

Manabat Delgado Amper & Co.

Manabat Delgado Amper & Co.
5th Floor Salamin Building
197 Salcedo Street Legaspi Village
Makati City 1229
Philippines

Tel: +63 2 812 0535
Fax: +63 2 810 5047
www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-1

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
CATHOLIC EDUCATIONAL ASSOCIATION OF THE PHILIPPINES
RETIREMENT PLAN
JBD Plaza, Mindanao Avenue, Quezon City

We have audited the accompanying financial statements of Catholic Educational Association of the Philippines Retirement Plan which comprise the statements of net assets available for plan benefits as of April 30, 2010 and 2009, and the related statements of changes in net assets available for plan benefits for the years then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 auditors consider 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 net assets available for plan benefits of Catholic Educational Association of the Philippines Retirement Plan as of April 30, 2010 and 2009, and the statements of changes in net assets available for plan benefits for the years then ended in accordance with Philippine Financial Reporting Standards.

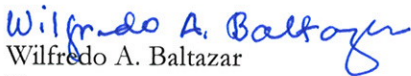
Manabat Delgado Amper & Co.

BOA Registration No. 0004, valid from January 1, 2010 to December 31, 2012

SEC Accreditation No. 0001-FR-2, issued on January 28, 2010; effective until January 27, 2012

TIN 005299331

By:


Wilfredo A. Baltazar

Partner

CPA License No. 0078498

SEC A.N. 0723-A, issued on August 28, 2008; effective until August 28, 2011

TIN 115858485

BIR A.N. 08-002552-10-2008, issued on October 9, 2008; effective until October 8, 2011

PTR No. 2087216, issued on January 4, 2010, Makati City

Makati City, Philippines

October 19, 2010

**CATHOLIC EDUCATIONAL ASSOCIATION OF THE PHILIPPINES
RETIREMENT PLAN**

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

		April 30	
	Notes	2010	2009
ASSETS			
Cash	7	P 1,508,569	P 1,382,680
Investments in trust funds	8	3,430,949,398	2,979,745,743
Receivables and other current assets	9	149,663	130,024
Prepayments and other current assets		51,507	45,895
Property and equipment - net	10	86,387	112,166
		3,432,745,524	2,981,416,508
LIABILITIES			
Benefits payable	11	25,092,200	32,780,666
Other benefits payable	12	600,000	450,000
Accumulated forfeitures	13	54,733,458	41,902,167
Due to participating employers	14	7,667,867	7,654,869
Other payables	15	844,573	790,846
		88,938,098	83,578,548
RESERVE			
Reserve for net unrealized appreciation (depreciation) of the market value of plan assets	8, 16	25,033,634	(23,656,152)
NET ASSETS AVAILABLE FOR PLAN BENEFITS		P3,318,773,792	P2,921,494,112

See Notes to Financial Statements.

**CATHOLIC EDUCATIONAL ASSOCIATION OF THE PHILIPPINES
RETIREMENT PLAN**

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

		For the Years Ended April 30	
	Notes	2010	2009
Investment Income			
Interest	7, 8	P 165,333,897	P 161,332,239
Unrealized gain on financial instruments	8	146,069,360	-
Gain on sale of investments	8	19,090,762	3,108,665
Recovery on equity losses	25	16,588,726	-
Dividends	8	15,426,985	15,553,131
Realized gain on fixed income - available-for-sale investment	8	11,620,568	-
Discount amortization	8	6,885,479	14,109,602
Recovery on loan losses		130,678	842,010
Other income	17	7,610,708	440,122
		388,757,163	195,385,769
Plan Contributions			
Employers' contributions	8	229,029,427	231,759,698
Employees' contributions	8	49,259,713	43,254,267
		278,289,140	275,013,965
Total Additions		667,046,303	470,399,734
Plan Benefit Payments	11, 12	233,892,329	154,958,388
Investment Expenses	8, 18	23,377,334	66,536,467
Forfeiture Expenses	8, 19	5,788,760	2,095,978
Finance Costs	8	2,029,391	5,615,274
General and Administrative Expenses	20	4,678,809	4,659,841
Total Deductions		269,766,623	233,865,948
Net Increase in Net Assets Value		397,279,680	236,533,786
Net Assets Available for Plan Benefits, Beginning		2,921,494,112	2,684,960,326
Net Assets Available for Plan Benefits, End		P3,318,773,792	P2,921,494,112

See Notes to Financial Statements.

