending to entities that cannot otherwise source financing elsewhere; thus, carrying greater risk.

The Company has provisioned for loan losses totalling P100M from 2007 to 2010. About 56% of the provision is attributable to the closure of two client rural banks, G7 Bank and the Rural Bank of Malasiqui.

4. Positive Operating Results

The Company has generally experienced positive operating results except in 2008 when loss provision for the closure of the 2 rural banks amounting to P56M was recognized. The table below shows the Net Income after tax (but before Donation) from 2006 to 2011.

Year	2006	2007	2008	2009	2010	2011
NI After Tax	11M	8M	(22M)	1M	12M	16M

5. Donations to Cocofoundation

From 2006 to 2010, the Company donated a total of P30M to the UCPB-CIIF Foundation. The donations were used to fund the Foundation’s various projects including its scholarship programs, capability-building, farming and reforestation programs. In 2011, the Company donated P2M to the Foundation.

Year	2006	2007	2008	2009	2010	Total
Donation	5M	-	5M	10M	10M	30M

UNITED COCONUT CHEMICALS, INC.
COMPANY REPORT

Executive Summary

United Coconut Chemicals, Inc. (Cocochem) was incorporated on 8 December 1981 to manufacture various cocochemical products that will be sold to domestic and foreign markets. Its main products include Fatty Alcohol, which is used in the manufacture of soaps, detergents, cosmetics, etc. and Glycerine which, itself, has various industrial applications.

Pursuant to Presidential Decree No. 1468 issued in 1978, 62.96% of Cocochem was acquired by United Coconut Planters Bank in its capacity as administrator of the CIIF funds. Cocochem is not covered by any sequestration order, but is included in Annex "A" of Sandiganbayan Civil Case No. 0033 entitled "*RP v. Eduardo Cojuangco, Jr. et al.*" PCGG's representation in Cocochem is based on its controlling interest in UCPB (95% sequestered).

Cocochem has undergone several management changes in the past 8 years. Ms. Helen R. Osias was the Company's president from 2003 until August, 2007. She was succeeded by Dr. Carlito Puno whose term was from August 16, 2007 until May 1, 2011. Dr. Puno was then replaced by Engineer Eveline L. Patino who currently serves as the acting President of Cocochem.

FINANCIAL HIGHLIGHTS (In US$)

	2006	2007	2008	2009	2010
Sales	79.36M	73.39M	74.19M	16.60M	17.79M
Cost of Sales	75.38M	71.24M	84.11M	18.71M	19.29M
Gross Profit	3.99M	2.15M	(9.92M)	(2.11M)	(1.50M)
Operating Expense	4.79M	4.06M	5.92M	2.84M	2.12M
Operating Loss	**(0.80M)**	**(2.25M)**	**(15.84M)**	**(4.95M)**	**(3.62M)**

From 2001 to 2005, Cocochem registered a total operating income of US$20.4M. For the five-year period under review (2006 to 2010), the company's cumulative operating losses amounted to almost US$27.5M. US$24.4M or 94% of the losses were incurred from 2008 to 2010. These losses were partly due to the economic crisis at that time but primarily because of mismanagement which include:

I. Mishandling of Raw Material Purchases

A. ***The Risky Centralization of Raw Material Purchases with the Office of the President***.

Prior to 2008, raw material purchases were handled by the Marketing Department. To countercheck the planned purchases of the Marketing Department, the Company maintained a Product Management Group (PMG) which monitored the costs of these purchases against the expected selling prices of Cocochem products. Moreover, the PMG also measured the financial impact of raw material purchases against such metrics as positive contribution margins. Furthermore, the PMG also studied the volume of main and by-product production versus what the market can absorb. This set-up ensured minimal build-up of inventory and prudent working capital management.

By 2008, the President abolished the PMG and transferred the responsibility of the raw material purchases to the Office of the President. Without the PMG, raw material purchases lacked the checks and balances that ensure profitable production. This move exposed the Company to unnecessary financial risks. The 2nd half of 2008 showed that average production yielded a negative contribution margin of US$117 per metric ton, or a total CM loss of US$2.4M for that period.

