



Tropical
Disease
Foundation Inc.

annual report
2010 - 2011

Introduction

The Tropical Disease Foundation (TDF) has always aimed for using a holistic approach to healthcare. As part of its mission, it implements programs that stick to its core, complementary competencies: research, service, and training.

The past year has been no different. In 2010-2011, TDF was involved with a myriad of diverse projects that reinforced its dedication to the three areas of expertise.

Continuing participation in cutting edge research on the detection and treatment of tuberculosis remains at the forefront of TDF's activities. TDF serves as a study site for a new drug to be introduced to directly observed treatment, which can significantly improve the health of many individuals affected by TB. TDF is also an assessment site for a new diagnostic method to dramatically decrease the detection of drug-resistant TB from three months to less than two hours. With its internationally trained research staff and high quality results, TDF continues to be a top choice for implementing research projects in global health. As the world draws nearer to the target date set by the Millennium Development Goals, good research is essential to developing new and efficient solutions for curbing the incidence and preventing the spread of highly communicable diseases, such as TB.

Good research practice is useless without sharing it with others. Recently, TDF has also undertaken a year-long workshop in partnership with the Makati Medical Center on the fundamentals of operational research. As part of their learning experience, interns at Makati Med are now required to pursue an independent project to analyze and apply research methods to medical practice. Today's doctors will now be oriented to find innovative and effective ways to improve their practice, so that more interventions can be applied.

I proudly
support
DOTS

Public-Private
Mix DOTS



Finally, TDF continues to emphasize giving back to its community. We recently re-opened our directly observed treatment, short-course (DOTS) clinic at the ground floor of the Philippine Institute of Tuberculosis, conveniently located across from Makati Medical Center, to serve our fellow community members. In the short time since we have offered our services, we have screened 89 patients, of which 42 were enrolled, and with 6 completing the full course of treatment. We hope to continue to provide excellent treatment services at an affordable cost to the community, in our aim for a healthy Philippine society.

It has been an exciting and productive year for TDF. We look forward to finding more avenues to serving Filipinos and remaining steadfast in our dedication to a well-rounded approach to healthcare.

History

Looking Back: TDF's History in Research, Service, and Training

The Tropical Disease Foundation (TDF) is a private, non-stock, non-profit, non-government organization founded in 1984 by a group of physicians in the Research Institute for Tropical Medicine. The founding chairman was Dr. Jesus Azurin, then the Secretary of Health. It was then that the Tropical Disease Foundation began a legacy of quality research, service, and training in major infectious diseases.

The vision of the TDF: Equitable universal access to health for economic prosperity.

The mission of the TDF is national and local community development through research, training, service, and healthcare delivery in the prevention and control of infectious diseases of public health importance.

The TDF's thrusts are 1) to conduct research, training and service in infectious diseases of public health importance; 2) to enter into partnership with public and private agencies in the implementation of programs in the control of infectious diseases; 3) to enter into partnership with national and international institutions involved in research to ensure technology transfer; 4) to enter into a multi-sectoral partnership with other disciplines to ensure that cured patients are socio-economically productive; 5) to serve as a national and international training center for infectious diseases.



Linkage with the Makati Medical Center

Through a Memorandum of Agreement with the Makati Medical Center (MMC) in 1987, the TDF transferred to the MMC and Dr. Constantino P. Manahan was elected as the Chairman of the TDF Board of Trustees.

Through the generosity of donors and friends, the Foundation inaugurated its research laboratory on mycobacteriology, including fluorescent sputum smear microscopy, TB culture, and drug sensitivity testing, on 2 February 1988. The launch was graced by the presence of Professor Calvin M. Kunin and Dr. Constantino P. Manahan. With these laboratory facilities, the TDF was able to pursue its activities in training and research in tropical infectious diseases.

The TDF established an Institutional Review Board, serving the other clinical staff of the MMC who were involved in clinical trials. The TDF has undertaken research projects in accordance with the provisions of the Helsinki Declaration.

Accomplishments in Research

The TDF fulfilled several major accomplishments in its research of various diseases.

In 1988, the TDF published the first edition of the Guidelines on Anti-Microbial Therapy. One year later, Dr. Roberta Romero headed research on leprosy. Throughout the 1990s, research was conducted on hepatitis B, herpes simplex, rubeola, and multi-drug resistant typhoid fever. Additionally, TDF employees gave trainings and built capacity in these diseases.



Supporting the Public Health Programs

In 1997, the Tropical Disease Foundation was commissioned by the Department of Health to do the Nationwide TB Prevalence Survey. This survey found that more TB symptomatics consulted the private sector more than the public which offered free diagnostic and treatment services for TB. This proved that even if DOTS was nationwide in the National TB Program (NTP) infrastructure, there will always be missing cases since these patients go to the private sector. In response to this finding, the Tropical Disease Foundation, the research arm of the Makati Medical Center (MMC), a tertiary private hospital, set up the MMC DOTS Clinic in the spirit of private-public collaboration with the Department of Health (DOH) and its local government unit, barangay San Lorenzo.



For some time, the MMC DOTS Clinic was then the only referral center for MDR-TB providing internationally accepted standards of MDR-TB care through the guidance of the GLC. Eventually, a network consisting of a) referring DOTS facilities, b) the Treatment Center and c) a quality assured laboratory emerged as the basic unit or “Pilot Model Unit” for MDR-TB. The TDF laboratory that had been doing TB work since 1988 became quality assured for DST by the Korea Institute of TB (KIT), its SNL in 2003.

It later became the very first DOTS-Plus pilot project approved in 2000 to provide MDR-TB management by the Green Light Committee (GLC), a technical subgroup of the Working Group on Drug-Resistant TB of the Stop TB Partnership. It has established a satellite DOTS-Plus and housing facility, Kabalikat sa Kalusugan (KASAKA), in partnership with the Philippine Tuberculosis Society, Inc. at the Quezon Institute in Quezon City. In recognition of its outstanding pioneering work, this pilot project has been recommended as a center of excellence in MDR-TB management.

By word of mouth, more patients were referred for management and the clinic became overcrowded in due time. Enrolled patients came everyday for 18 months to avail of the services no matter how far they came from. Because services were completely centralized from 1999-2002, default became a problem for many patients. Hence, in the 2002 GLC monitoring visit, it strongly recommended that MDR-TB services be expanded outside the MMC since patients were coming from different parts of the country. The “Pilot Model” served as the template for this expansion.

TDF as Principal Recipient of the Global Fund to Fight AIDS, Tuberculosis, and Malaria

The Foundation was awarded resources by the Global Fund to fight TB, malaria and HIV. As its Principal recipient from 2003 to 2009, the foundation carried out programs dedicated to these diseases. Foremost in its notable efforts, the foundation pioneered the establishment of multiple centers capable of the diagnosis and treatment of Multidrug Resistant Tuberculosis. Among these are the Bahay na Kabalikat sa Kalusugan of the Philippine TB Society, the Lung Center of the Philippines, and other health centers in the country.

A total of 40 provinces were covered for malaria projects which aimed to improve diagnosis of malaria by trained barangay health workers, provide available antimalarial drugs, and distribute treated bed nets. In the HIV-AIDS program, 18 sites were established to improve the management of sexually transmitted diseases while 8 treatment hubs nationwide were setup to care for HIV patients and provide free medications.



TDF Today

Today, TDF remains a leader in research, particularly in tuberculosis. Since 2008, it has been involved with Otsuka Pharmaceuticals in studies for a new TB treatment drug, which will be introduced in standard TB treatment. It has also been one of the organizations involved with the US CDC's Preserving Effective TB Treatment Study (PETTS). Finally, it is also involved as an evaluation site for FIND's new diagnostic method called GeneXpert.

Projects

TDF re-opens DOTS Clinic (Public-Private Mix DOTS Initiative) for the local community

Tropical Disease Foundation, Inc. (TDF), in cooperation with the Makati City Health Department and the Department of Health, aims to prevent and eliminate the spread of tuberculosis (TB), the most common communicable disease in the Philippines, through Directly- Observed Treatment Short- course strategy (DOTS).

TDF offers a public-private mixed DOTS clinic for patients who have symptoms suggestive of TB or who are suspected to have tuberculosis by private healthcare providers.. DOTS is the most effective means of controlling the spread of tuberculosis and ; by involving the public and the private sector, case finding and engagement to treatment is intensified. The TDF-DOTS Clinic aims to improve the continuum of effective and quality care of TB symptomatics and TB patients, make



treatment and quality services accessible to TB patients, and issue timely results for prompt initiation of treatment. It serves to increase case detection and cure rate of TB cases in the locality; strengthen and systemize the referral system to guide hospitals, diagnostic clinics, schools, and business establishments in ensuring the continuum of TB care; and enhance TB-related health-seeking behavior by the communities served, especially TB symptomatics.

The TDF-DOTS Clinic re-opened in November 2010 and is located in the heart of Makati. It mostly caters to patients who live or work within a 2two- kilometer radius, whether they are walk-in patients or referrals by physicians of nearby hospitals such as Makati Medical Center (MMC), diagnostic clinics, schools, and business establishments. Internationally-trained medical and laboratory staff at TDF provide proper care and treatment to visiting patients.



To accommodate the working sector, clinic operations extend from early morning until late in the afternoon. TB kits (drugs) and lab supplies comes from Department of Health through the Makati City Health Department. AFB sputum smear tests for TB suspects are facilitated, while test treatment is initiated for patients whose sputum is tested positive for TB bacteria. Patients who are smear negative/ X-ray positive pulmonary TB are referred to the TB Diagnostic Committee of TDF-MMC, who recommends which patients should undergo treatment. Patients living outside the catchment area and who are diagnosed at the TDF DOTS clinic are being transferred to another DOTS center near their residence for easier access to anti-TB drugs and care.