CATHOLIC EDUCATIONAL ASSOCIATION OF THE PHILIPPINES RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

1. DESCRIPTION

The following description of the Catholic Educational Association of the Philippines (CEAP) Retirement Plan (the Plan) provides general information only. Participants should refer to the Retirement Plan for more complete information.

Organization

Catholic Educational Association of the Philippines (CEAP), a non-stock, non-profit organization founded in 1941, is the national association of Catholic educational institutions in the Philippines. It has 1,285 member schools, 611 of which were members of the Plan.

CEAP has four commissions, as follows: (1) Superintendents Commissions; (2) Commission on Religious Education; (3) Advocacy Commission; and (4) Retirement Commission. On July 1, 1968, the CEAP Retirement Plan was established, which is being administered by the Retirement Commission composed of not less than 12 persons appointed by the CEAP National Board.

Its primary purpose is to provide retirement and other benefits to the qualified employees of (a) the CEAP member schools and CEAP Secretariat and Retirement office, and (b) other Catholic institutions which are subsequently accepted by the Retirement Commission (collectively known as the Participating Employers). Although CEAP intends to continue the fund indefinitely, the Plan may be terminated at any time by a resolution approved by at least two-thirds (2/3) of the members of the Retirement Commission (Administrator) and confirmed by the majority of the Participating Employers.

The Plan was approved by the Bureau of Internal Revenue (BIR) as a qualified Plan under Republic Act No. 4917 on April 11, 1969 entitling the Plan to certain tax exemptions under Revenue Regulations No. 1-68 and Section 32(B)(6)(a) of the Tax Code of 1997.

The principal office is located at JBD Plaza, Mindanao Avenue, Quezon City.

Contributions and Participant's Accounts

The Plan is provident and non-contributory, but employees under certain conditions are allowed to make their own personal contributions towards their retirement. The Participating Employers' accumulated contributions and their earnings standing to the credit of the employee are used to satisfy the Participating Employers' obligations to pay retirement, death and separation benefits.

Payment of Benefits

The benefits payable for normal and early retirement benefits, separation prior to retirement and death benefits are computed based on the total amount standing to the credit of the employees in the books of the trust fund consisting of their contributions, if any, and the contributions of their Participating Employer plus the income credited to them determined as of the last valuation date.

2. FINANCIAL REPORTING FRAMEWORK

Statement of Compliance

The financial statements of the Plan have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the FRSC and adopted by the SEC.

Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments and investments in trust funds that are carried either at fair value or at amortized cost.

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Plan operates.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial Assets

Financial assets are recognized in the Plan's financial statements when the Plan becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Plan's financial assets, which do not include investments classified at fair value through profit or loss.

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

The financial asset of the Plan includes cash, investments in trust funds, receivables and other current assets. Cash includes cash on hand and in banks.

Loans and receivables

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

Short-term receivables are measured at net realizable values and any allowance for impairment on non-collectability shall be deducted from the initial amount recognized.

Investments in trust funds

Investments in debt securities such as government securities, bonds, loans and discounts, and other debt instruments are those securities that have a fixed redemption value and that have been acquired to match the obligations of the plan, or specific parts thereof and are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity. These are recognized on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Plan has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortized cost, less any impairment loss recognized to reflect the irrecoverable amounts. The annual amortization of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognized in each period represents a constant yield on the investment.

Investments classified as available-for-sale are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are presented in the statements of changes in net assets available for plan benefits.