B. ***The Unfettered Purchasing of Raw Materials***.

By mid-2008, the Company began a series of raw material purchases even though: a) monthly sales were below targets, and b) inventories were already at high levels. These purchases accelerated from June to September 2008. By then, the selling prices for Cocochem products collapsed with the financial meltdown in the US and Europe. This resulted in the Company holding inventory levels of 15,242MT, far above the programmed 12,500MT.

C. ***The Disregard of the Board of Directors' Instructions to Halt Raw Material Purchases***. In August 2008, the Board of Directors, alarmed over the aggressive purchases of raw materials, specifically ordered the halt of further raw material purchases. However, this instruction was disregarded and the Company purchased in August and September, 2008 an additional 7,200MT in Crude Coconut Oil worth USD 8.0 Million.

By the end of 2008, the Company realized losses of USD15.29M, most of which stemmed from a USD12.18M write-down in inventory which could have been avoided or limited.

II. *Disadvantageous Sales Agreement with Oxford Oleochemicals*.

During the second half of 2007, Cocochem appointed Oxford Chemicals as its exclusive sales and distribution agent for new overseas clients. However, at the time of the agreement, Oxford Chemicals existed only in name and was actually incorporated in 2008, *after* the signing of the Sales and Distribution Agreement. Moreover, Oxford Chemicals was set up by individuals unknown/without a solid or established reputation in the oleochemical industry. The major stockholder, Mr. Edsel Miguel, owning 50% of the company's capital stock, was Dr. Puno's executive assistant while the latter was the Chairman of the Commission on Higher Education (CHED).

In 2008, Oxford Chemicals committed to selling 18,000MT of Cocochem products to new clients. However, Oxford Chemicals sold only 8,309MT or just 41% of its sales commitment. Moreover, Oxford Chemicals failed to source new customers but only sold to existing Cocochem clients. Hence, Cocochem incurred unnecessary sales commissions of USD350,000.

<u>Overall Impact of Past Actions on Present Operations</u>

1. *Lack of Access to Working Capital*

The company's cash flow has been severely reduced due to the accumulated losses experienced in the past 5 years. Working capital in 2011 was primarily provided by loans from the CIIF Oil Mills Group, Peter Cremer, and loans from its subsidiary. Due to its weak financial position, the Company was unable to obtain working capital lines from banks or other regular suppliers. With a working capital requirement in 2012 of about P800M, the greatest challenge of the company is to look for sources to fund this requirement.

2. *Inability to Secure Long Term Supply Contracts*

The uncertainty surrounding the company's continued viability has prevented customers from entering into long-term supply contracts with Cocochem. Without these long term contracts, the Company is unable optimize its raw material purchases and plant operations.

3. *Deterioration of Plant, Machinery and Equipment*

Cocochem's continued losses have prevented it from upgrading its machinery and equipment. In turn, the deterioration of its equipment has contributed to operational inefficiencies, putting the company at a cost disadvantage against its competitors.

4. *Absence of Competitive Logistics to Main Markets*

In late 2007, Cocochem terminated its tank operations in New York and Rotterdam, removing the Company's ability to supply its main markets. It was unable to replace logistics to the major markets with more competitive cost options.

5. *Impairment of Equity*

The accumulated losses incurred in the past 5 years have significantly impaired the equity of the company.

	2006	2007	2008	2009	2010	2011
Equity	$48.4M	$46.2M	$30.9M	$24.9M	$24.6M	$17.5M

The impaired equity reduces the economic value of the business if it were to be sold. Furthermore, it also prevents the Company from obtaining the necessary financing to: 1) maintain continuous operations, 2) upgrade production facilities to ensure cost-efficient operations, and 3) repay outstanding payables with suppliers.

Results of 2011 Operations

Cocochem restarted its operations in January 2011. With the support of the CIIF Oil Mills Group, who supplied crude coconut oil (CNO), Cocochem was able to operate the plant and supply its traditional customers. Sales in 2011 recovered to P2.2B, but still lower than the average of P3B registered in 2006 to 2008.

Despite the sales increase, the Company posted a negative contribution margin of P39M for the year. The price of CNO was at a historical high while the selling price of its finished product, fatty alcohol, experienced a continuing downward trend, dropping from $3,500 per metric ton in March to about $2,000 in November.

Compounding the Company's financial woes were Cocochem's high annual fixed cost of about P255M, the quality and logistics difficulties that affected delivery on booked sales, the delayed start-up of the plant due to technical difficulties, and the year-end write down on inventory of P76M. As a result, the Company suffered a Net Loss of P378M or $7.5M in 2011.