Thus far, the clinic has produced productive resultshelped a number of patients. From 2010 to 2011, the TDF-DOTS Clinic accomplished the following:

- No. of patients screened: 89
- No. of patients enrolled: 42
- No. of patients with completed treatment: 6

Feedbacks from the people we have served.

“Thank you po sa inyong lahat. Nandito na ako ngayon sa Bahrain. OK naman po ang medical ko. Diyos na po ang bahala sa mga kabutihan na naitulong nyo sa akin.” (Thank you to everyone. I am now here in Bahrain. My medical (pertaining to post-employment) is OK. God will take care of you for all the help you have extended me.)

-- from patient E. D.

“Dito na lang ako mag gagamot. Kahit na mahirap ang biyahe, at least maaasikaso ako ng mabuti at maayos ang pakikitungo ng mga staff.” (I will have my treatment here even if the commute was difficult; at least I was properly given care and the staffs treat me well was treated well by the staff.)

-- from patient A. P.

“Mabuti at may mga ganitong center na nagbibigay ng libreng gamot at check-up. Malaking tulong ito sa mga kagaya kong walang-wala.” (It’s a good thing that there is a center that gives free medicines and check-up. It was a big help for someone like me who has nothing to offer.)

-- from patient F. D.

“Napadaan lang po ako, tapos nakita ko yung nakalagay sa building ninyo na Philippine Institute of Tuberculosis. Buti na lang dito ako dinala ng mga paa ko.” (I was just passing by when I saw that it said Philippine Institute of Tuberculosis on your building. It’s a good thing my feet brought me here.)

-- from patient C. D.

The TDF-DOTS Clinic envisions achievement of the Millennium Development Goal for health by serving more TB patients in the future.



New rapid tests detect extensively drug-resistant tuberculosis

A multicenter study, sponsored by the Global Consortium for Drug-Resistant TB Diagnostics and the National Institute of Allergy and Infectious Diseases, through the University of California, San Diego, was designed to create, test, refine, and compare three tests to rapidly detect MTb strains that are resistant to first and second-line anti-TB drugs, allowing for rapid diagnosis of extensively drug-resistant TB (XDR-TB). The objectives of the project include: reducing the average XDR-TB detection time from months to a week; characterizing XDR-TB strains globally; and studying cost-effectiveness, among others. Along with the Philippines, study sites were in Moldova, South Africa, and India. Conducted by the TDF Laboratory and Data Management staff, the study started in September 2009 and recently concluded in June 2011.

From 2010 to 2011, TDF was able to contribute 113 isolates, tested for drug susceptibility using MGIT media for anti-TB drugs, pyrosequencing, and genotyping. In November 2010, Dr. Antonino Catanzaro, the overall principal investigator, made a site visit to the country and visited the Lung Center of the Philippines and Kabalikat Sa Kalusugan (KASAKA), which were the originally planned recruitment sites for the clinical phase. Representatives from TDF also attended an investigators' meeting in San Diego, California, U.S.A. from 20 to 25 February 2011, followed by workshops on pyrosequencing and MODS assay from 28 February to 4 March in San Diego and Lima, Peru, respectively.

The second phase was planned for MDR-TB patient recruitment and sputum testing using the three diagnostic platforms, by recruiting 350 patients over a period of 2-3 years. In March 2011, the NTP assigned a different recruitment area, Moonwalk Paranaque, a newly established MDR-TB treatment center. Mr. George Belai, of the National Institutes for Health, then came to do a site visit of the center in April 2011. In June 2011, the NTP decided not to proceed with recruitment in Moonwalk Paranaque, and the Philippines site was closed.

Specific treatment parameters and treatment outcomes of multidrug-resistant tuberculosis: An Individual Patient Data (IPD) Meta-Analysis

A study sponsored by McGill University (Canada) and Harvard Medical School (U.S.A.) will look into specific treatment parameters and treatment outcomes of multi drug-resistant TB (MDR-TB). The study will assess the factors associated with MDR-TB treatment outcomes and propose recommendations on the choice of agents that are most efficacious. This will be analyzed using individual patient data.

The study was conducted by the TDF Data Management department from July 2010 until March 2011 and included 170 MDR-TB patients. TDF was able to contribute their findings to international publications.



HARVARD
MEDICAL SCHOOL

Testing new solutions for TB treatment

Beginning in July 2008, TDF began a series of clinical trials in partnership with Otsuka Pharmaceutical Development and Commercialization, Inc. to test a new drug for TB treatment. In 2011, a registry study, in partnership with Otsuka Frankfurt Research Institute GmbH, was conducted as a follow-up.

A multi-center, randomized, double-blind, placebo-controlled, phase II trial to evaluate the safety, efficacy and pharmacokinetics of multiple doses of OPC-67683 in patients with pulmonary sputum culture-positive, multidrug-resistant tuberculosis

The first study was conducted by the TDF Clinical Research unit from July 2008 to January 2011. It evaluated the safety, efficacy, and pharmacokinetics of OPC-67683 administered to MDR-TB patients for 56 consecutive days in combination with optimized background regimen (OBR) for MDR-TB. Therefore, once the safety of OPC-67683 with the various medications and medication classes that comprise OBR are understood, assessment of its interactions and compatibility with anti-retroviral medications for treating patients with HIV infection and TB will be assessed.

The final summary of subjects screened, enrolled/randomized, withdrawn and completed is presented in the table below.

Enrollment Status						
Expected	Screened	Enrolled/ Randomized	Screen Failure	Withdrawn	Completed	Ongoing
150	204	150	54	13	137	0

The TDF site enrolled 30% or had the highest enrollment of the global subjects of 482 patients. Completed follow up was more than 90%. The success of this trial in this site was a concerted effort of all the staff.

The site close-out visit (COV) was a weeklong activity starting on 17 January 2011 with an opening meeting at QI and ended on 25 January 2011 with a closing meeting held at the PIT. This task was spearheaded by the Parexel team contracted by Otsuka Pharmaceutical Development and Commercialization.

A Phase 2, Multi-center, Uncontrolled, Open-label Trial to Evaluate the Safety, Tolerability, and Efficacy of Orally Administered OPC-67683 as 100 mg BID with Optional Titration to 200 mg BID for up to Six Months Exposure in Patients with Pulmonary Multi-drug Resistant Tuberculosis

The second phase is an open-label extension trial that aims to provide extended safety and tolerability data for MDR-TB patients from longer-term exposure with OPC-67683 up to 6 additional months beyond exposure in 242-07-204. The study started in October 2009.

The site started screening patients on 21 October 2009 and the last patient enrolled was on 19 June 2010. A total of 49 subjects (28 non-rollover and 21 rollover) have been enrolled out of the 150 original patients. The summary of patients screened, enrolled/randomized, withdrawn and completed is presented in the table below.

Enrollment Status					
Screened	Enrolled	Screen Failure	Withdrawn/ Early Termination	Completed	Ongoing
55	49	6	7	42	0

Continuous data review and monitoring occurs at the site. Database lock is also expected in the last quarter of 2011.



Registry for Data Collection to Determine Final Treatment Outcomes of Multi-drug Resistant Tuberculosis Patients Previously Enrolled in Otsuka Trials Assessing Treatment with OPC-67683 (Protocol No. 242-10-116)

The registry started in February 2011 and is conducted by the Clinical Research staff. It aims to collect information routinely documented in the patient medical records or in a national tuberculosis program; no registry-required interventions or procedures will be conducted and the trial drug will not be administered. Through the registry study, the data collected must be in accordance with WHO recommendations and/or national programs that are routinely being documented in patient medical records per standard of care. Data collected include microbiological data from the treatment course, and final treatment outcomes from patients with MDR-TB who were enrolled in the two clinical trials. The study also assesses final treatment outcomes for patients who previously participated in the phase 2 trial assessing efficacy and safety of OPC-67683. The study will also accelerate approval of the trial drug in the EU.



The TDF registry staff had to go to several of the 7100 islands of the Philippines. Patients, from Ilocos in the north to Zamboanga in the south, gave their consent. From 2010 to 2011, 144 out of 150 eligible patients gave consent for their data to be used in the registry. Out of these, data from 105 patients were fully entered and source-verified. When the timeline for the interim database lock was shortened by a month, this did not deter the resilient study team. This accomplishment was achieved through sheer hard work, team work and a perfect collaboration among the team members.



FIND Introduces New Rapid Tuberculosis Test in the Philippines and selected TDF as Product Demonstration/Evaluation Site



The Foundation for Innovative and New Diagnostics (FIND), a foundation located in Geneva, Switzerland and funded mainly by the Bill & Melinda Gates Foundation, has developed a new diagnostic method for rapid molecular detection of tuberculosis and resistance to rifampicin (a TB drug), called Gene Xpert MTB/RIF™. The method, manufactured by Cepheid®, provides sensitive detection of tuberculosis and rifampin resistance directly from untreated sputum in less than 2 hours. This does not need a sophisticated laboratory setting, thus providing safe and easy to use procedures with minimal hands-on time.

On October 2009, FIND formally introduced the new technology to TDF, in collaboration with Lung Center of the Philippines and with support from National TB Reference Laboratory (NTRL). TDF was chosen to be one of the product assessment and evaluation sites of the Gene Xpert MTB/RIF™, along with Peru, Azerbaijan, South Africa, and India. The study was designed and supervised by FIND to respond to the urgent need for simple and rapid diagnostic tools at the point of treatment in high-burden countries. The TDF staff handling the project represents the Laboratory and Data Management departments.