Investments in common trust funds and shares of stock are stated at market value as of the end of the fiscal year. The resulting excess (deficiency) of market value over carrying value of the securities at the end of the fiscal year is closed to "Trust Fund Income".

Investments in real estate are carried at fair values.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when 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.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition. The carrying amount of the asset shall be reduced directly by the impairment loss with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. The amount of the loss shall be recognized in the statements of changes in net assets available for plan benefits.

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 shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in the statements of changes in net assets available for plan benefits.

Property and Equipment

Property and equipment are initially measured at cost less any subsequent accumulated depreciation, amortization and impairment losses. 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 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 Plan. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on a straight-line method on all classes of property and equipment based on their estimated useful life of three (3) years.

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 the statements of changes in net assets available for plan benefits.

Impairment of Tangible Assets

At each reporting date, the Plan assesses whether there is any indication that any of its tangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Plan estimates the recoverable amount of the cash-generating unit to which the asset belongs. A reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

Financial Liabilities

Financial liabilities are recognized in the Plan's financial statements when the Plan becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Plan's financial liabilities, which do not include any debt instruments classified at fair value through profit or loss.

Since the Plan does not have financial liabilities classified at fair value through profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense 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 interest expense 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 when appropriate, a shorter period.

Financial liabilities are derecognized by the Plan when the obligation under the liability is discharged, cancelled or expired.

The Plan's financial liabilities include benefits payable, other benefits payable, accumulated forfeitures, due to participating employers, deferred contributions and other payables.

Employee Benefits

Post-employment benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Plan's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. The Plan is employing not more than 10 employees hence exempted from the coverage of the provisions of Republic Act (RA) No. 7641, Retirement Pay Law.

Short-term benefits

The Plan 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 Plan to its employees include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses, non-monetary benefits, and other benefits.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Plan and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Interest 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.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Revenue recognition for rental income is disclosed in the Plan's policy for leases.

Expense Recognition

Expenses are recognized in the statements of changes in net assets available for plan benefits when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the statements of changes in net assets available for plan benefits: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the statements of net assets available for plan benefits as an asset.

Expenses in the statements of changes in net assets available for plan benefits are presented using the nature of expense method. Deductions are costs attributable to plan benefit payments, investment expenses, forfeiture expenses, general and administrative activities of the Plan.

Leases

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.

The Plan as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Plan's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Plan's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

The Plan as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. 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 when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine Peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Gains and losses arising on retranslation are included in net income or loss for the period.

Related Parties

Parties are considered related if one party has control, joint control or significant influence over the other party in making financial and operating decisions. The key management personnel of the Plan are also considered to be related parties.

Subsequent Events

The Plan identifies subsequent events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Any subsequent event that provides additional information about the Plan's financial position at the reporting date is reflected in the financial statements. Non-adjusting subsequent events are disclosed in the notes to the financial statements when material.

Contingent Assets

Contingent assets are disclosed only when an inflow of economic benefits are probable.

4. **CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Plan's accounting policies, 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 the 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.

The following are the critical judgments, apart from those involving estimations, that Management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

Financial assets

The Plan carries some of its financial assets at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence i.e., foreign exchange rates, interest rates, volatility rates, the amount of changes in fair value would differ if the Plan utilized different valuation methodology. Any changes in fair value of these financial assets would affect directly the statements of changes in net assets available for plan benefits and reserve.

Estimating useful lives of property and equipment

The useful lives of property and equipment are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Plan's assets. In addition, the estimation of the useful lives is based on the Plan'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 would increase the recognized operating expenses and decrease non-current assets.

Asset impairment

The Plan performs an impairment review when certain impairment indicators are present.

Determining the fair value of investments, property and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Plan to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Plan to conclude that investments, property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Plan 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.

Investment properties

The Plan has adopted the fair value approach in determining the carrying value of its investment properties. While the Plan has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Plan made different judgments and estimates or utilized different basis for determining fair value.

