

**ACESITE (PHILS.) HOTEL CORPORATION**  
**(Owner of Manila Pavilion Hotel)**

**BALANCE SHEETS**

|  | <b>December 31</b>    |                |
|--|-----------------------|----------------|
|  | <b>2006</b>           | <b>2005</b>    |
| <b>ASSETS</b>  |                       |                |
| <b>Current Assets</b>  |                       |                |
| Cash   | <b>₱11,048,435</b>    | ₱29,154,756    |
| Receivables - net (Note 4)   | <b>81,116,804</b>     | 50,358,016     |
| Inventories - at cost (Note 5)                                       | <b>14,959,048</b>     | 12,998,665     |
| Amounts owed by a related party (Note 10)                            | <b>83,604,845</b>     | 13,061,378     |
| Prepayments and other current assets                                 | <b>1,551,489</b>      | 9,764,888      |
| <b>Total Current Assets</b>  | <b>192,280,621</b>    | 115,337,703    |
| <b>Noncurrent Assets</b>   |                       |                |
| Receivables from Acesite Limited (BVI) (Note 6)                      | <b>717,426,534</b>    | 717,426,534    |
| Property and equipment at revalued amounts - net<br>(Notes 7 and 11) | <b>1,172,052,563</b>  | 1,252,584,808  |
| Land under finance lease (Note 21)                                   | <b>25,000,000</b>     | 25,000,000     |
| Operating equipment at cost - net (Note 8)                           | <b>4,281,849</b>      | 15,185,173     |
| Available-for-sale (AFS) investments (Note 10)                       | <b>11,272,300</b>     | 10,405,200     |
| Other noncurrent assets (Note 23)                                    | <b>34,974,801</b>     | 36,246,317     |
| <b>Total Noncurrent Assets</b>                                       | <b>1,965,008,047</b>  | 2,056,848,032  |
| <b>TOTAL ASSETS</b>  | <b>₱2,157,288,668</b> | ₱2,172,185,735 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                          |                       |                |
| <b>Current Liabilities</b>   |                       |                |
| Loan payable (Note 11)   | <b>₱413,322,900</b>   | ₱487,366,200   |
| Trade and other payables (Note 9)                                    | <b>218,879,111</b>    | 215,924,747    |
| Rentals received in advance (Note 21)                                | <b>158,723,337</b>    | 61,329,757     |
| Accrued interest on obligations under finance lease (Note 21)        | <b>37,893,082</b>     | 30,896,775     |
| Income tax payable   | <b>5,518,892</b>      | -              |
| <b>Total Current Liabilities</b>                                     | <b>834,337,322</b>    | 795,517,479    |
| <b>Noncurrent Liabilities</b>  |                       |                |
| Concessionaires' and other deposits (Note 21)                        | <b>58,388,283</b>     | 58,424,283     |
| Obligations under finance lease (Note 21)                            | <b>25,000,000</b>     | 25,000,000     |
| Retirement benefit plan obligation (Note 17)                         | <b>60,838,159</b>     | 48,889,874     |
| Deferred income tax liabilities - net (Note 18)                      | <b>167,710,797</b>    | 214,574,265    |
| <b>Total Noncurrent Liabilities</b>                                  | <b>311,937,239</b>    | 346,888,422    |

(Forward)



|  | <b>December 31</b>    |                |
|--|-----------------------|----------------|
|  | <b>2006</b>           | <b>2005</b>    |
| <b>Stockholders' Equity</b>                                    |                       |                |
| Capital stock (Note 12)  | <b>₱99,852,308</b>    | ₱99,852,308    |
| Revaluation increment in property and equipment - net (Note 7) | <b>696,378,989</b>    | 744,017,459    |
| Unrealized valuation loss on AFS investments (Note 10)         | <b>(978,170)</b>      | (1,845,270)    |
| Retained earnings  | <b>215,760,980</b>    | 187,755,337    |
| <b>Total Stockholders' Equity</b>                              | <b>1,011,014,107</b>  | 1,029,779,834  |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>              | <b>₱2,157,288,668</b> | ₱2,172,185,735 |