A preliminary report has been made showing the results of validation and implementation from both TDF and LCP. Both sites were allowed to test the product, paralleled with the culture method being processed in their respective labs

At TDF, there were 342 results available on both culture methods. The concordance of using Xpert MTB and MGIT/LJ method is 91.5%. The sensitivity of the Xpert test of detecting MTB complex is 91.5% with MGIT/LJ method as the gold standard. The specificity of the test is 91.5%. Only 126 have DST results comparable on the two methods. The concordance on rif resistance is 96.03%. The sensitivity of Xpert Rif of detecting rif resistance is 92.9% The specificity of the test is 98.6%.

At LCP, there were 609 results available on both culture methods. In the validation phase, the concordance of using Xpert MTB and LJ method is 85.3%. The sensitivity of the Xpert test of detecting MTB complex is 95.0%, with LJ method as the gold standard. The specificity of the test is 78.8%. On the other hand, the concordance of the two methods in the implementation phase is 84.2%, with sensitivity of the Xpert test of 97.4% and specificity of 76.5%. Only 151 have DST results comparable on the two methods. In the validation phase, the concordance on rif resistance is 93.33%. The sensitivity of Xpert Rif of detecting rif resistance is 98.7%, with 7H10 method as the gold standard. The specificity of the test is 76.9% . While in the implementation phase, the concordance on rif resistance is 93.48%. The sensitivity of Xpert Rif is 96.9% and specificity of 85.7%.

**The results show that the rapid test
is highly effective and efficient
in detecting TB and drug resistance.**

On December 8, 2010, the WHO has released a statement endorsing this test.

**“This new test represents a major milestone for
global TB diagnosis and care. It also represents
new hope for the millions of people who are at the
highest risk of TB and drug-resistant disease.**

**We have the scientific evidence, we have
defined the policy, and now we aim to support
implementation for impact in countries.”**

- Dr Mario Raviglione, Director of WHO's Stop TB Department.

TECHNICAL ASSISTANCE

Human Resource Systems and Development

16 May 2011 to 31 August 201, TDFI, Makati City, Philippines

Fundamentals of Research

11 March 2011, 19 May 2011, Makati Medical Center, Makati City, Philippines

CAPABILITY BUILDING

Advanced Biosafety Officers Training Course (Quarter 3)

11-22 July 2011, Manila, Philippines

Biosafety in the Laboratory: Decontamination and Respirator Fit-Testing

2-3 July 2011, National Kidney Institute, Quezon City, Philippines

Biomedical Research- Basic Course

8 June 2011, Collaborative Institutional Training Initiative, online

Advanced Biosafety Officers Training Course (Quarter 2)

30 May - 8 June 2011, Antipolo City, Philippines

Laboratory Waste Management (Chemical Handling, Storage and Disposal)

24 May 2011, Quezon City, Philippines

CAPABILITY BUILDING

**6th Asia-Pacific Biotechnology Congress
and 40th Annual Convention of the
Philippines Society for Microbiology Inc. (PSM)
“Microbiology and Biotechnology:
Rising to the Challenges of the Times”**

11-14 May 2011, Manila, Philippines

Basic Molecular Bacterial Genetics

April-May 2011, Makati, Philippines

ICH-GCP Training- Workshop

30 March 2011, Quezon City, Philippines

Job Evaluation and Wage / Salary Administration

29-31 March 2011, UP SOLAIR, UP Diliman, Quezon City

Training on Pyrosequencing

28 February - 4 March 2011, California, USA

**Microscopic-Observation Drug Susceptibility Assay (MODS)
For the Diagnosis of TB and MDR-TB**

28 February - 4 March 2011, Lima, Peru

Good Clinical Practice

20-24 February 2011, San Diego, California USA

52nd Pollution Control Officers Training Course

1-4 February 2011, Quezon City, Philippines

CAPABILITY BUILDING

Advanced Biosafety Officers Training Course (Quarter 1)

24 January - 4 February 2011, Manila, Philippines

Infectious Substance Shipping Course: The Class 6.2 Dangerous Goods Shipping General Awareness and Function Specific Training

4 February 2011, Manila, Philippines

TB, HIV and Lung Health from Research and Innovation to Solutions 41st Union World Conference on Lung Health International Union Against Tuberculosis and Lung Disease

11-15 November 2010, Berlin, Germany

Good Clinical Laboratory Practice

14 October 2010, Makati City, Philippines

Basic Operating Procedure of Slide Warmer

29 September 2010, Makati, Philippines

Microbes Amidst Climate Change: issues and solutions

11 September 2010, Quezon City, Philippines

ICH- GCP Training

5 August 2010, Makati, Philippines

Proper Handling, IATA Basic Air Cargo

3 August 2010, Makati, Philippines

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Bacnotan Consolidated Industries, Inc.
Dermhaus
Trans-Asia Oil and Mineral Devt. Corp.
Unimer Trading Corporation
Victorias Marketing
Dr. Clemente Gatmaitan
Dr. Gary Lopez
Dr. Annabelle Aherrera
Dr. Thelma Leelin
Dr. Bienvenido Cabral
Dr. Filomena Montinola
Dr. Benjamin Bince
Dr. Ludivina Garces
Marissa Rovillos
Dr. Theresa Ortin
Dr. Victor Lopez
Dr. Dindo Isabela
Dr. Juliet Yap
Philippine Orthopedic Institute
Dr. Angelita Aguirre
Dr. Zenaida Bagabaldo
Dr. Jaime Lapuz
Dr. Saturnino Javier
Dr. Emmanuel Ibay
Dr. Elsie Floreza
Mr. William CoDr. Jose San Gabriel
Susan Lamb
Dr. Sylvia Jamora
Dr. Benjamin Magsino
Dr. Milan Tambunting
Dr. Carmela Isabela
Dr. Josephine Raboca
Dr. Gerardo Beltran
Dr. Jack Arroyo
Dr. Tito Torralba
Dr. Cristina Antonio
Dr. Martesio Perez
Dr. Homobono Calleja
FC Masagana Bld.
Mg Man To
A & S Hardware
Bataan Pulp and Paper Mills
EMAR Corporation
Internationale Foundation, Inc.
United Pulp and Paper Corporation
Dr. Patricia Santos
Dr. Eloisa Pastores
Dr. Bienvenido Aldanese
Dr. John Pastores
Dr. Arnel Diaz
Dr. Nora Figueroa-Santos
Dr. Benjamin Luna
Dr. Antonio Cayco
Dr. Rosario Paguntalan
Dr. Wilma Baltazar
Dr. Ruth Divinagracia
Dr. Roberto Ingles
Dr. Estela Cabrera
Dr. & Mrs. Michael Wassmer
Dr. Agripino Reloza
Dr. Ma. Teresa Tangkeko
Dr. Eduardo Jamora
Dr. Elaine Baens Araneta
Dr. Santos Ocampo
Dr. Jacqueline King
Dr. & Mrs. Roberto Mata
Dr. Oswald Herrera
Dr. Augusto Litonjua
Dr. Imelda Villar
Dr. Gregorio Martinez
Dr. Alexis Reyes
Dr. Nazario Macalintal
Dr. Eduardo Rondain
Dr. Benjamin Adapon
Maribel Rivera
Dr. Edmundo Villacorta
Enrique&Susana Campos
Dr. Ramon Ocampo
Dr. Deogracias Custodio

Friends of the Foundation

Dr. Johnny Almirante
Dr. Simon Sawit
Dr. Ramon Ongsiako
Conchita Morales
Dr. Ariston Bautista
Henry & Lucy Co
Dr. Esther Leynes
Dr. Benjamin Famador
Dr. Reynaldo Rivera
Dr. May Sison
Philippine Orthopedic Institute
Dr. Vicente Arguelles
Aurelia Gopuansuy
Roberto Gopuansuy
Dr. Aurelia Leus
Dr. Grace Luna
Dr. Santiago del Rosario
Dr. Regina Liboro
Dr. Elizabeth Rondain
Dr. Antonio Mendoza
Dr. Abundio Balgos
Dr. Danilo Francisco
Electro Systems Ind.
Dr. & Mrs. Paulino Tenchavez
Dr. Ma. Lourdes Gozali
Carmelita Amora
Jose Solano
Dr. Manuel Canlas
Dr. Erlinda Escara
Dr. Romeo Nuguid
Dr. Luz Gamez
Dr. Rodrigo Cesario
Herophil
Atty. Victoria Martinez
Dr. Raymund Serina
Paris Manila Technology
Dr. Luis Capuchino
Nell Datu
Milly Chua
Peter Dejaresco
Sister Tajanlangit
Dr. Natividad Alimurong
Dr. Mercy Viduya
Dr. Federico Leelin
Dr. Shirley Ong
Mary Lou Claudio
Gerald Panlilio
Ma. Chuatico
Saudi Ambassador Al-Ghandi
Dr. Erlinda Famador
Dr. Conrado Lorenzo
Dr. Bernardo Cueto
Dr. Ernesto Santos
Dr. Bernardita Gabriel
Hali Gopuansuy
Panda Devt. Corp.
Dr. Prudencio Dy
Dr. Victor Alvarez
Dr. Paul Tan
Dr. Salvador Valdez
Dr. Manuel Kanapi
Dr. Genara Limson
Dr. Gregorio Ocampo
Crysmat Trading
Dr. Monina Ozaeta
Dr. Eric Nubla
Engr. Proceso Ramos
Dr. Miguel Celdran
Dr. Rosario Alcaneses
Dr. Teresa Fontillas
Dr. Dennis Garcia
Dr. Jorge Arkoncel
Dr. Francisco Barros
Nilo's Machine
Salvador Martinez
Atty. Robert Abad
Alfonso Tiu/Concept Packaging
Dr. Leticia Andres
Dr. Julius Lecciones
Arlene Pioderoda
Elly Dejaresco
Bingo Dejaresco
Danny Anastacio
Novartis