Detailed Summary of Findings

A. The Abolition of the Product Management Group (PMG) and the Centralization of Raw Material Purchases under the Office of the President.

Prior to the entry of Dr. Puno in 2007, raw material purchases were handled by the Marketing Department and guided by the Product Management Group. Since the Marketing Department handled the sales of the alcohol and fatty acids to overseas and local buyers, the Marketing Department was in the best position to know the timing and quantity of raw materials needed to support sales. To countercheck the Marketing Department, the PMG monitored the selling prices for Cocochem products against the purchase price for raw materials as measured by the Contribution Margin[1]. As long as the Contribution Margin remained positive, the Company operates with some positive cash flow. The PMG served as a critical check and balance to the purchases made by the Marketing Department. The decision to centralize purchasing under the Office of the President PLUS the abolition of the PMG irresponsibly exposed the Company to risk.

B. The Aggressive Inventory Build-up without Corresponding Sales nor a Positive Contribution Margin

In 2008, the Company planned production under the key assumption of 100% of rated capacity. This corresponded to a monthly sales assumption of 5,000MT of product. To meet that sales target, Cocochem determined the required monthly inventory levels would be at 12,500MT. This also meant that if monthly sales did not reach 5,000MT then monthly inventory must be below 12,500MT. Unfortunately, the Company's

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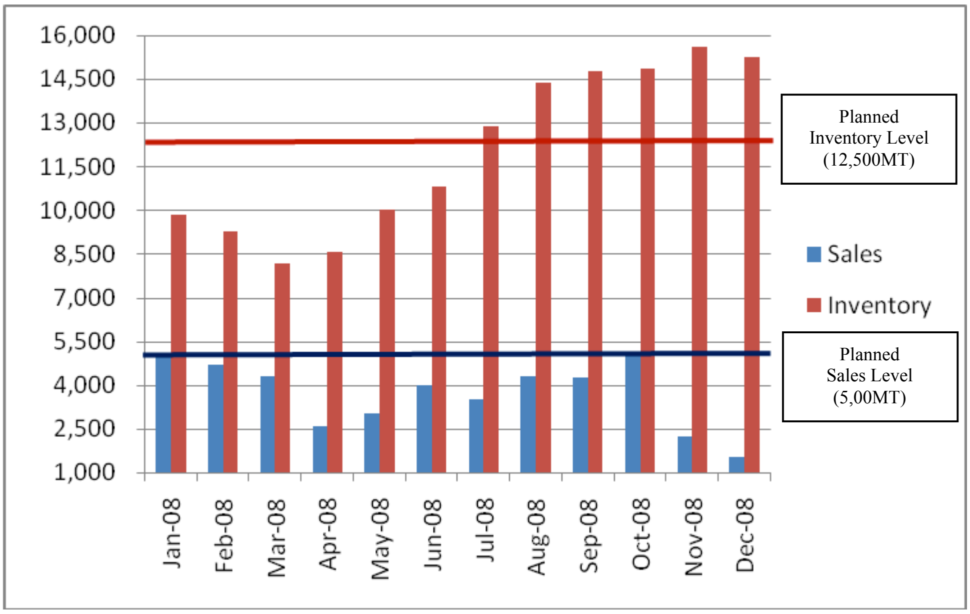
[1] Contribution Margin is defined as the Selling Price per Unit less Variable Cost per unit. In the case of Cocochem, this is the equivalent of the selling price less the raw material cost and fuel. Contribution margin represents profits before fixed manufacturing costs and operating expenses.

monthly sales did not reach the target of 5,000MT for much of 2008. During the first half of 2008, monthly sales averaged at 3,924MT where a dramatic slowdown in sales was noted in April and May. Instead of keeping inventory below the planned level of 12,500MT, the Company still continued to purchase raw materials during the year. In June 2008, the Company began aggressive crude coconut oil (CNO) purchases of over 5,000MT with even higher subsequent monthly CNO purchases of 5,983MT and 6,744MT for July and August 2008, respectively. This was done even though the Company's CNO inventory was already at 12,896MT, above the planned level of 12,500MT. By the end of 2008, inventory levels stood at 15,242MT.