Revenue recognition

The Plan's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result in material adjustments in future periods.

5. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Plan's activities expose it to a variety of financial risks. The risks include market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Plan's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Plan. The policies for managing specific risks are summarized below:

Foreign exchange risk

The Plan is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Plan's functional currency. Significant fluctuation in the exchange rates could significantly affect the Plan's financial position.

The Plan's foreign currency denominated monetary asset composed of investments in trust funds with a carrying amount of P33,284,024 and P37,441,489 as of April 30, 2010 and 2009, respectively.

The sensitivity rate used in reporting foreign currency risk internally to key management personnel is 10% and it 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. The sensitivity analysis includes all of the Plan's foreign currency denominated assets. The Plan believes that a 10% appreciation/depreciation on the foreign exchange rates would result in a decrease/increase in investment expenses by P3,328,402 and P3,744,149 as of April 30, 2010 and 2009, respectively. As a result, the Plan's net increase in net assets value will decrease approximately to P393,951,278 and P232,789,637 in 2010 and 2009, respectively, and increase by P400,608,082 and P240,277,935 in 2010 and 2009, respectively.

Interest rate risk

The primary source of the Plan's interest rate risk relates to investments in trust funds and cash.

The analysis is prepared assuming the amount of investments in trust funds and cash at the statements of net assets available for plan benefits date were outstanding for the whole year. A 10% increase or decrease is used for reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

If interest rates have been 10% higher/lower and all other variables were held constant, the Plan's net increase in net asset value for the year ended April 30, 2010 and 2009 would decrease/ increase by P39.7 million and P23.6 million, respectively.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Plan.

The Plan's credit risk is primarily attributable to its investments in trust funds and receivables as disclosed in Notes 8 and 9, respectively. The Plan has adopted stringent procedure in monitoring its credit risk to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk

The Plan manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Plan's non-derivative financial liabilities include benefits payable, other benefits payable, accumulated forfeitures, due to participating employers, deferred contributions and other payables.

6. FUND RISK MANAGEMENT

The Plan's fund risk remains unchanged since prior year.

The Plan's Retirement Commission has put in place general investment guidelines for the Plan, as recommended by its Investment Committee. This will assist and guide the Commission, as provided for in Section 1, Article VII of the Plan, in the discharge of its fiduciary responsibility to the Plan's participating employers and members to exercise prudence and conservatism in the management of the Retirement Fund's portfolio.

The role of the Investment Committee would include but not limited to:

- Approval of investment policies and guidelines;
- Approval of asset allocation strategies and portfolio construction;
- Approval of performance measures and benchmarks;
- Approval of allocation of funds to external fund managers;
- Approval of appointment of new external fund managers and removal of existing external fund managers based on their performance; and
- Review and endorsement of broad policy decisions to the Retirement Commission.

The investment objective of the Committee is to obtain stable and maximized total returns for the Fund, with the expectation that its asset value is expected to grow over the long run and earn, through a combination of investment income and/or capital appreciation a rate of return in excess of established benchmarks. Capital preservation is the primary concern of the Fund in general.

The Investment Committee allows the Fund's seven (7) trustee banks full investment discretion within the scope of a mutually upon investment parameters, as defined and contained in the investment management/trust agreements entered into with Plan.

The present asset allocation and performance benchmarks are as follows:

A. Asset Allocation

Instrument	Maximum Limit
Domestic Equities	25%
International Equities	10%
Domestic Fixed Income	100%
Philippine Foreign Currency Bonds	25%
International Fixed Income	25%

B. Performance Benchmark

Instrument	Benchmark
Domestic Equities	Phil. Stock Exchange Index (PSEi)
International Equities	Morgan Stanley All Country Index (MSCI)
Domestic Fixed Income	HSBC Local currency Bond Index - Phil. (HLBI)
Philippine Foreign Currency Bonds	JP Morgan Asian Credit Index - Phil (JACI)
Int'l Fixed Income	Citigroup World Gov't. Bond Index (WGBI)

The Plan will continue to hold all of the existing investment in medium and long-term and reinvest its maturing short-term funds primarily in special deposit account and government securities which are considered to be risk free investments since these are issued by the government.