**Tropical Disease
Foundation Inc.**

Financial Statements

2010 - 2011

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

STATEMENT OF FINANCIAL POSITION

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CHANGES IN FUND BALANCES

STATEMENT OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS



R.S. BERNALDO & ASSOCIATES

A correspondent firm of Panell Kerr Forster International

BOA/PRC No. 0300
BSP Accredited
SEC Accreditation No. 0153-FR-1
CDA CEA No. 013-AF



INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Members
TROPICAL DISEASE FOUNDATION, INC.
(A Non-stock, Not-for-Profit Organization)

Philippine Institute of Tuberculosis Bldg.,
Amorsolo corner Urban Avenue, Pio del Pilar,
Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of **TROPICAL DISEASE FOUNDATION, INC.**, which comprise the statements of financial position as of July 31, 2011 and 2010, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **TROPICAL DISEASE FOUNDATION, INC.** as of July 31, 2011 and 2010, and its financial performance and cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Supplementary Information Required Under Revenue Regulations

Our audits were conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 34 are presented for purposes of filing with the Bureau of Internal Revenue and are not a required part of the basic financial statements. Such information is the responsibility of the Management of **TROPICAL DISEASE FOUNDATION, INC.** The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES

BOA/PRC No. 0300

Valid until December 31, 2012

SEC Group A Accredited

Accreditation No. 0153-FR-1

Valid until September 13, 2014

BSP Group B Accredited

Valid until February 14, 2014

CDA CEA No. 013-AF

Valid until October 25, 2013


ROMEO A. DE JESUS, JR.

Partner

CPA Certificate No. 86071

SEC Group A Accredited

Accreditation No. 1135-A

Valid until July 5, 2014

BIR Accreditation No. 08-004744-1-2012

Valid from April 10, 2012 until April 9, 2015

Tax Identification No. 109-227-897

PTR No. 0009052

Issued on January 6, 2012 at Makati City

November 14, 2012

	Weighted Average Effective Interest Rate		Within 1 Year		1 – 5 Years		Over 5 Years		Total
July 31, 2010									
Cash	0.25- 0.5%	P	69,621,540	P	262,589,482	P	-	P	332,211,022
Advances and other receivables	-		28,526,065		-		-		28,526,065
Available for- sale financial asset	-		21,053		-		-		21,053
Refundable deposit	-		1,106,069		-		-		1,106,069
		P	99,274,727	P	262,589,482	P	-	P	361,864,209

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Foundation manages its capital to ensure that the Foundation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Foundation's overall strategy remains unchanged from 2010.

The capital structure of the Foundation consists of net debt (borrowings as detailed in Notes 15 and 16 offset by cash and bank balances) and equity of the Foundation (comprising fund balance and member's contribution as disclosed in Note 18).

The Foundation is not subject to any externally imposed capital requirements.

The Foundation's risk Management committee reviews the capital structure of the Foundation on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Foundation has a target debt to equity ratio of 0.16:1 and 2:1 for 2011 and 2010, respectively, determined as the proportion of debt to equity.

The debt to equity ratio at end of the reporting period was as follows:

	2011	2010
Debt	P 35,924,695	P 289,687,051
Fund balance	226,130,195	174,451,845
Debt to equity ratio	0.16:1	1.66:1

Debt is defined as long- and short-term borrowings, as described in Notes 13, 14 and 15, while fund balance includes all capital and reserves of the Foundation that are managed as capital.

33. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Trustees on November 14, 2012.

34. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS 15 – 2010

The Bureau of Internal Revenue (BIR) has released a new revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

34.01 Taxes and Licenses Paid or Accrued

The details of the Foundation's taxes, duties and licenses fees paid or accrued in 2011 are as follows:

34.01.01 Other Taxes and Licenses

The Foundation paid other taxes and licenses and permit fees paid or accrued during the year is as follows:

Real estate tax	P	84,763
Business permit fees		13,390
Registration fees		16,019
	P	114,172

34.01.02 Withholding Taxes

An analysis on the Foundation's withholding taxes paid or accrued during the year is as follows:

Withholding tax on compensation and benefits	P	2,462,612
Expanded withholding taxes		1,110,362
	P	3,572,974

TROPICAL DISEASE FOUNDATION, INC.
(A Non-Stock, Not-for-Profit Organization)
STATEMENTS OF CHANGES IN FUND BALANCES
For the Years Ended July 31, 2011 and 2010
(In Philippine Peso)

	Notes	Members' Contribution	Fund Balance	Fair value gain on financial asset - trust fund	Fair value gain on Available-For-Sale Financial Asset	Total
Balance at August 1, 2010		70,000	150,673,486	-	10,854	150,754,340
Excess of income over expenses		-	23,689,556	-	-	23,689,556
Fair value gain on available-for-sale financial asset	19	-	-	-	7,949	7,949
Balance at July 31, 2010		70,000	174,363,042	-	18,803	174,451,845
Excess of income over expenses		-	50,935,926	-	-	50,935,926
Fair value gain on financial asset - trust fund	12	-	-	739,256	-	739,256
Fair value gain on available-for-sale financial asset	19	-	-	-	3,168	3,168
Balance at July 31, 2011		70,000	225,298,968	739,256	21,971	226,130,195

(See Notes to Financial Statements)

TROPICAL DISEASE FOUNDATION, INC.*(A Non-Stock, Not-for-Profit Organization)***STATEMENTS OF FINANCIAL POSITION**

July 31, 2011 and 2010

(In Philippine Peso)

	NOTES	2011	2010
A S S E T S			
Current Assets			
Cash	6	46,806,845	332,211,022
Advances and other receivables	7	9,955,038	28,526,065
		56,761,883	360,737,087
Non-current Assets			
Available for-sale-financial asset	8	24,221	21,053
Property and equipment – net	9	84,144,356	87,120,837
Investment property – net	10	14,097,435	15,098,500
Investment in trust fund	12	105,950,209	-
Refundable deposit	11	1,076,786	1,106,069
Deferred tax asset	29	-	55,350
		205,293,007	103,401,809
TOTAL ASSETS		262,054,890	464,138,896
LIABILITIES AND FUND BALANCES			
L I A B I L I T I E S			
Current Liabilities			
Trade and other current liabilities	13	15,367,795	27,455,584
Funds held in trust	14	20,556,900	249,099,519
Notes payable	15	-	2,675,920
		35,924,695	279,231,023
Non-current Liability			
Notes payable – net of current portion	15	-	10,456,028
TOTAL LIABILITIES		35,924,695	289,687,051
FUND BALANCES			
Members' contribution	18	70,000	70,000
Fund balance	18	225,298,968	174,363,042
Fair value gain on financial asset - trust fund	12	739,256	-
Fair value gain on available-for-sale financial asset	19	21,971	18,803
TOTAL FUND BALANCES		226,130,195	174,451,845
TOTAL LIABILITIES AND FUND BALANCES		262,054,890	464,138,896

(See Notes to Financial Statements)

TROPICAL DISEASE FOUNDATION, INC.

(A Non-stock, Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

July 31, 2011 and 2010

1. CORPORATE INFORMATION

Tropical Disease Foundation, Inc. (the "Foundation") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 5, 1984 as a non-stock, not-for-profit organization. The principal activities of the Foundation are to undertake biological research and provide training and service in the control and management of tropical and infectious diseases, including therapeutic and preventive measures.

As a non-stock, nonprofit organization, the Foundation is exempt from payment of income tax with respect to receipts received in accordance with the provision of Section 30 (e) of RA No. 8424 entitled "An Act Amending the National Internal Revenue Code, As Amended, and For Other Purposes". The income from activities conducted in pursuit of the objectives for which the Foundation was established is exempt from tax. However, any income on any properties, real or personal, or from any activity conducted for profit, regardless of the disposition of such income, is subject to tax. Also, the Foundation is an accredited donee institution by the Philippine Council for NGO Certification. As such, its donors are entitled to full or limited deduction and exemption from donor's tax. However, the Foundation's accreditation from PCNC has expired last April 20, 2009.

The Company's registered address is located at the Philippine Institute of Tuberculosis Bldg., Amoroso corner Urban Avenue, Pio del Pilar, Makati City.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Foundation. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have also been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- *Improvements to PFRS (2010)* – Effective for annual periods beginning on or after January 1, 2011

Amendments to PFRS 7, Financial Instruments: Disclosures - The amendments to PFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

Amendments to PAS 1, Presentation of Financial Statements - The amendments to PAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

Amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates, PAS 28, Investments in Associates and PAS 31, Investments in Joint Ventures – The improvements amend the transition requirements to apply certain consequential amendments arising from the 2008 PAS 27 amendments prospectively, to be consistent with the related PAS 27 transition requirements.

- PAS 24 (as revised in 2009), *Related Party Disclosures – Revised Definition of Related Parties*

PAS 24 modifies the definition of a related party and simplifies disclosures for government-related entities. This standard is applicable for annual periods beginning on or after January 1, 2011.

- PAS 32 (Revised), *Financial Instruments: Presentation – Classification of Rights Issues*

The amendments to PAS 32 address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. This standard is applicable for annual periods beginning on or after February 1, 2010.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Foundation will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Foundation does not expect the adoption of these new and amended PFRS to have significant impact on the financial statements.