Cocochem Monthly Sales vs. Inventory Levels (in MT)



The aggressive purchases of CNO could not have come at a worse time. Conducting a pro-forma contribution margin analysis for 2008, the current management determined that the Company had realized an average positive contribution margin of USD89/MT during the first half of 2008. The 2008 economic crisis collapsed commodity prices and hampered the Company's ability to sell its products at a positive contribution margin. In the second half of 2008, the Company realized a negative average contribution margin of USD117/MT.

Pro-Forma Contribution Margin 2008

	Jan to Jun 2008	Jul to Dec 2008
Ave. Margin per Product (USD/MT)	89.00	(117.00)
Total Volume (MT)	24,128	20,747
Contribution Margin/(Loss)	2,147,000	(2,427,000)

While the previous management cannot be held accountable for the collapse of selling prices, the PMG would have alerted senior management regarding the negative contribution margins realized during this period and halted raw materials purchases to limit Company losses. The decision to abolish the PMG resulted in the unnecessary purchases and huge losses for the Company.

- ***Adverse Financial Impact on Granex***

  The 2008 economic crisis substantially reduced the consumption of oleochemical products in the US. Because of the high volume of production in the Cocochem plant, inventory was continuously sent to the US to be sold. With sales not materializing, inventory kept piling up. At the end of 2008, inventory had a value of USD2M. Since the lease for the storage tanks have been terminated the previous year, Granex had to incur storage and demurrage fees. These additional costs contributed to the huge losses incurred by Cocochem in 2007 and 2008.

Granex	2008
Inventory Volume	767 MT
Inventory Value	US$2.02M
Storage & Demurrage fees 2008/2009	US$0.40M

C. Disregard for Board of Directors' instructions to halt purchases

Even though the Company was realizing negative contribution margins in the second half of 2008, the Company continued its CNO purchases. During an Excom meeting on 13 August 2010, the Excom instructed Cocochem management "to stop buying CNO first." At the time, departments concerned were aware that the inventory levels were sufficient for Cocochem's needs for the rest of 2008. However, disregarding the Excom's instructions, Cocochem made unnecessary purchases of 7,200MT worth USD8M for the period from 19 August 2010 to 19 September 2010. Out of the total volume ordered, the Board stopped the delivery of 6,000MT that prevented further losses to the company. However, this move also made Cocochem unable to source its raw materials from these suppliers in the next years.

D. The Sales Distribution Agreement with Oxford Chemicals

Prior to its agreement with Oxford Chemicals, Cocochem sold its products through Granex Corporation (Granex) for the US market and United Coconut Planters International S.A., France (UCPI) for the European market. Granex and UCPI are member companies of the Coconut Industry Investment Fund Oil Mills Group (CIIF OMG). Profits earned by Granex are remitted to the CIIF OMG, which will be credited against the raw material purchases of Cocochem from the group. Any deficiency in its operating expenses will be subsidized by Cocochem.

Granex leased two storage tanks in the US for Cocochem products. However, in late 2007, the Cocochem Management Committee terminated the leases on the tanks because of the negative projected cash position of the company and the lack of funds to support the inventories of Granex and UCPI.

Changes implemented in 2007 disrupted Cocochem's sales and raw material purchases. The new management of Dr. Puno modified the Company's distribution channels when it entered into a Sales and Distribution Agreement with Oxford OleoChemicals Solutions (Oxford). Oxford became the sales agent/distributor of Cocochem.

Under the agreement, Oxford Chemicals was to sell 20,000MT of various Cocochem products annually, as well as to develop new markets and expand Cocochem's customer base. However, in a deviation with the previous arrangements with Granex and UCPI, Oxford Chemicals was not required to sell the main products and by-products as combined packages for buyers.

The agreement also failed to delineate the marketing and sales responsibility between Granex and Oxford in the US market. On 1 January 2008, a Sales Agreement allowed Cocochem to supply Magnakron (an existing Granex customer in the US) an annual volume of 18,000MT of fatty alcohol from 2,000 to 3,000MT annually. This Sales Agreement is a clear violation of Oxford's obligation to expand Cocohem's customer base. Moreover, departing from the previous Granex set-up, no product package system was required by Oxford for the sales to Magnakron.