With regard to equities, the Plan will generally retain defensive bent but geared to capitalize on any market run-up as follows:

1. Re-align portfolios
 - a. liquidate non-core issues on strength;
 - b. buy core (blue chips) on weakness (to improve average);
 - c. prefer high dividend issues to shore up base yield; and
 - d. do quick trades to book capital gains.
2. Reinstate/Position in select counters (property, banks and power related issues) on hints of a renewed market uptrend.

The Plan will continue to invest in Philippine US Dollar Fixed Income to keep abreast with the volatility in the peso-dollar exchange rate, realize trading gains in the future, and as a way of diversifying its Fixed Income portfolio. The Plan continues to adhere to its Investment Guidelines on the cap imposed on international fixed income exposure. Volatility coming from record issuance and the Fed's move to cease buying US debt mitigated by low US inflation risk and Philippine monetary authorities completion of ROP issuance in the first half of 2010, has influenced the outlook of ING Investment Bank on ROPs from underweight to neutral.

7. **CASH**

	2010	2009
Cash on hand	P 2,000	P 2,000
Cash in banks	1,506,569	1,380,680
	P1,508,569	P1,382,680

Average annual interest in cash in bank is 1% in 2010 and 2009. Total interest amounted to P8,393 and P9,542 for April 30, 2010 and 2009.

8. **INVESTMENTS IN TRUST FUNDS**

The Plan has trust funds which are being administered by various banks under trust agreements. These trust funds are for the fulfillment of the Plan's obligations under the Retirement Plan. In compliance with the rules and regulations of the BIR and in accordance with the terms of the trust agreements, withdrawals from the trust funds are limited to, among others, payments of retirement plan benefits, bank charges and investment expenses in the operation of the trust funds, termination value of payable to plan holders, contributions to the trust funds of cancelled plans and final taxes on investment income of the trust funds as discussed in Note 22.

On April 3, 2006, the Plan leased the property located at Vista Alegre Mansilingan, Bacolod City to a third party for two (2) agricultural years of sugar cane commencing from March 31, 2006 to April 1, 2008, renewable upon mutual consent of both parties. Last renewal date for the leased property is for the period of March 31, 2010 to April 1, 2012.

As provided by the BDO trust report, the fair value of the investment properties amounted to P44,270,000 and P60,000,000 for the Tagaytay and Bacolod City properties, respectively, or a total of P104,270,000 as of April 30, 2010 and 2009.

Contributions to trust funds include the contributions of both employers and employees amounting to P229,029,427 and P49,259,713 in 2010 and P231,759,698 and P43,254,267 in 2009.

The details of the trust funds per bank are as follows:

	Banco de Oro		BPI		Chinatrust		Deutsche		ING		MBTC		RCBC		Total 2010	Total 2009		
Assets																		
Cash	P	46,007	P	676	P	2,821	P	607,373	P	33,649,011	P	891,429	P	667	P	35,197,984	P	59,374,815
Investments in:																		
Government securities		287,370,549		271,995,368		175,622,826		173,505,129		24,112,447		477,241,286		2,936,075		1,412,783,680		1,400,570,222
Special deposits		41,456,000		10,017,448		28,500,000		18,000,000		-		-		7,070,000		105,043,448		-
Time certificate of deposit		-		-		49,825,354		13,300,000		-		109,477,000		555,000		173,157,354		74,916,350
Loans and discounts-net		-		87,289,141		-		-		46,087,517		125,903,313		6,256,667		265,536,638		324,586,043
Corporate notes		-		-		43,006,326		71,497,577		-		-		-		114,503,903		113,426,738
Common stock		-		84,344,108		-		83,164,340		-		145,405,714		4,245,170		317,159,332		295,157,209
Preferred stock		46,175,000		-		-		-		-		7,800,000		-		53,975,000		51,830,267
Equity instruments		-		-		-		-		19,605,959		-		-		19,605,959		-
Mutual funds		-		35,955,965		-		-		-		118,264,843		-		154,220,808		-
UTF		58,662,736		20,797,013		-		-		146,745,879		-		-		226,205,628		218,992,482
Bonds		40,208,046		79,016,963		12,000,000		22,402,289		28,833,499		150,270,048		-		332,730,845		223,292,022
Commercial papers		-		-		-		1,522,280		-		-		-		1,522,280		1,522,280
Other debt instruments		-		-		50,000,000		-		-		-		-		50,000,000		50,000,000
Investment property		104,270,000		-		-		-		-		-		-		104,270,000		104,270,000
Interest receivable		3,963,360		-		50,001,265		5,197,760		1,059,522		10,000,060		332,464		70,554,431		66,396,605
Miscellaneous receivable		-		-		-		316,671		3,341		-		-		320,012		730,352
Dividend receivable		398,272		-		-		62,170		141,856		594,321		2,977		1,199,596		1,146,200
		P582,549,970		P589,416,682		P408,958,592		P389,575,589		P300,239,031		P1,145,848,014		P21,399,020		P3,437,986,898		P2,986,211,585
Liabilities																		
Trust fee payables	P	113,797	P	191,163	P	136,320	P	173,744	P	87,781	P	384,822	P	84,402	P	1,172,029	P	1,155,703
Accrued withholding tax		-		-		-		40,592		-		-		-		40,592		88,361
Other payables		-		4,099,168		-		1,425,693		-		-		300,018		5,824,879		5,221,778
		113,797		4,290,331		136,320		1,640,029		87,781		384,822		384,420		7,037,500		6,465,842
Equity																		
Fund balance, beginning		517,752,030		502,369,263		384,952,174		332,775,641		255,844,613		967,976,351		18,075,671		2,979,745,743		2,769,747,181
Accumulated trust fund income		64,684,143		82,757,088		23,870,098		55,159,919		44,306,637		177,486,841		2,938,929		451,203,655		209,998,562
		582,436,173		585,126,351		408,822,272		387,935,560		300,151,250		1,145,463,192		21,014,600		3,430,949,398		2,979,745,743
		P582,549,970		P589,416,682		P408,958,592		P389,575,589		P300,239,031		P1,145,848,014		P21,399,020		P3,437,986,898		P2,986,211,585

The following are the breakdown of “Investments in Trust Funds” account by contractual maturity dates at April 30, 2010 and 2009:

	2010	2009
Short-term (due within one year)	P 700,823,402	P 483,759,429
Long-term (due beyond one year)	2,730,125,996	2,495,986,314
	P3,430,949,398	P2,979,745,743

The following investment in securities exceeded 5% of the net assets available for plan benefits:

	2010	2009
Government securities	P1,412,783,680	P1,400,570,222
Bonds	332,730,845	223,292,022
Common trust fund	317,159,332	295,157,209
Loans and discounts - net	265,536,638	324,586,043
UITF	226,205,628	218,992,482
Time certificate of deposits	173,157,354	-
	P2,727,573,477	P2,462,597,978

The average rate of return on these investments is 13.07% in 2010 and 3.85% in 2009.

The carrying amount of the Plan’s investments in trust funds approximates fair value based on applicable valuation rate as of April 30, 2010.

9. RECEIVABLES AND OTHER CURRENT ASSETS

	2010	2009
Advances to committee members	P 40,476	P 22,756
Due from CEAP Retirement Fund	31,267	-
Due from CEAP secretariat	-	4,137
Others	77,920	103,131
	P149,663	P130,024

Others include receivables from trustee banks.

The Plan’s receivables balance are debtors’ balances with a total carrying amounts of P149,663 and P130,024 as of April 30, 2010 and 2009, which are past due for which the Plan has not provided an allowance. There has not been a significant change in credit quality and the amounts are still considered recoverable. The Plan does not hold any collateral over these balances. These receivables are over 120 days outstanding as of April 30, 2010 and 2009.