- PFRS 7 (Revised), *Financial Instruments: Disclosures – Transfers of Financial Assets*

The amendments to PFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The effective date of the amendment is July 1, 2011, with earlier application permitted.

- **PFRS 9, *Financial Instruments: Classification and Measurement***

PFRS 9, *Financial Instruments*, issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

PFRS 9 requires all recognized financial assets that are within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of PFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under PFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under PAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

PFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

- **PFRS 13, *Fair Value Measurement***

The Standard explains how to measure fair value for financial reporting. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It emphasizes that fair value is market-based not an entity-specific measurement; hence an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. It was developed to eliminate inconsistencies of fair value measurements dispersed in various existing PFRSs. It clarifies the definition of fair value, provides a single framework for measuring fair value and enhances fair value disclosures.

PFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- **PAS 1 *Presentation of Items of Other Comprehensive Income (OCI)***

To improve the presentation of items of OCI, the IASB amended IAS 1 to require entities to group items presented in the OCI on the basis whether they would be reclassified to (recycled to) profit or loss subsequently.

The amendments did not address which items should be presented in the OCI and did not change the option to present OCI items either before or net of tax.

Those amendments are effective for annual periods beginning on or after July 1, 2012. Earlier application is permitted.

- PAS 19 (Amended) *Employee Benefits*

Significant changes to this standard include removal of corridor approach; immediate recognition of past service costs; presentation of remeasurements on defined benefit plans in other comprehensive income; new recognition criteria on termination benefits; and improved disclosure requirements.

The amended standard comes into effect for accounting periods beginning on or after January 1, 2013. Earlier application is permitted.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried either at fair value or at amortized cost.

3.02 Functional and Presentation Currency

Items included in the financial statements of the Foundation are measured using Philippine Peso (P), the currency of the primary economic environment in which the Foundation operates (the "functional currency").

The Foundation chose to present its financial statements using its functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Foundation in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Financial Assets

Financial assets are initially measured at fair value, plus transaction costs.

Financial assets that are subsequently measured at amortized cost and where the purchase or sale are under a contract whose terms require delivery of such within the timeframe established by the market concerned are initially recognized on the trade date.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Foundation's financial assets include cash, advances and other receivables, available-for-sale financial assets, investment in trust fund and refundable deposits.

4.01.01 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating finance income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis.

4.01.02 Amortized Cost

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of effective interest rate.

4.01.03 AFS Financial Assets

Listed shares and listed redeemable notes held by the Foundation that are traded in an active market are classified as AFS and are stated at fair value.

Non-derivative available-for-sale financial asset may be reclassified to loans and receivable category that would have met the definition of loans and receivables if there is an intention and ability to hold that financial asset for the foreseeable future or until maturity.

Dividends on AFS equity instruments are recognized in profit or loss when the Foundation's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

4.01.04 Advances and Other Receivables

Advances and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'advances and other receivables'. Advances and other receivables are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

4.01.05 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organization.
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the lender would not otherwise consider
- the disappearance of an active market for that financial asset because of financial difficulties
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

For certain categories of financial asset, such as advances and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of advances and other receivables could include the Foundation's past experience of collecting payments.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances and other receivables, where the carrying amount is reduced through the use of an allowance account. When receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying

amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

4.01.06 Derecognition of Financial Assets

The Foundation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Foundation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Foundation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Foundation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Foundation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

4.02 Investment Property

Investment property, which is property held to earn rentals for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at its cost less accumulated depreciation and impairment loss.

Depreciation is computed using the straight-line method based on the estimated useful life of the asset which is 20 years.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

Investment property is derecognized by the Foundation upon its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

4.03 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Foundation. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Land is not depreciated. Depreciation is computed on the straight-line basis based on the estimated useful lives of the assets as follows:

Building	20 years
Office furniture, fixtures and equipment	5 years
Laboratory equipment	5 years
Transportation equipment	5 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of 5 or the lease term, whichever is shorter.

An item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.04 Borrowing Costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.05 Financial Liabilities and Equity Instruments

4.05.01 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

4.05.02 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Foundation's financial liabilities include trade and other current liabilities (excluding payable to government agencies), funds held in trust and notes payable.

4.05.03 Other Financial Liabilities

Other financial liabilities are initially measured at fair value inclusive of directly attributable transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with finance cost recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating finance cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

4.05.04 Derecognition of Financial Liabilities

The Foundation derecognizes financial liabilities when, and only when, the Foundation's obligations are discharged, cancelled or expired. When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.05.05 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Foundation considers fund balance as equity.

4.06 Employee Benefits

4.06.01 Short-term Benefits

The Foundation recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Foundation to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

4.07 Provisions and Contingent Liabilities and Assets

4.07.01 Provisions

Provisions are recognized when the Foundation has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Foundation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.07.02 Contingent Liabilities

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Foundation.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

4.08 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Foundation and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

4.08.01 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Foundation and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.09 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the entity.

The Foundation recognizes expenses in the statements of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4.10.01 The Foundation as a Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4.10.02 The Foundation as a Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.11 Foreign Currency Transactions

In preparing the financial statements of the Foundation, transactions in currencies other than the Foundation's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.12 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Foundation that is preparing its financial statements. A person or a close member of that person's family is related to Foundation if that person has control or joint control over the Foundation, has significant influence over the Foundation, or is a member of the key management personnel of the Foundation or of a parent of the Foundation.

An entity is related to the Foundation if any of the following conditions applies:

- The entity and the Foundation are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Foundation or an entity related to the Foundation. If the Foundation is itself such a plan, the sponsoring employers are also related to the Foundation.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Foundation and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The Company's income tax expense is with respect to its rental income earned.

4.13.01 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Foundation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.13.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Foundation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Foundation intends to settle its current tax assets and liabilities on a net basis.

4.13.03 Current and Deferred Tax for the Period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.14 Events after the Reporting Period

The Foundation identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Foundation's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Foundation's accounting policies, which are described in Note 4, Management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Key Sources of Estimation Uncertainty

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

5.01.01 Estimating the Recoverability of Advances and Other Receivables

The Foundation evaluates the status of the advances and other receivables based on available facts and circumstances, including, but not limited to, the length of the Foundation's relationship with the implementers, average of the accounts and historical loss experience.

The Foundation estimates the allowance for doubtful accounts related to its advances and other receivables based on assessment of specific accounts where the Foundation has information that certain implementers and employees are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the implementers and employees. The Foundation used judgment to record specific reserves for customers against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As of July 31, 2011 and 2010, the Management believes that there are no changes in the previous estimates, thus no additional allowance for impairment losses is recognized. Allowance for impairment amounted to P479,453 as of July 31, 2011 and 2010, as disclosed in Note 7. Carrying amount of the advances and other receivables amounted to P9,955,038 and P28,526,065, respectively, as disclosed in Note 7.

5.01.02 Reviewing Useful Lives and Depreciation Method of Property and Equipment and Investment Property

The useful lives and depreciation method of the Foundation's property and equipment and investment property are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Foundation's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Foundation considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Foundation's assets. In addition, the estimation of the useful lives is based on Foundation's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment property would increase the recognized operating expenses and decrease non-current assets. The Foundation uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which Foundation expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

As of the reporting dates, the Management believes that there were no significant changes from previous estimates. As of July 31, 2011 and 2010, the carrying amounts of property and equipment amounted to P84,144,356 and P87,120,837, respectively, as disclosed in Note 9. Investment property has carrying amount of P14,097,435 and P15,098,500 in 2011 and 2010, respectively, as disclosed in Note 10. Depreciation charged to program expense and general and administrative expense amounted to P6,533,216 and P6,688,089 in 2011 and 2010, respectively for property and equipment and investment property, as disclosed in Notes 22 and 23.

5.01.03 Asset Impairment

The Foundation performs an impairment review when certain impairment indicators are present. Determining the fair value of property and equipment and investment property, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Foundation to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Foundation believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Based on Management evaluation, the Foundation's property and equipment and investment property are recoverable at carrying amounts. As of July 31, 2011 and 2010, the aggregate carrying amounts of property and equipment and investment property amounted to P98,241,791 and P102,219,337, respectively, as disclosed in Notes 9 and 10.

5.01.04 Contingencies

The Foundation is currently involved in an issue regarding claims. Estimates of probable costs for the resolution of these claims have been developed in consultation with outside counsel and are based upon an analysis of potential results. The Foundation currently does not believe these claims will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Foundation's strategies relating to the claims.

As of July 31, 2011 and 2010, the Foundation believes that no liabilities should be recognized since the outcome of the actions taken regarding the claims is not probable, as disclosed in Note 17.

6. CASH

For the purpose of the statements of cash flows, cash includes cash on hand and in banks.

Cash at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of assets, liabilities and fund balance as follows:

	2011	2010
Cash on hand	P 50,000	P 97,430
Cash in bank-PHP	21,656,314	122,826,547
Cash in bank-USD	25,100,531	104,513,033
Cash in bank-EURO	-	104,774,012
	P 46,806,845	P 332,211,022

Cash in banks earn interest at rates ranging from 0.25% to 0.50%. Finance income recognized amounted to P256,173 and P494,125 for the years July 31, 2011 and 2010, respectively, as disclosed in Note 21.