A subsequent review of Oxford's corporate documents showed that it was only incorporated on 28 March 2008 but it was already functioning as a sales agent prior to its incorporation. Cocochem booked sales commission expense attributable to Oxford that amounted to about US$10,000 in 2007.

Financial Impact of the Oxford Agreement

- ***Unnecessary Sales Commission Expense.*** In 2007, sales decreased by 8% but sales commission expense increased by 65%, or USD73,000 and in 2008, sales increased by only 1% but sales commission expense increased by 185% or USD344,000.

Actual Figures (in US$)	**2006**	**2007**	**2008**	**2009**	**2010**
Sales	79.35M	73.39M	74.19M	16.60M	17.79M
Commission Expense	113,000	186,000	530,000	141,000	107,000

Percentage Change	**2006**	**2007**	**2008**	**2009**	**2010**
Sales		-8%	1%	-78%	7%
Commission Expense		65%	186%	-73%	-24%

Oxford did not generate new clients or increase sales substantially that could have justified an increase in sales commission expense. In fact, in 2008, Oxford sold only 8,309MT or just 41% of its committed volume, and not to mention that sales were made to an existing Cocochem client.

CNO Purchases from 08/19/08 – 09/19/08

Date	Quantity Purchased	Value in US$
August 19, 2008	2,000 MT	2,280,000
August 28, 2008	1,000 MT	1,055,000
September 8, 2008	1,200 MT	1,380,000
September 8, 2008	1,000 MT	1,170,000
September 12, 2008	1,000 MT	1,080,000
September 19, 2008	1,000 MT	1,035,000
TOTAL	**7,200 MT**	**8,000,000**

2008 COCOCHEM PURCHASES VS. SALES & INVENTORY

Date	Actual			Planned Inventory in MT	Excess (Deficit) in MT
	Sales in MT	Purchases in MT	Inventory in MT		
January	4,978	4,014	9,832	12,500	(2,668)
February	4,682	5,047	9,267	12,500	(3,233)
March	4,286	1,199	8,186	12,500	(4,314)
April	2,589	3,459	8,583	12,500	(3,917)
May	3,010	3,468	10,028	12,500	(2,472)
June	4,001	5,175	10,803	12,500	(1,697)
July	3,491	5,983	12,896	12,500	396
August	4,304	6,744	14,378	12,500	1,878
September	4,260	4,716	14,758	12,500	2,258
October	5,072	2,333	14,861	12,500	2,361
November	2,221	4,783	15,597	12,500	3,097
December	1,524	-	15,242	12,500	2,742

These actions resulted in the unrestricted and unnecessary CNO purchases and drove up inventory costs to the point that the Company could not even sell its products at a gross profit. Taking into account the write-down in inventory of USD12.18M, selling commissions, distribution expenses and general & administration expenses, the result was a huge net loss in 2008 amounting to USD15.29M. In 2009, sales consisted primarily of unsold inventory from 2008. With the plant non-operational for more than half of the year and continued incurring fixed overhead expenses, the company lost almost USD6M in 2009.

IRC GROUP OF COMPANIES
Company Report

Company Background

On March 21, 1986 the IRC Group of Companies (the "IRC Group") was surrendered to the Philippine Government, through the Presidential Commission on Good Government ("PCGG"), by Marcos business associate Mr. Jose Yao Campos.

On December 2010, new set of directors and officers took over. They immediately proceeded to review its operations and introduced a set of administrative reform measures. This Accomplishment Report presents the progress they have achieved in the reforms that have been instituted to ensure the financial viability of the IRC Group.

Increase In Rental Income

Notwithstanding the continuing challenge posed by non-paying tenants, the IRC Group's 2011 rental income grew by 11% from 2010, from PhP71,842,265.00 to PhP80,027,433.00.

IRC Group of Companies
Consolidated Statement of Income
For the Years Ended December 31, 2011 and 2010

	2011	2010
Revenues		
Rental Income	80,027,433	71,842,265
Miscellaneous Income	291,343	24,158
Total Revenues	80,318,776	71,866,423
Cost of Service	10,119,482	6,877,578
Gross Income	70,199,294	64,988,845
Administrative and Other Expenses	12,895,833	19,647,944
Net Income Before Other Income	57,303,461	45,340,901
Dividend Income	183,305	233,005
Other Expenses	(8,502,898)	
Interest Income	7,221,321	3,356,617
Net Income Before Taxes	56,205,189	48,930,523
Provision for Income Tax	16,948,798	17,740,503
Net Income After Tax	39,256,391	31,190,020

When the new management team took over the IRC Group in December 2010, approximately 78% of the 18.5 hectare “Payanig sa Pasig” property was occupied by illegal occupants or non-paying lessees. The new management’s strategy to generate new contracts started with sending demand notices directly to the various tenants of the illegal occupants. This approach immediately bore fruit and led to new contracts being signed in 2011.