*See accompanying Notes to Financial Statements.*



**ACESITE (PHILS.) HOTEL CORPORATION**  
**(Owner of Manila Pavilion Hotel)**

**STATEMENTS OF INCOME**

**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005**  
**AND THE NINE MONTHS ENDED DECEMBER 31, 2004**

|   | <b>December 31,<br/>2006<br/>(Twelve Months)</b> | December 31,<br>2005<br>(Twelve Months) | December 31,<br>2004<br>(Nine Months) |
|---|--|---|---------------------------------------|
| <b>INCOME</b>   |  |   |                                       |
| Rooms   | <b>₱234,342,149</b>                              | ₱220,155,792                            | ₱143,661,138                          |
| Food and beverage                                       | <b>227,784,694</b>                               | 212,073,162                             | 143,257,259                           |
| Rent (Note 21)  | <b>204,310,531</b>                               | 181,393,405                             | 138,808,488                           |
| Telephone   | <b>5,757,420</b>                                 | 3,660,785                               | 3,582,951                             |
| Guest laundry and valet                                 | <b>1,805,687</b>                                 | 2,175,785                               | 1,566,119                             |
| Transportation  | <b>970,334</b>                                   | 1,198,229                               | 944,151                               |
| Executive business center                               | <b>424,070</b>                                   | 448,686                                 | 324,201                               |
| Others (Note 23)  | <b>2,666,760</b>                                 | 18,901,373                              | 1,270,761                             |
|   | <b>678,061,645</b>                               | 640,007,217                             | 433,415,068                           |
| <b>COST OF SALES AND SERVICES (Note 16)</b>             |  |   |                                       |
| Food and beverage                                       | <b>204,936,861</b>                               | 182,829,647                             | 127,042,944                           |
| Energy cost   | <b>74,471,800</b>                                | 94,035,717                              | 60,525,382                            |
| Rooms   | <b>56,087,851</b>                                | 51,085,026                              | 40,230,116                            |
| Property operations and maintenance                     | <b>39,647,285</b>                                | 32,348,917                              | 20,367,097                            |
| Depreciation on cost (Note 7)                           | <b>34,310,499</b>                                | 22,139,982                              | 11,705,901                            |
| Telephone   | <b>5,372,572</b>                                 | 5,065,565                               | 3,814,821                             |
| Transportation  | <b>1,954,752</b>                                 | 2,029,477                               | 1,300,661                             |
| Executive business center                               | <b>774,921</b>                                   | 489,661                                 | 468,801                               |
| Guest laundry and valet                                 | <b>750,481</b>                                   | 711,429                                 | 542,289                               |
| Others  | <b>20,650,494</b>                                | 10,093,793                              | 6,957,507                             |
|   | <b>438,957,516</b>                               | 400,829,214                             | 272,955,519                           |
| <b>GROSS INCOME</b>                                     | <b>239,104,129</b>                               | 239,178,003                             | 160,459,549                           |
| <b>FIXED, FINANCIAL AND OTHER EXPENSES<br/>(INCOME)</b> |  |   |                                       |
| General and administrative (Notes 10 and 13)            | <b>66,447,986</b>                                | 59,539,660                              | 43,241,193                            |
| Financing costs (Note 15)                               | <b>64,380,250</b>                                | 50,082,041                              | 29,401,156                            |
| Corporate expenses (Notes 10 and 14)                    | <b>58,580,948</b>                                | 35,753,781                              | 23,679,617                            |
| Advertising and business promotion (Note 10)            | <b>24,148,925</b>                                | 20,061,918                              | 20,911,151                            |
| Real estate taxes                                       | <b>11,071,356</b>                                | 11,071,355                              | 4,188,492                             |
| Fire insurance  | <b>4,496,482</b>                                 | 4,309,343                               | 4,193,983                             |
| Foreign exchange losses (gains) - net                   | <b>(33,153,601)</b>                              | (30,806,412)                            | 824,827                               |
| Loss on exchange of assets (Note 10)                    | -  | 31,104,530                              | -                                     |
|   | <b>195,972,346</b>                               | 181,116,216                             | 126,440,419                           |

(Forward)



|   | <b>December 31,<br/>2006<br/>(Twelve Months)</b> | December 31,<br>2005<br>(Twelve Months) | December 31,<br>204<br>(Nine Months) |
|---|--|---|--------------------------------------|
| <b>INCOME BEFORE DEPRECIATION ON<br/>REVALUATION INCREMENT AND INCOME<br/>TAX</b> | <b>₱43,131,783</b>                               | ₱58,061,787                             | ₱34,019,130                          |
| <b>DEPRECIATION ON REVALUATION<br/>INCREMENT (Note 7)</b>                         | <b>73,289,953</b>                                | 73,289,953                              | 59,652,709                           |
| <b>LOSS BEFORE INCOME TAX</b>   | <b>30,158,170</b>                                | 15,228,166                              | 25,633,579                           |
| <b>BENEFIT FROM INCOME TAX (Note 18)</b>  | <b>(10,525,343)</b>                              | (4,272,309)                             | (8,395,183)                          |
| <b>NET LOSS</b>   | <b>₱19,632,827</b>                               | ₱10,955,857                             | ₱17,238,396                          |
| <hr/>   |  |   |                                      |
| <b>Loss Per Share - basic/diluted (Note 19)</b>                                   | <b>(₱0.20)</b>                                   | (₱0.11)                                 | (₱0.17)                              |