7. ADVANCES AND OTHER RECEIVABLES

The Foundation's advances and other receivables consist of:

	2011		2010
Officers and employees	P 1,737,557	P	2,511,158
Advances to projects	983,707		894,646
Accrued interest receivable	378,385		-
Suppliers	249,465		249,465
Sub-recipient (SR) and implementers	752,033		1,111,830
General Fund	-		1,955,679
Others	5,637,845		21,785,791
Allowance for credit losses-advances to (from) employees	(355,215)		(355,215)
	9,383,777		28,153,354
Salary loans	695,499		496,949
Allowance for credit losses-salary loans	(124,238)		(125,238)
	570,261		371,711
	P 9,955,038	P	28,526,065

Others pertain to advances made to various recipients in the prior years the purpose of which is for the payment of different project expenses.

Allowance for impairment represents the amount recognized for the salary loans and advances to (from) employees which the Management believes to be unrecoverable.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale securities of Ayala Land, Inc. are listed security which represents opportunities for return through dividend income and trading gains.

The sources of the fair value of these securities are disclosed in Note 30.

Gains and losses arising from available-for-sale financial assets of Ayala Land, Inc. amounted to P3,168 in 2011 and P7,949 in 2010, respectively, as disclosed in Note 19.

9. **PROPERTY AND EQUIPMENT – net**

The carrying amounts of the Foundation's property and equipment are as follows:

	Land	Condominium units	Building	Leasehold improvements	Laboratory equipment	Transportation equipment	Office Furniture and fixtures and equipment	TOTAL
July 31, 2009								
Cost	P 32,373,000	25,486,627 P	48,765,620 P	1,272,616 P	12,304,867 P	1,964,800 P	10,720,094 P	P 132,887,624
Accumulated depreciation	-	(5,666,152)	(2,838,828)	(1,244,377)	(9,675,713)	(1,964,800)	(6,193,321)	(27,583,191)
Carrying amount	32,373,000	19,820,475	45,926,792	28,239	2,629,154	-	4,526,773	105,304,433
Movements during 2010								
Balance, August 1, 2009	32,373,000	19,820,475	45,926,792	28,239	2,629,154	-	4,526,773	105,304,433
Additions	-	-	927,867	900,000	1,626,026	-	149,100	3,602,993
Transfer to investment Property (Note 10)	-	(20,000,191)	-	-	-	-	-	(20,000,191)
Cost	-	-	-	-	-	-	-	3,900,626
Accumulated depreciation	-	3,900,626	-	-	-	-	-	(1,285,000)
Disposal	-	-	-	-	-	(1,285,000)	-	1,285,000
Cost	-	-	-	-	-	-	-	1,285,000
Accumulated depreciation	-	-	-	-	-	-	-	(1,285,000)
Depreciation (Note 22)	-	(274,322)	(2,471,704)	(140,404)	(1,152,664)	-	(1,647,930)	(5,687,024)
Balance, July 31, 2010	32,373,000	3,446,588	44,382,955	787,835	3,102,516	-	3,027,943	87,120,837
July 31, 2010								
Cost	32,373,000	5,486,436	49,693,487	2,172,616	13,930,893	679,800	10,869,194	115,205,426
Accumulated depreciation	-	(2,039,848)	(5,310,532)	(1,384,781)	(10,828,377)	(679,800)	(7,841,251)	(28,084,589)
Carrying amount	P 32,373,000	P 3,446,588	P 44,382,955	P 787,835	P 3,102,516	P -	P 3,027,943	P 87,120,837

(Forwarded)

	Land	Condominium units	Building	Leasehold improvements	Laboratory equipment	Transportation equipment	Office Furniture and fixtures and equipment	TOTAL
Movements during 2011								
Balance August 1, 2010	P 32,373,000	P 3,446,588	P 44,382,955	P 787,835	P 3,102,516	P -	P 3,027,943	P 87,120,837
Additions	-	-	-	723,927	427,250	-	1,404,493	2,555,670
Depreciation (Note 22)	-	(274,322)	(2,485,367)	(292,681)	(1,165,339)	-	(1,314,442)	(5,532,151)
Balance, July 31, 2011	32,373,000	3,172,266	41,897,588	1,219,081	2,364,427	-	3,117,994	84,144,356
July 31, 2011								
Cost	32,373,000	5,486,436	49,693,487	2,896,543	14,358,143	679,800	12,273,687	117,761,096
Accumulated depreciation	-	(2,314,170)	(7,795,899)	(1,677,462)	(11,993,716)	(679,800)	(9,155,693)	(33,616,740)
Carrying amount	P 32,373,000	P 3,172,266	P 41,897,588	P 1,219,081	P 2,364,427	P -	P 3,117,994	P 84,144,356

In 2010, the Foundation's fully depreciated transportation equipment with a cost of P1,285,000 and accumulated depreciation of P1,285,000 was sold for P220,000 during 2010. The gain on sale was presented under other income as disclosed in Note 21.

Further, condominium unit with a carrying value of P15,098,500 was transferred to investment property due to commencement of an operating lease, as disclosed in Note 10.

During the year, the Foundation carried out a review of the recoverable amounts of its property and equipment. The Foundation has determined that there is no indication that an impairment loss has occurred on its property and equipment.

10. INVESTMENT PROPERTY – net

The carrying amount of the Foundation's investment property is as follow:

	2011		2010	
Carrying amount				
Cost	P	20,000,191	P	20,000,191
Accumulated depreciation		(5,902,756)		(4,901,691)
		14,097,435		15,098,500
Movements during the year				
Balance, August 1		15,098,500		16,099,565
Depreciation (Notes 22 and 23)		(1,001,065)		(1,001,065)
	P	14,097,435	P	15,098,500

The property rental income earned by the Foundation from its investment property, which is leased out under operating leases, amounted to P2,029,500 and P2,352,375 in 2011 and 2010, respectively, as disclosed in Note 21. Direct operating cost incurred in relation to the investment property amounted to P1,629,967 and P1,590,146, respectively.

During the year, the Foundation carried out a review of the recoverable amounts of its investment property. The Foundation has determined that there is no indication that an impairment loss has occurred on its investment property.

As of July 31, 2011 and 2010, the Foundation believes that the fair market value of the investment property cannot be determined reliably since comparable market transactions are infrequent and alternative reliable estimates of fair value are not available.

11. REFUNDABLE DEPOSIT

The Foundation has refundable deposits amounting to P1,076,786 and P1,106,069 during the year 2011 and 2010, respectively, pertaining to its operating lease of office space for clinical activities and parking spaces as disclosed in Note 27.

12. INVESTMENT IN TRUST FUND

On June 9, 2011, the Foundation (the "Trustor") and BDO Private Bank (the "Trustee") entered into a Trust Agreement. The parties mutually agreed and stipulated that the Foundation constitutes and establishes with Banco de Oro, a trust fund for the Foundation consisting of an initial deposit of USD2,500,000. The trust fund was established primarily to accumulate additional funds for the Foundation.

As of July 31, 2011, details of assets included in the investments in trust funds are as follow:

	2011	2010
Time deposit	P 88,494,000	P -
Government securities	13,802,078	-
BDO SSA dollar plus account	2,914,594	-
BDO special savings account	281	-
	105,210,953	-
Gain from changes in fair value of government securities	739,256	-
	P 105,950,209	P -

The investment was carried in the financial statements using exchange rate of P42.14 to 1 US Dollar as of July 31, 2011.

Trust fund income earned from time deposits amounted to P258,988, as disclosed in Note 21.

13. TRADE AND OTHER CURRENT LIABILITIES

The components of this account are as follows:

	2011	2010
Accounts payable	P 13,252,040	P 24,658,535
Payable to the government agencies	1,111,019	1,792,313
Security deposit (Note 27)	507,375	507,375
Income tax payable	266,053	266,053
Rental deposits (Note 27)	184,500	184,500
Accrued expenses	46,808	46,808
	P 15,367,795	P 27,455,584

The average credit period on purchases of certain goods from suppliers is 30 days.

14. FUNDS HELD IN TRUST

This account pertains to the amount of funds received from the grantors which are specifically to be used for the carrying of the Foundation's projects. The movements of the accounts are as follows:

	2011	2010
Balance, August 1	P 249,099,519	P 756,560,204
Finance income	161,964	3,547,361
Adjustments	222,870	-
Disbursements	(228,927,453)	(511,008,046)
	P 20,556,900	P 249,099,519

15. NOTES PAYABLE

An analysis of this account is as follow:

	2011	2010
Balance, August 1	P 13,131,948	P 11,662,918
Proceeds	-	15,000,000
Repayment	(13,131,948)	(13,530,970)
	-	13,131,948
Current portion	-	2,675,920
Non-current portion	P -	P 10,456,028

On October 30, 2009, the Foundation obtained a loan amounting to P15,000,000 from Bank of the Philippine Island (BPI) maturing on October 30, 2014 with an interest rate of 8.5% per annum. The principal and interest is payable monthly in arrears in the amount of P307,748. The purpose of the loan is to finance the construction of the Foundation's new building. This is collateralized by the Foundation's condominium unit at the Montepino Building and Makati Medical Plaza with CCT numbers 97735 and 81082, respectively, presented as investment property. The Foundation is in compliance with the borrowing terms and that no defaults as of the reporting period.

Finance cost recognized in statement of comprehensive income amounted to P232,445 and P1,067,357 for the fiscal years July 31, 2011 and 2010, respectively, as disclosed in Note 25. The loan was fully paid by the Foundation on October 15, 2010.

16. RELATED PARTY TRANSACTIONS

16.01 Remuneration of Key Management Personnel

The remuneration of the directors and other members of key management personnel of the Foundation as of July 31, 2011 and 2010 amounted to P6,406,945 and P5,430,253, respectively.

