

COMPANY REGISTRATION NUMBER 5888535

**BANK OF THE PHILIPPINE ISLANDS
(EUROPE) PLC**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2008

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BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2008

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BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr Edgardo Ocampo Madrilejo
Mr Alexander Balan Tan III
Ms Teresita Bautista Tan
Mr Aurelio Reyes Montinola III
Mr Nigel Mervyn Sutherland Rich C.B.E.
Mr Simon Michell
Mr Jose Lopez Del Castillo Noche (resigned September 30, 2008)

Company secretary

Mr Chi Wai Lu

Registered office

4th Floor
28/29 Threadneedle Street
London
EC2R 8AY

Auditor

PricewaterhouseCoopers LLP
Chartered Accountants
& Registered Auditors

Solicitors

Lu-Oliphant Solicitors
Premier House
112 Station Road
Edgware
Middlesex
HA8 7AQ

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2008

The directors present their report and the financial statements of the company for the year ended 31st December 2008.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £237,973. The profit for the period from 27 Jul 06 to 31 Dec 07, after taxation, amounted to £181,962. All comparatives are stated for the period from 27 Jul 06 to 31 Dec 07. The directors have not recommended a dividend.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The company was incorporated on 27 July 2006 and started trading from April 2007.

The principal activity of the company is deposit taking and money transmission services, primarily for the Filipino population of the United Kingdom. The company is an authorised institution under the Financial Services and Markets Act 2000.

This year, the Financial Services Authority, has authorized the bank to provide cross border services to countries in continental Western Europe. The Bank intends to passport its services in the coming year especially in Italy and Spain.

There have been no events since the balance sheet date which materially affects the position of the company.

REVIEW OF THE BUSINESS

The bank has reported a profit before tax for the year amounting to £369,051 (2007: £273,442).

Interest receivable and similar income for the year amounted to £1,172,794 (2007: £824,504) mainly due to interbank deposits. Fees and commission income during the year was £339,960 (2007: £17,417) and were due to remittance services. Gains from foreign exchange transactions for the year amounted to £28,632 (2007: £1,070).

Operating expenses for the year were £1,133,828 (2007: £569,547).

The directors monitor the bank's current ratio (total assets divided by current liabilities) to safeguard the bank's ability to service its current obligations. The bank has a current ratio of 14.0 (2007: 19.3).

The directors monitor the debt-equity ratio (total liabilities divided by shareholders' equity) to express the relationship between capital contributed by creditors and that contributed by owners, as well as the degree of protection provided by the owners for the creditors. The Bank has a debt equity ratio of 0.08 (2007: 0.05). The Bank's return on equity (profit after tax divided by the total shareholders' equity) for the year was 1.2% (2007: 1%).

FINANCIAL INSTRUMENTS

The company's material financial instruments comprise loans and advances to banks, loans and advances to customers and customer accounts.

The main risks arising from the bank's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Bank has a formal structure for managing risk, including established risk limits set by the Bank with guidance from the parent company, reporting lines and a system of control procedures. This structure is reviewed regularly by senior management and the directors who are charged with the responsibility for managing and controlling the exposures of the company.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2008

Interest rate risk

Interest rate risk arises from possible mismatches in the interest rate profile on the bank's customer accounts vis-à-vis the interest received on loans and advances to banks as they change with market rates. To the extent possible, senior management matches the interest rate maturity dates. This risk is monitored and reported to the Board on a periodic basis through its Internal Capital Adequacy Assessment Process (ICAAP) report.

Liquidity risk

The Bank's liquidity policy is to provide full cover for all liabilities, real and contingent, through call deposits with accredited banks. The liquidity risk limits set by the Financial Services Authority are complied with by senior management. At no time within the year, was there a breach of these limits. This risk is included in its ICAAP report.

Credit risk

The Bank's main exposure to credit risk continues to be through interbank deposits. This is an area of particular focus and concern on the part of the directors as the financial crisis unfolded in 2008. Senior management was able to protect these deposits during the year. These deposits are placed by senior management within limits set by the board with guidance from the parent bank and are regularly reviewed. This is reported to the Board through the ICAAP.

Foreign currency risk

The Bank has not traded in foreign exchange markets to date on its own account, but is active in these markets in providing a customer service. All customers' transactions entered into by the Bank create minimal, if any, foreign exchange risk for the Bank. Senior management monitors customer balances to minimize this risk.