Among the new contracts entered into 2011 were:

Date	Tenant	Area
April 2011*	Autobay	5,000 sq m
April 2011	Courts and Lifestyle	1,000 sq m
July 2011	JACC	200 sq m
July 2011**	Kartellex	4,000 sq m
August 2011	Digitel Mobile	101 sq m

* Contract duration – 3 months
** Contract duration – 1 month

However, some new contracts were terminated shortly after signing due to extreme pressure from other claimants who are in possession of a majority portion of the property.

These claimants continue to maintain possession despite a Sandiganbayan ruling last August 2011 rejecting their claim of ownership on the property.

Increase In Interest Income

This year, the new team took on a more active role in cash management and was able to maximize the interest earned from its corporate funds. Interest income for 2011 more than doubled, earning PhP7,121,257.00 in 2011 compared to only PhP3,356,617.00 in 2010.

Discovery of Deposit

Diligent research done by the IRC Group’s legal team led to the discovery of more than PhP30,000,000.00 in bonds and cash currently held by Land Bank of the Philippines, which belong to one of the group’s companies, Investments Unlimited Incorporated (IUI).

Reduction in Administrative Expenses

To complement the new management’s drive to improve the IRC Group’s financials, management was able to cut the group’s expenses. Over the past twelve months, the IRC Group reduced administrative expenses by 40%, from PhP19,647,944.00 to PhP11,972,143.00, resulting in savings of over PhP7 million from the previous year.

Growth in Net Income

As a result of the increase in rental and interest income and lower expenses, the IRC Group's overall net income grew by 52% from the previous year, from PhP31,190,020.00 in 2010 to PhP39,256,291.00.

Remittance to the National Treasury

In 2011, the IRC Group remitted to the PCGG P204,800,000.00, operating as the PCGG's main source of income.

This amount surpassed the P200-million target set by the PCGG for 2011 and the 2010 remittance of P101,016,733.77 and the 2009 remittance of only P16,846,794.03, which were made under the previous management team.

Positive Outlook Ahead

Building on a successful first full year of operations, the IRC Group's new management team will continue in its drive to recover portions of the "Payanig sa Pasig" property, to sustain the growth trend in its current businesses, and develop new income streams. These initiatives will ensure that the IRC Group's value is enhanced in preparation for its eventual privatization.

BATAAN SHIPYARD AND ENGINEERING CORPORATION COMPANY REPORT

Company Background

On 22 June 2011, the Presidential Commission on Good Government (PCGG), acting under the authority of Executive Order No. 42, s. 2011 issued by President Benigno S. Aquino III, assumed control of the management of the PCGG-sequestered Bataan Shipyard & Engineering Corporation (BASECO) through the election of temporary government nominees to the BASECO Board of Directors pending permanent appointments to be issued by the Office of the President.

The new eight-member BASECO Board secured the financial and administration records of the corporation, reviewed its financial condition and transactions, assessed management policies and operations, and instituted protective and remedial measures to preserve the assets of the corporation. In particular, the new management organized a special audit team of PCGG officers to conduct a rapid internal financial audit for an initial three-year period.

This year-end report presents the observations and findings made by the special audit team which, in essence, exposed the acts and omissions of previous BASECO Directors and Officers of willful dissipation and misappropriation of corporate funds, unliquidated advances, personal loans, excessive compensation and allowances, glaring lack of internal controls and blatant acts of corruption. Overall, the audit team saw funds depleted or lost, assets wasted or dissipated, opportunities lost, and onerous obligations created in favor of third parties. Based on preliminary audit results, the corporation lost approximately PhP75 Million in unexplained disbursements, unliquidated advances, personal and uncollected loans, excessive Directors' fees and allowances and other illegal costs for the period of 01 January 2009 to 22 June 2011 alone. Accordingly, the new management has requested the Commission on Audit (COA) to deploy a special audit team to conduct a comprehensive fraud audit of the books of accounts and transactions of BASECO and recommend appropriate courses of action, including the filing of criminal or civil cases before the courts.