*See accompanying Notes to Financial Statements.*



**ACESITE (PHILS.) HOTEL CORPORATION**  
**(Owner of Manila Pavilion Hotel)**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 and 2005**  
**AND THE NINE MONTHS ENDED DECEMBER 31, 2004**

|  | Capital Stock<br>(Note 12) | Revaluation<br>Increment in<br>Property and<br>Equipment<br>(Note 7) | Unrealized<br>Valuation Loss<br>on AFS<br>Investments<br>(Note 10) | Retained<br>Earnings | Total                 |
|--|----------------------------|--|--|----------------------|-----------------------|
| Balances at March 31, 2004   | ₱99,852,308                | ₱649,841,623   | ₱-   | ₱125,915,030         | ₱875,608,961          |
| Revaluation increment in property and<br>equipment - net of deferred income tax<br>liability   | -                          | 173,998,597  | -  | -                    | 173,998,597           |
| Net loss for the period  | -                          | -  | -  | (17,238,396)         | (17,238,396)          |
| Transfer of revaluation increment deducted<br>from operations through additional<br>depreciation charges - net of deferred<br>income tax liability | -                          | (40,563,842)   | -  | 40,563,842           | -                     |
| <b>Balances at December 31, 2004</b>   | <b>99,852,308</b>          | <b>783,276,378</b>   | <b>-</b>   | <b>149,240,476</b>   | <b>1,032,369,162</b>  |
| Valuation loss taken to stockholders' equity   | -                          | -  | (1,845,270)  | -                    | (1,845,270)           |
| Net loss for the year  | -                          | -  | -  | (10,955,857)         | (10,955,857)          |
| <b>Total recognized loss for the year</b>  | <b>-</b>                   | <b>-</b>   | <b>(1,845,270)</b>   | <b>(10,955,857)</b>  | <b>(12,801,127)</b>   |
| Transfer of revaluation increment deducted<br>from operations through additional<br>depreciation charges - net of deferred<br>income tax liability | -                          | (49,470,718)   | -  | 49,470,718           | -                     |
| Change in tax rate   | -                          | 10,211,799   | -  | -                    | 10,211,799            |
| <b>Balances at December 31, 2005</b>   | <b>99,852,308</b>          | <b>744,017,459</b>   | <b>(1,845,270)</b>   | <b>187,755,337</b>   | <b>1,029,779,834</b>  |
| Valuation gain taken to stockholders' equity   | -                          | -  | 867,100  | -                    | 867,100               |
| Net loss for the year  | -                          | -  | -  | (19,632,827)         | (19,632,827)          |
| <b>Total recognized gain (loss) for the year</b>   | <b>-</b>                   | <b>-</b>   | <b>867,100</b>   | <b>(19,632,827)</b>  | <b>(18,765,727)</b>   |
| Transfer of revaluation increment deducted<br>from operations through additional<br>depreciation charges - net of deferred<br>income tax liability | -                          | (47,638,470)   | -  | 47,638,470           | -                     |
| <b>Balances at December 31, 2006</b>   | <b>₱99,852,308</b>         | <b>₱696,378,989</b>  | <b>(₱978,170)</b>  | <b>₱215,760,980</b>  | <b>₱1,011,014,107</b> |

See accompanying Notes to Financial Statements.



**ACESITE (PHILS.) HOTEL CORPORATION**  
**(Owner of Manila Pavilion Hotel)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005**  
**AND THE NINE MONTHS ENDED DECEMBER 31, 2004**