DIRECTORS

The directors who were appointed and served the company during the year were as follows:

Mr Edgardo Ocampo Madrilejo	Appointed on 27 th July 2006
Mr Alexander Balan Tan III	Appointed on 27 th July 2006
Ms Teresita Bautista Tan	Appointed on 27 th July 2006
Mr Aurelio Reyes Montinola III	Appointed on 27 th July 2006
Mr Nigel Mervyn Sutherland Rich C.B.E.	Appointed on 25 th May 2007
Mr Simon Michell	Appointed on 25 th May 2007
Mr Jose Lopez Del Castillo Noche	Appointed on 27 th July 2006, resigned 30 th September 2008

The company is a wholly owned subsidiary of the Bank of the Philippine Islands which is incorporated under the laws of the Republic of the Philippines. The interests of the group directors are disclosed in the financial statements of the parent company.

POLICY ON THE PAYMENT OF CREDITORS

It is the company's policy in respect of all suppliers to settle the terms of payment within 30 days of invoice date. The number of creditor days in relation to suppliers' balance outstanding at 31 December 2008 was not more than 30.

INTERNAL CONTROLS

Risk review and internal control audit are guided by principles and policies provided by the parent's Risk Office and Internal Audit.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2008

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; in which case, there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2008

AUDITOR

A resolution to re-appoint PricewaterhouseCoopers LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:

4th Floor

28/29 Threadneedle Street

London

EC2R 8AY

Approved by the directors on...*31 March 2009*...

Signed on behalf of the directors



Mr E O Madrilejo

Managing Director & CEO

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

YEAR ENDED 31st DECEMBER 2008

We have audited the financial statements of Bank of the Philippine Islands (Europe) Plc for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

YEAR ENDED 31st DECEMBER 2008

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

*Chartered Accountants and Registered Auditors
London*

31 March 2009

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st DECEMBER 2008

	Note	Year ended 31 Dec 08 £	Period from 27 Jul 06 to 31 Dec 07 £
Interest receivable and similar income		1,172,794	824,504
Interest payable and similar charges		(38,507)	(2)
Fees and commissions receivable		339,960	17,417
Other operating income		<u>28,632</u>	<u>1,070</u>
OPERATING INCOME		1,502,879	842,989
Administrative expenses		(1,087,008)	(563,933)
Depreciation and amortisation		<u>(46,820)</u>	<u>(5,614)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	369,051	273,442
Tax on profit on ordinary activities	5	<u>(131,078)</u>	<u>(91,480)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>237,973</u>	<u>181,962</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 10 to 17 form part of these financial statements.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

BALANCE SHEET

31 DECEMBER 2008

	Note	31 Dec 08 £	31 Dec 07 £
ASSETS			
Loans and advances to banks	6	20,531,404	20,842,006
Loans and advances to customers		70,000	0
Investment in subsidiary	7	1	0
Tangible fixed assets	8	631,522	101,624
Other assets	9	441,685	344,071
Amounts due from group undertakings		312,522	0
TOTAL ASSETS		<u>21,987,134</u>	<u>21,287,701</u>
LIABILITIES			
Customer accounts		1,407,951	58,096
Amounts due to group undertakings	10	25,326	815,786
Other liabilities	11	133,922	231,857
		<u>1,567,199</u>	<u>1,105,739</u>
Called-up equity share capital	16	20,000,000	20,000,000
Profit and loss account		419,935	181,962
SHAREHOLDERS' FUNDS	17	<u>20,419,935</u>	<u>20,181,962</u>
TOTAL LIABILITIES		<u>21,987,134</u>	<u>21,287,701</u>

These financial statements were approved by the directors and authorised for issue on 31 March 2009 and are signed on their behalf by:


MR E O MADRILEJO

The notes on pages 10 to 17 form part of these financial statements.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2008

1. ACCOUNTING POLICIES *(continued)*

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the special provisions of Part VII of the companies Act 1985 relating to banking companies and the British Banker's Association Statements of Recommended Practice.

The principal accounting policies, which have been consistently applied, are set out below.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned by the Bank of the Philippine Islands, a bank incorporated in the Republic of the Philippines, and its parent publishes a consolidated cash flow statement, balance sheet and income statement.

Recognition of income

Income arising from fees and commissions and foreign exchange gains are recognised on the accrual basis as the service is provided. Interest receivable on advances and interest payable on deposits received are recognised on an accruals basis.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	-	Over the period of the lease
Office Furniture	-	Over 5 years, straight line
Fixtures & Fittings	-	20% reducing balance
Computer Equipment	-	Over 5 years, straight line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company does not run its own pension scheme.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2008

1. ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax balances are not discounted.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Fair value of financial instruments

Fair value is the amount at which an asset or liability could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale. The fair value of all financial instruments held at 31 December 2008 approximates to the amounts at which these instruments are reflected in the balance sheet.