Following such discoveries, the new Board of Directors implemented drastic measures to "stop the bleeding" by reducing costs and increasing revenue. Unauthorized allowances were stopped, onerous contracts were suspended and radical cost-cutting measures were implemented. On the other hand, the public bidding of the lease of Yard 2 of Engineering Island was efficiently implemented, thus greatly improving the financial condition of the corporation.

As a result of speedy and resolute efforts of the new management, corporate assets were preserved, revenue was increased and the financial decline of the corporation was reversed. By the end of 2011, BASECO is expected to generate an estimated net income of more than PhP17 Million, a substantial increase from the nominal net income of PhP2 Million in 2010 and the net loss of PhP35 Million in 2009.

Revenue and Expenses	New Management	Maligalig Management		
	July to December 2011	January to June 2011	2010	2009
Revenue				
Asian Terminal, Inc.			12,100,213	18,246,475
Bataan-Baseco Joint Venture		12,673,206		
Northstar Transport	1,456,000	2,187,500	5,016,000	541,750
Herma Shipping	3,880,800	3,880,800	8,839,600	8,058,050
Cargolift, Inc.	2,254,356	2,737,431	6,338,611	6,023,602
SMC Shiipping - Mariveles	5,569,058	5,486,756	10,733,800	10,421,166
SMC Shipping - Engineering island	6,022,500	-	-	-
Baseco Operation of Yard 2	3,919,559			
Total Revenue	23,102,273	26,965,693	43,028,224	43,291,043
Expenses				
Compensation				
Directors	644,400	6,621,014	18,652,596	12,904,973
Officers	-	1,672,320	3,959,160	1,548,309
Regular Staff	1,462,601	2,751,559	6,467,110	3,781,772
Temporary Hires	489,153			
Total Compensation	2,596,154	11,044,893	29,078,866	18,235,054
Consultants (incuding Comptrollers)			1,085,424	1,125,874
Legal Fees (for Atty. Jay Consunji)	43,000	7,499,600	1,090,820	155,640
Survey Fees	-	6,663,680	-	-
Questionable Transactions		1,690,000	6,975,000	55,527,826
Baseco Yard 2 Expenses	778,806			
Other Expenses	2,092,698	1,290,537	2,661,122	3,453,901
Total Expenses	5,510,658	28,188,710	40,891,232	78,498,295
Net Income (Net Loss)	17,591,615	(1,223,017)	2,136,992	(35,207,252)

With the signing and approval of the new lease contract over Yard 2 of Engineering Island, gross revenue of BASECO has increased by at least 37%. On the other hand, management expenses for the last semester of 2011 is down to less than 20% of expense levels for the first half of 2011. Net income of the corporation for the second semester of 2011 alone is higher than combined net income for the years 2009, 2010 and the first semester of 2011. The comparative revenue and expense report for the years 2009, 2010, and the two semesters of 2011 clearly reflect the value brought in by the new management.

In December of 2011, BASECO management opened an account with the Bureau of the Treasury and remitted the amount of PhP15 Million pesos. This is the first time, since the corporation was sequestered by PCGG in 1986, that it has remitted any amount to the Philippine Government. In 2012, management will prepare an annual remittance program, driven by actual increases in net profits, to ensure that the BASECO's funds are safely deposited in a special account in the National Treasury to await final disposition pursuant to a final and executory judgment of the court.

Moving forward, BASECO plans to institutionalize the administrative and financial reforms introduced by new management when it took over in June of 2011, and generate new income streams. Management also plans to initiate civil, criminal and administrative actions against previous Directors, Officers and the lawyer of BASECO for unliquidated advances and questionable transactions. In particular, management plans to study the possibility of filing cases of plunder or violations of the relevant provisions of the Anti-Graft and Corrupt Practices Act.

Finally, in the interest of transparency and accountability, the new BASECO management, with the support of PCGG, intends to submit an annual financial report to the Sandiganbayan starting in 2012 and onwards. This practice will ensure that the Sandiganbayan will be fully apprised of and updated on the financial viability and condition of the corporation while the same is under *custodia legis*.