17. CONTINGENCIES

In September 2009, The Global Fund (TGF) has suspended its projects with the Foundation on the basis of the Forensic Audit Report issued by the Office of the Inspector General (OIG) and the report of its outgoing internal auditor. All the projects carried under TGF were closed and settlement has to be made in which case the Foundation has filed a claim from TGF.

In a report issued, it was determined that excess funds from TGF are still in the records of the Foundation, where consequently, the Foundation has also filed a claim from TGF for the excess disbursements. However, as of July 31, 2011, the resolution is still pending and as such, it cannot be ascertained whether to recognize liability for the said funds.

18. FUND BALANCES

The fund balance of the Foundation is as follow:

	2011	2010
Fund balance	P 225,298,968	P 174,363,042
Members' contribution	70,000	70,000
	P 225,368,968	P 174,433,042

19. FAIR VALUE GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

Details on the movement of this account are as follows:

	2011	2010
Balance, August 1	P 18,803	P 10,854
Unrealized gain from Ayala Land stocks (Note 8)	3,168	7,949
	P 21,971	P 18,803

This account represents accumulated gain and losses arising on the revaluation of available-for-sale financial asset that have been recognized in other comprehensive income.

20. SOURCES OF FUNDS

The account is composed of the following items:

	2011	2010
Grants	P 97,844,817	P 118,256,275
Laboratory test	9,654,762	10,431,303
Donations and contributions	15,000	8,775,060
	P 107,514,579	P 137,462,638

21. OTHER INCOME

The account is composed of the following items:

	2011	2010
Rental income (Notes 10 and 27)	P 2,029,500	P 2,352,375
Finance income on bank deposits (Note 6)	256,173	494,125
Trust fund income (Note 12)	258,988	-
Gain on sale of equipment (Note 9)	-	220,000
Others and miscellaneous	313,692	610,906
	P 2,858,353	P 3,677,406

Others and miscellaneous pertains to the income derived from the sale of scrap materials and the likes.

22. PROGRAM EXPENSES

The account is composed of the following items:

	2011	2010
Personnel cost (Note 26)	P 23,462,855	P 35,855,839
Laboratory and office supplies	3,993,218	8,852,481
Depreciation (Notes 9 and 10)	3,441,027	1,382,419
Honorarium	3,419,213	11,369,414
Professional fees	2,960,639	4,856,834
Medicines	2,408,735	17,743,556
Utilities	2,239,550	2,775,896
Repairs and maintenance	770,076	873,019
Travel expenses	754,187	2,645,003
Communication	578,733	1,153,565
Seminars and training	411,524	1,305,012
Rent (Note 27)	268,046	3,386,178
Taxes and licenses	111,707	156,335
Entertainment, amusement and recreation	3,035	475,018
Insurance	-	430,266
Advertising	-	96,320
Others	303,409	296,922
	P 45,125,954	P 93,654,077

23. GENERAL AND ADMINISTRATIVE EXPENSES

The account is composed of the following expenses:

	2011		2010
Depreciation (Notes 9 and 10)	P 3,092,189	P	5,305,670
Professional fees	1,268,083		3,968,808
Personnel cost (Note 26)	582,946		5,622,453
Utilities	382,211		363,555
Honorarium	231,328		457,054
Laboratory and office supplies	118,706		107,065
Withholding tax on government payment	96,945		-
Seminars and training	94,672		399,152
Communication	92,114		131,261
Taxes and licenses	91,864		351,038
Repairs and maintenance	66,460		80,656
Rent (Note 27)	30,449		1,017,906
Travel expenses	22,539		2,572,555
Insurance	21,144		117,281
Medicines	18,922		42,844
Entertainment, amusement and recreation	1,300		2,393
Others	228,561		580,527
	P 6,440,433	P	21,120,218

24. OTHER EXPENSES

Component of other expenses is as follows:

	2011		2010
Unrealized foreign exchange loss	P 7,512,543	P	1,274,503
Surcharges	-		40,097
Compromise penalties	-		16,000
	P 7,512,543	P	1,330,600

25. FINANCE COSTS

The Foundation's finance costs comprised:

	2011		2010
Finance cost on loans (Note 15)	P 232,445	P	1,067,357
Finance cost on penalties	-		49,567
	P 232,445	P	1,116,924

26. EMPLOYEE BENEFITS

Aggregate employee benefits comprised of:

	2011	2010
Basic pay	P 12,554,182	P 23,839,325
Performance bonus	2,875,084	3,806,389
Fringe benefits	1,803,025	3,005,474
Hazard pay	1,532,615	2,032,435
13th month pay	1,493,052	2,555,586
Health Insurance	988,267	1,744,176
Social benefits	922,087	1,748,928
Sick/Vacation leave conversion	356,703	2,307,944
Medical and dental	12,600	130,488
Other benefits	1,508,186	307,547
	P 24,045,801	P 41,478,292

26.01 Short-term Employee Benefits

Short term employee benefits consist of basic pay, 13th month pay, performance bonus, fringe benefits, honoraria, sick and vacation leave conversion and other bonuses. Short term employee benefits are presented under program and general and administrative expenses, as disclosed in Notes 22 and 23.

27. OPERATING LEASE AGREEMENTS

27.01 The Foundation as a Lessee

Operating leases relate to leases of office space for clinical activities and parking spaces with lease terms of between 1 to 3 years. Operating lease payments represent rentals payable by the Foundation for leased facilities. Lease agreements are renewable upon mutual agreement between parties.

Refundable security deposits relating to the lease amounted to P1,076,786 and P1,106,069 for the fiscal years 2011 and 2010, respectively, as disclosed in Note 11.

An analysis of the rent expense included in program and general and administrative expense recognized by the Foundation amounted to P298,495 and P4,404,084 for the fiscal years 2011 and 2010, respectively, as disclosed in Notes 22 and 23.

At reporting date, the Foundation had outstanding commitments for future minimum lease payments under non-cancelable operating leases, which fall due as follows:

	2011	2010
Less than one year	P 6,930	P -
Within one year	291,720	1,176,247
More than one year but less than two years	-	394,852
Within Two years	-	312,140
	P 298,650	P 1,883,239

27.02 The Foundation as a Lessor

Operating lease relate to the investment property owned by the Foundation with lease term of one (1) year starting May 1, 2009 to April 30, 2010. The contract is renewable for a period of one (1) year and on May 1, 2011 the lessee renewed its lease contract with the Foundation for another one (1) year. Leased units are only to be used for office purposes and not for any other purposes.

The property rental income earned by the Foundation from its investment property, all of which is leased out under operating leases, amounted to P2,029,500 and P2,352,375 during 2011 and 2010, respectively, as disclosed in Note 21.

Security deposits in relation to this amounted to P507,375 in both years and rent received in advance amounted to P184,500 in both years, as disclosed in Note 13.

As of July 31, 2011 and 2010, the Foundation had outstanding commitments for future minimum lease collection under non-cancelable operating leases amounting to P1,826,550 and P2,080,238, respectively, which will fall due within one year.

28. INCOME TAXES

As a non-stock, nonprofit organization, the Foundation is exempt from payment of income tax with respect to receipts received in accordance with the provision of Section 30 (e) of RA No.8424 entitled "An Act Amending the National Internal Revenue Code, As Amended, and For Other Purposes". The income from activities conducted in pursuit of the objectives for which the Foundation was established is exempt from tax. However, any income on any properties, real or personal, or from any activity conducted for profit, regardless of the disposition of such income, is subject to tax. Also, the Foundation is an accredited donee institution by the Philippine Council for NGO Certification. As such, its donors are entitled to full or limited deduction and exemption from donor's tax. However the Foundation's accreditation from PCNC has expired last April 20, 2009.

For the fiscal year 2011, the Foundation is subject to income tax with respect to its rental income.

28.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	2011	2010
Current tax expense	P 70,281	P 284,019
Deferred tax expense (benefit)	55,350	(55,350)
	P 125,631	P 228,669

A numerical reconciliation between tax expense and the product of excess of income over expenses multiplied by the tax rate in 2011 and 2010 follows:

	2011		2010	
Excess of income over expenses	P	51,061,557	P	23,918,225
Tax expense at 30%		15,318,467		7,072,562
Income exempt from taxation		(31,846,465)		(27,425,281)
Tax effect of expenses that are not deductible		16,808,177		20,729,625
Finance income subject to final tax		(154,548)		(148,237)
	P	125,631	P	228,669

29. DEFERRED TAX ASSET

Deferred tax asset amounting to nil and P55,350 was recognized in 2011 and 2010, respectively, arises from the rental deposit received in advance.

30. FAIR VALUE MEASUREMENTS

30.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Foundation's financial assets and financial liabilities as of July 31, 2011 and 2010 are presented below:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash	P 46,806,845	P 46,806,845	P 332,211,022	P 332,211,022
Available-for-sale financial asset	24,221	24,221	21,053	21,053
Advances and other receivables	9,955,038	9,955,038	28,526,025	28,526,025
Refundable deposit	1,076,786	1,076,786	1,106,069	1,106,069
	P 57,862,890	P 57,862,890	P 361,864,169	P 361,864,169
Financial Liabilities:				
Trade and other current liabilities	P 13,990,723	P 13,990,723	P 25,397,218	P 25,397,218
Notes payable	-	-	13,131,948	13,131,948
Funds held in trust	20,556,900	20,556,900	249,099,519	249,099,519
	P 34,547,623	P 34,547,623	P 287,628,685	P 287,628,685

The fair values of financial assets and financial liabilities are determined as follows.