Segmental reporting

The company has one reportable geographical and business segment, the provision of banking services in the United Kingdom.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2008

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 Dec 08 £	Period from 27 Jul 06 to 31 Dec 07 £
Directors' emoluments	291,696	187,500
Amortisation of leasehold improvements	22,449	1,195
Depreciation of owned fixed assets	24,371	4,419
Auditors fees	14,000	10,000
Operating lease costs:		
Other	115,695	19,221

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	Year ended 31 Dec 08	Period from 27 Jul 06 to 31 Dec 07
Number of administrative staff	16	5
Number of management staff	2	2
	<hr/> 18	<hr/> 7

Management staff comprise two Directors who are employees of the company. The payroll costs of the staff employed were:

	Year ended 31 Dec 08 £	Period from 27 Jul 06 to 31 Dec 07 £
Wages and salaries	501,884	303,949
Social security costs	60,080	28,018
	<hr/> 561,964	<hr/> 331,967

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2008

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Year ended 31 Dec 08 £	Period from 27 Jul 06 to 31 Dec 07 £
Directors' remuneration	<u>291,696</u>	<u>187,500</u>

Directors are not entitled to either shares nor share options under long-term incentive schemes. No directors receive contributions to money purchase scheme pensions. No directors hold or exercised share options. The director who resigned during the year did not receive any compensation for loss of office.

5. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year:

	Year ended 31 Dec 08 £	Period from 27 Jul 06 to 31 Dec 07 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the period at 28.5% (2007:30%)	99,979	82,340
Deferred tax:		
Timing differences	<u>31,099</u>	<u>9,140</u>
Tax on profit on ordinary activities	<u>131,078</u>	<u>91,480</u>

(b) Factors affecting tax charge for the year:

The tax charge for the period is lower (2007:higher) than the standard rate of corporation tax in the UK (28.5%) due to the differences explained below:

	Year ended 31 Dec 08 £	Period from 27 Jul 06 to 31 Dec 07 £
Profit on ordinary activities before taxation	<u>369,051</u>	<u>273,442</u>
Profit on ordinary activities multiplied by standard rate of UK Corporation tax of 28.5% (2007: 30%)	105,179	82,033
Effects of:		
Expenses not deductible for tax purposes	19,375	9,089
Capital allowances in excess of depreciation	(35,763)	(8,782)
Under provision	<u>11,188</u>	<u>0</u>
Current tax (Note 5(a))	<u>99,979</u>	<u>82,340</u>

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2008

6. ASSETS PLEDGED AS SECURITY

Contained within Loans and advances to banks is £100k deposited with Barclays as security for using their BACS payment system.

7. INVESTMENT IN SUBSIDIARY

BPI Europe purchased for £1, 100% of the share capital of BPI Remittance UK Plc which was a wholly-owned subsidiary of the Bank of the Philippine Islands. The business of BPI Remittance has been absorbed into BPI Europe and customers of BPI Remittance have been informed that they may now bank with BPI Europe. BPI Europe is exempt from the requirement to prepare group accounts since it is itself a subsidiary undertaking, owned 100% by the Bank of the Philippine Islands and is included in the parent's consolidated financial statements.

8. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Fixtures and Fittings £	Office Furniture £	Computer Equipment £	Total £
COST					
At 1 January 2008	37,466	5,346	60,123	4,303	107,238
Additions	473,335	37,145	62,586	3,652	576,718
At 31 Dec 2008	<u>510,801</u>	<u>42,491</u>	<u>122,709</u>	<u>7,955</u>	<u>683,956</u>
DEPRECIATION					
At 1 January 2008	1,195	89	4,143	187	5,614
Charge for the period	22,449	4,834	18,394	1,143	46,820
At 31 Dec 2008	<u>23,644</u>	<u>4,923</u>	<u>22,537</u>	<u>1,330</u>	<u>52,434</u>
NET BOOK VALUE					
At 31 December	<u>487,157</u>	<u>37,568</u>	<u>100,172</u>	<u>6,625</u>	<u>631,522</u>
At 1 January	<u>36,271</u>	<u>5,257</u>	<u>55,980</u>	<u>4,116</u>	<u>101,624</u>

9. OTHER ASSETS

	31 Dec 08 £	31 Dec 07 £
Amounts falling due within one year:		
Accrued interest receivable	337,742	127,575
Prepayments and other assets	<u>53,130</u>	<u>165,683</u>
	390,872	293,258
Amounts falling due after more than one year:		
Operating lease deposit	<u>50,813</u>	<u>50,813</u>
	<u>441,685</u>	<u>344,071</u>