|   | <b>December 31,<br/>2006<br/>(Twelve Months)</b> | December 31,<br>2005<br>(Twelve Months) | December 31,<br>2004<br>(Nine Months) |
|---|--|---|---------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |  |   |                                       |
| Loss before income tax                                      | <b>(₱30,158,170)</b>                             | (₱15,228,166)                           | (₱25,633,579)                         |
| Adjustments for:  |  |   |                                       |
| Depreciation and amortization (Notes 7 and 8)               | <b>125,674,581</b>                               | 103,199,174                             | 76,503,014                            |
| Interest expense and penalties on loan payable<br>(Note 15) | <b>57,000,142</b>                                | 43,882,637                              | 24,305,674                            |
| Provision for doubtful accounts                             | <b>1,185,686</b>                                 | 1,131,218                               | 760,640                               |
| Unrealized foreign exchange losses (gains) - net            | <b>(33,998,149)</b>                              | (29,284,200)                            | 701,821                               |
| Interest income   | <b>(157,807)</b>                                 | (671,066)                               | (1,818,659)                           |
| Loss on exchange of assets (Note 10)                        | -  | 31,104,530                              | -                                     |
| Gain on sale of property and equipment                      | -  | (218,611)                               | -                                     |
| Operating income before working capital changes             | <b>119,546,283</b>                               | 133,915,516                             | 74,818,911                            |
| Decrease (increase) in:                                     |  |   |                                       |
| Receivables   | <b>(31,944,474)</b>                              | (14,037,142)                            | 5,370,582                             |
| Inventories   | <b>(1,960,383)</b>                               | (4,839,263)                             | (1,565,205)                           |
| Prepayments and other current assets                        | <b>8,213,399</b>                                 | (6,123,196)                             | 4,703,523                             |
| Increase (decrease) in:                                     |  |   |                                       |
| Trade and other payables                                    | <b>3,766,773</b>                                 | 37,941,294                              | 16,125,563                            |
| Rentals received in advance                                 | <b>97,393,580</b>                                | 16,024,150                              | 41,186,911                            |
| Accrued interest on obligations under<br>finance lease      | <b>6,996,307</b>                                 | 5,835,375                               | 4,889,597                             |
| Concessionaires' and other deposits                         | <b>(36,000)</b>                                  | 29,067,561                              | (62,534)                              |
| Retirement benefit plan obligation                          | <b>11,948,285</b>                                | 10,078,927                              | 10,295,084                            |
| Net cash generated from operations                          | <b>213,923,770</b>                               | 207,863,222                             | 155,762,432                           |
| Income taxes paid   | <b>(30,819,233)</b>                              | (9,020,351)                             | (17,011,686)                          |
| Net cash flows from operating activities                    | <b>183,104,537</b>                               | 198,842,871                             | 138,750,746                           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |  |   |                                       |
| Increase (decrease) in other noncurrent assets              | <b>1,271,516</b>                                 | (15,279,831)                            | (12,062,789)                          |
| Interest received   | <b>157,807</b>                                   | 671,066                                 | 1,818,659                             |
| Increase in amounts owed by related parties                 | <b>(70,543,467)</b>                              | (4,078,017)                             | (69,226,588)                          |
| Acquisitions of property and equipment (Notes 7 and 8)      | <b>(34,239,012)</b>                              | (60,533,141)                            | (30,564,332)                          |
| Proceeds from sale of property and equipment                | -  | 220,000                                 | -                                     |
| Increase in receivables from Acesite Limited (BVI)          | -  | -                                       | (43,147)                              |
| Net cash flows used in investing activities                 | <b>(103,353,156)</b>                             | (78,999,923)                            | (110,078,197)                         |

(Forward)



|  | <b>December 31,<br/>2006<br/>(Twelve Months)</b> | December 31,<br>2005<br>(Twelve Months) | December 31,<br>2004<br>(Nine Months) |
|--|--|---|---------------------------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>        |  |   |                                       |
| Interest expense and penalties paid                | <b>(₱57,812,551)</b>                             | (₱45,327,663)                           | (₱24,169,056)                         |
| Payments of loan payable                           | <b>(39,817,500)</b>                              | (75,978,000)                            | (64,648,400)                          |
| Increase in amounts owed to related parties        | -  | -                                       | 16,888,227                            |
| <b>Net cash flows used in financing activities</b> | <b>(97,630,051)</b>                              | (121,305,663)                           | (71,929,229)                          |
| <b>NET DECREASE IN CASH</b>                        | <b>(17,878,670)</b>                              | (1,462,715)                             | (43,256,680)                          |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON<br/>CASH</b> | <b>(227,651)</b>                                 | -                                       | (27,901)                              |
| <b>CASH AT BEGINNING OF YEAR</b>                   | <b>29,154,756</b>                                | 30,617,471                              | 73,902,052                            |
| <b>CASH AT END OF YEAR</b>                         | <b>₱11,048,435</b>                               | ₱29,154,756                             | ₱30,617,471                           |

*See accompanying Notes to Financial Statements*