- Due to short-term maturities, the carrying amounts of financial assets and financial liabilities, excluding loans payables, approximate their fair values.
- Loans payable bears fixed interest rate, thus, face value approximates fair value.
- Fair value of the available-for-sale financial asset was determined by making reference to the stock quotations published by Philippine Stock Exchange.

30.02 Fair Value Measurements Recognized in the Statement of Financial Position

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Available-for-sale financial asset has been valued based on the level 1 fair value measurements or those derived from quoted prices.

There were no transfers between Level 1 and 2 in the period.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Foundation's Corporate Treasury function provides services to the business, coordinates access to domestic markets, monitors and manages the financial risks relating to the operations of the Foundation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including currency risk, fair value interest rate risk, credit risk and liquidity risk.

The Corporate Treasury function reports quarterly to the Foundation's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

31.01 Market Risk Management

31.01.01 Foreign Currency Risk Management

The Foundation undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Foundation's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2011		2010	
	Foreign Currency Equivalent	Peso Equivalent	Foreign Currency Equivalent	Peso Equivalent
Financial assets:				
Cash in bank	USD 595,646 P	25,100,531	USD 2,221,313 P	104,513,033
	EURO -	-	EURO 1,804,379	104,744,012
	595,646 P	25,100,531	4,025,692 P	209,257,046

The Foundation is mainly exposed to the changes in USD. Exchange rate used to convert cash in bank denominated in USD is P42.140 and P45.540 in 2011 and 2010, respectively.

The following table details the Foundation's sensitivity to a 10% increase and decrease in the Functional Currency against the relevant foreign currencies. The sensitivity rate of 10% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A positive number below indicates an increase in profit and other equity where the Functional Currency strengthens 10% against the relevant currency. For a 10% weakening of the Functional Currency against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

If the Philippine peso had strengthened or weakened against the US Dollar, then this would have the following impact:

	2011		2010	
	+ 10%	-10%	+ 10%	-10%
Profit (Loss)	P 2,510,053	P (2,510,053)	P 10,451,303	P (10,451,303)

If the Philippine peso had strengthened or weakened against the Euro, then this would have the following impact:

	2011		2010	
	+ 10%	-10%	+ 10%	-10%
Profit (Loss)	P -	P -	P 10,474,401	P (10,474,401)

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. The Foundation mitigates its exposure to foreign currency risk by monitoring its USD and EURO cash flows.

30.01.02 Interest Rate Risk Management

The Foundation's exposure to interest rate risk arises from its cash deposits in banks which are subject to variable interest rates.

Profit for the year ended July 31, 2011 and 2010 would have been unaffected since the Company has no borrowings at variable rates and interest rate risk exposure for its cash in bank, which is subject to variable rate, is very immaterial.

31.02 Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Foundation. The Foundation has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Foundation only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Foundation uses other publicly available financial information and its own trading records to rate its major customers. The Foundation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Foundation's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

	2011	2010
Cash (Note 6)	P 46,806,845	P 332,211,022
Advances and other receivables (Note 7)	9,955,038	28,526,065
Available-for-sale financial assets (Note 8)	24,221	21,053
Refundable deposit	1,076,786	1,106,069
	P 57,862,890	P 361,866,219

The Foundation does not hold any collateral or other credit enhancements to cover this credit risk.

The table below shows the credit quality by class of financial assets of the Foundation:

2011					
Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Total	
Cash	P 46,806,845	P -	P -	P 46,806,845	
Advances and other receivables	7,581,355	1,234,848	1,138,836	9,955,039	
Available-for sale assets	24,221	-	-	24,221	
Refundable Deposit	-	-	1,076,786	1,076,786	
	P 54,412,421	P 1,234,848	P 2,215,622	P 57,862,892	
2010					
Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Total	
Cash	P 332,211,022	P -	P -	P 332,211,022	
Advances and other receivables	12,298,402	14,309,901	1,917,762	28,526,065	
Available-for sale assets	21,053	-	-	21,053	
Refundable Deposit	-	-	1,106,069	1,106,069	
	P 344,530,477	P 14,309,901	P 3,023,831	P 361,864,209	

The credit quality of the financial assets was determined as follows:

Advances and Other Receivables and Refundable deposits

- High grade – These are receivables from counterparties with no default in payment.
- Medium – These are receivables from counterparties with up to three defaults in payment.
- Low – These are receivables from counterparties with more than three defaults in payment.

31.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of trustees, which has established an appropriate liquidity risk management framework for the management of the Foundation's short-, medium- and long-term funding and liquidity management requirements. The Foundation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Foundation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Foundation can be required to pay. The table includes both interest and principal cash flows.

The undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Foundation may be required to pay.

	Weighted Average Effective Interest Rate	Within 1 Year	1 – 5 Years	Over 5 Years	Total
July 31, 2011					
Trade and other current liabilities	-	P 8,006,041	P 5,984,682	P -	P 13,990,723
Funds held in trust	-	20,556,900	-	-	20,556,900
		P 28,562,941	P 5,984,682	P -	P 34,547,623

	Weighted Average Effective Interest Rate	Within 1 Year	1 – 5 Years	Over 5 Years	Total
July 31, 2010					
Trade and other current liabilities	-	P 25,397,218	P -	P -	P 25,397,218
Funds held in trust	-	249,099,519	-	-	249,099,519
Notes payable	8.5%	13,131,948	-	-	13,131,948
		P 287,628,685	P -	P -	P 287,628,685

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

The liquidity is managed on a net asset and liability basis. The following table details the Foundation's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Foundation's liquidity risk management

	Weighted Average Effective Interest Rate	Within 1 Year	1 – 5 Years	Over 5 Years	Total
July 31, 2011					
Cash	0.25- 0.5%	P 46,806,845	P -	P -	P 46,806,845
Advances and other receivables	-	7,581,335	1,234,848	1,138,836	9,955,038
Available for- sale-financial asset	-	24,221	-	-	24,221
Refundable deposit		0	-	1,076,786	1,076,786
		P 54,412,401	P 1,234,848	P 2,215,622	P 57,862,890

	Weighted Average Effective Interest Rate	Within 1 Year	1 – 5 Years	Over 5 Years	Total
July 31, 2010					
Cash	0.25- 0.5%	P 69,621,540	P 262,589,482	P -	P 332,211,022
Advances and other receivables	-	28,526,065	-	-	28,526,065
Available for- sale-financial asset	-	21,053	-	-	21,053
Refundable deposit	-	1,106,069	-	-	1,106,069
		P 99,274,727	P 262,589,482	P -	P 361,864,209

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Foundation manages its capital to ensure that the Foundation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Foundation's overall strategy remains unchanged from 2010.

The capital structure of the Foundation consists of net debt (borrowings as detailed in Notes 15 and 16 offset by cash and bank balances) and equity of the Foundation (comprising fund balance and member's contribution as disclosed in Note 18).

The Foundation is not subject to any externally imposed capital requirements.

The Foundation's risk Management committee reviews the capital structure of the Foundation on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Foundation has a target debt to equity ratio of 0.16:1 and 2:1 for 2011 and 2010, respectively, determined as the proportion of debt to equity.

The debt to equity ratio at end of the reporting period was as follows:

	2011	2010
Debt	P 35,924,695	P 289,687,051
Fund balance	226,130,195	174,451,845
Debt to equity ratio	0.16:1	1.66:1

Debt is defined as long- and short-term borrowings, as described in Notes 13, 14 and 15, while fund balance includes all capital and reserves of the Foundation that are managed as capital.

33. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Trustees on November 14, 2012.

34. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS 15 – 2010

The Bureau of Internal Revenue (BIR) has released a new revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

34.01 Taxes and Licenses Paid or Accrued

The details of the Foundation's taxes, duties and licenses fees paid or accrued in 2011 are as follows:

34.01.01 Other Taxes and Licenses

The Foundation paid other taxes and licenses and permit fees paid or accrued during the year is as follows:

Real estate tax	P	84,763
Business permit fees		13,390
Registration fees		16,019
	P	114,172

34.01.02 Withholding Taxes

An analysis on the Foundation's withholding taxes paid or accrued during the year is as follows:

Withholding tax on compensation and benefits	P	2,462,612
Expanded withholding taxes		1,110,362
	P	3,572,974



R.S. BERNALDO & ASSOCIATES

A correspondent firm of Panell Kerr Forster International

BOA/PRC No. 0300
BSP Accredited
SEC Accreditation No. 0153-FR-1
CDA CEA No. 013-AF



SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Members
TROPICAL DISEASE FOUNDATION, INC.
(A Non-stock, Not-for-Profit Organization)
Philippine Institute of Tuberculosis Bldg.,
Amorsolo corner Urban Avenue, Pio del Pilar,
Makati City

We have examined the financial statements of **TROPICAL DISEASE FOUNDATION, INC.** for the years ended July 31, 2011 and 2010 on which we have rendered the attached report dated November 14, 2012.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal members of the Foundation.

R.S. BERNALDO & ASSOCIATES

BOA/PRC No. 0300
Valid until December 31, 2012
SEC Group A Accredited
Accreditation No. 0153-FR-1
Valid until September 13, 2014
BSP Group B Accredited
Valid until February 14, 2014
CDA CEA No. 013-AF
Valid until October 25, 2013

ROMEO A. DE JESUS, JR.

Partner
CPA Certificate No. 86071
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Valid until July 5, 2014
BIR Accreditation No. 08-004744-1-2012
Valid from April 10, 2012 until April 9, 2015
Tax Identification No. 109-227-897
PTR No. 0009052
Issued on January 6, 2012 at Makati City

November 14, 2012

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