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2008

10. AMOUNTS DUE TO GROUP UNDERTAKINGS

	31 Dec 08	31 Dec 07
	£	£
Payable on demand – To parent company	<u>25,326</u>	<u>815,786</u>

11. OTHER LIABILITIES

	31 Dec 08	31 Dec 07
	£	£
Corporation tax payable	28,791	82,340
Other taxation and social security	18,645	15,851
Accrued interest payable	4,137	490
Accrued expenses and other creditors	40,020	124,036
Deferred tax liability (note 12)	<u>40,239</u>	<u>9,140</u>
Sub-total	131,832	231,857
Income tax withheld on customer accounts- Savings Accounts	319	0
Income tax withheld on customer accounts- Time Deposit Accounts	1,194	0
Income tax withheld on customer accounts –Current Accounts	<u>577</u>	<u>0</u>
	<u>133,922</u>	<u>231,857</u>

12. DEFERRED TAXATION

The movement in the deferred taxation provision during the period was:

	Year ended	Period from
	31 Dec 08	27 Jul 06 to
	£	31 Dec 07
Profit and loss account movement arising during the period	31,099	9,140

The provision for deferred taxation consists of accelerated capital allowances and other timing differences:

	Year ended	Period from
	31 Dec 08	27 Jul06 to
	£	31 Dec 07
At 1 January	9,140	0
Capital allowance in excess of depreciation	31,708	9,140
Effect of change in standard rate of Corporation Tax	<u>(609)</u>	<u>0</u>
At 31 December	<u>40,239</u>	<u>9,140</u>

A deferred tax asset of £57k relating to BPI Remittance's trading losses is not recognised because there is insufficient evidence that it will be recoverable. When there is strong evidence that suitable taxable profits will arise against which the losses can be recovered, the asset will be recognised.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2008

13. FINANCIAL INSTRUMENTS

All financial assets and liabilities are receivable/ payable within one year.

14. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2008	2007
	£	£
Operating leases which expire:		
After more than 5 years	108,245	43,245

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by Financial Reporting Standards "Related party disclosures" not to disclosed transactions with members of the group headed by Bank of Philippine Islands on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in the parent's consolidated financial statements.

16. SHARE CAPITAL

Authorised share capital:

	Year ended 31 Dec 08 £	Period from 27 Jul 06 to 31 Dec 07 £
20,000,000 Ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
Allotted and called up:		
	£	£
Ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2008

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31 Dec 08 £	Period from 27 Jul 06 to 31 Dec 07 £
Retained profit brought forward	181,962	0
Share Capital brought forward	<u>20,000,000</u>	<u>0</u>
Opening Shareholders' fund	20,181,962	0
Profit for the financial year	237,973	181,962
New ordinary share capital subscribed	0	20,000,000
Net addition to shareholders' funds	<u>237,973</u>	<u>20,181,962</u>
Closing shareholders' funds	<u>20,419,935</u>	<u>20,181,962</u>

18. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Bank of the Philippines Islands, which is incorporated in the republic of the Philippines. Copies of the consolidated financial statements of Bank of the Philippine Islands are available from Registered Office of Bank of the Philippine Islands, BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City, Philippines.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
MANAGEMENT INFORMATION
PERIOD ENDED 31st DECEMBER 2008

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditor's report on page 6 to 7.**

	£	£
	2008	2007
Fees and commissions receivable	339,960	17,417
Bank interest income	1,172,794	824,504
Gains from foreign exchange transactions	<u>28,632</u>	<u>1,070</u>
OPERATING INCOME	1,541,386	842,991
OVERHEADS		
Directors salaries	(37,497)	(187,500)
Wages and salaries	(501,884)	(116,449)
Employers national insurance contributions	(62,281)	(28,018)
Rent	(115,695)	(19,221)
Rates and water	(7,974)	(4,206)
Service charge	(9,620)	(4,064)
Light and heat		(244)
Insurance	(8,725)	(4,244)
Cleaning of premises	(6,838)	(150)
Travel and subsistence	(15,417)	(10,736)
Telephone	(20,448)	(10,939)
Computer software and expenses	(1,243)	(4,750)
Taxes and licences	(21,569)	(18,223)
Office stationery	(29,998)	(9,575)
Staff benefits	(6,965)	(3,200)
Staff training and meeting costs	(795)	(797)
Sundry expenses	(87,234)	(2,579)
Interest payable (interest expense)	(38,507)	2
Advertising	(3,358)	(11,552)
Entertaining	(11,853)	(5,298)
Legal and professional fees	(69,473)	(95,828)
Accountancy fees		(15,112)
Auditors remuneration		(10,000)
Amortisation of leasehold improvements	(22,449)	(1,195)
Depreciation of fixtures and fittings and furniture	(23,228)	(89)
Depreciation of furniture		(4,143)
Depreciation of computer equipment	(1,143)	(187)
Bank charges	(60,165)	(1,248)
Repairs and maintenance	(817)	
Security services	(2,792)	
Postage	(4,367)	
	<u>(1,172,335)</u>	<u>(569,549)</u>
PROFIT ON ORDINARY ACTIVITIES	, <u>369,051</u>	<u>273,442</u>