The carrying amounts of the Plan’s receivables and other current assets approximate fair values.

10. PROPERTY AND EQUIPMENT - net

	Office Equipment	Furniture and Fixtures	Transportation Equipment	Total
Cost				
Balance, May 1, 2008	P520,133	P206,131	P200,000	P 926,264
Additions	123,698	-	-	123,698
Disposal	(48,781)	-	-	(48,781)
Adjustment	-	(576)	-	(576)
Balance, April 30, 2009	595,050	205,555	200,000	1,000,605
Disposal	(50,200)	-	-	(50,200)
Balance, April 30, 2010	544,850	205,555	200,000	950,405
Accumulated Depreciation				
Balance, May 1, 2008	489,532	199,108	172,223	860,863
Provision	42,133	7,023	27,777	76,933
Disposal	(48,781)	-	-	(48,781)
Adjustment	-	(576)	-	(576)
Balance, April 30, 2009	482,884	205,555	200,000	888,439
Provision	25,779	-	-	25,779
Disposal	(50,200)	-	-	(50,200)
Balance, April 30, 2010	458,463	205,555	200,000	864,018
Carrying Amount				
April 30, 2010	P 86,387	P -	P -	P 86,387
Carrying Amount April 30, 2009	P112,166	P -	P -	P 112,166

Disposal during the year pertains to donation made by the Plan to its member schools.

The Plan believes that there is no indication that an impairment loss has occurred on its property and equipment.

11. BENEFITS PAYABLE

This account pertains to benefits payable to retired and separated members qualified for the normal retirement date, optional/early retirement date, and death and disability benefits. Retirement benefit expense charged to operation and trust fund amounted to P233,892,329 and P154,958,388 in 2010 and 2009, respectively, were recorded under plan benefit payments. As of April 30, 2010 and 2009, the benefit payable amounted to P25,092,200 and P32,780,666, respectively.

The carrying amount of the Plan's benefits payable approximates fair value.

12. OTHER BENEFITS PAYABLE

This account pertains to death and disability benefits payable to the beneficiary or beneficiaries of a deceased employee regardless of his length of service with his Participating Employer. Death and disability benefit expense recorded under plan benefit payments amounted to P6,300,000 and P5,100,000 while benefit payable amounted to P600,000 and P450,000 in 2010 and 2009, respectively.

The carrying amount of the Plan's other benefits payable approximates fair value.

13. ACCUMULATED FORFEITURES

This account refers to the accumulated contributions of employees who are separated prior to retirement and are not paid due to the employees' limitations on entitlement to receive benefits as specified in the retirement plan. These contributions are retained in the trust fund and shall be used to reduce the subsequent contributions of the Participating Employers. As of April 30, 2010 and 2009, the benefit payable amounted to P54,733,458 and P41,902,167, respectively.

The carrying amount of the Plan's accumulated forfeitures approximates fair value.

14. DUE TO PARTICIPATING EMPLOYERS

This account pertains to the amount payable to certain Participating Employers for withdrawing or terminating their membership to the Plan and contributions of the resigned employees. As of April 30, 2010 and 2009, the due to participating employers amounted to P7,667,867 and P7,654,869, respectively.

The carrying amount of the Plan's due to participating employers approximates fair value.

15. OTHER PAYABLES

	2010	2009
Deferred contributions	P457,701	P457,701
Professional fee	240,000	240,000
Due to CEAP Secretariat	127,576	-
Withholding tax	-	25,492
Others	19,296	67,653
	P844,573	P790,846

Deferred contributions pertain to the contributions made by the unidentified Participating Employers.

The carrying amount of the Plan's other payables approximates fair value.

16. RESERVE

The Reserve Account shall be credited or debited, as the case may be, with up to 100% of the net unrealized appreciation or up to 100% of the net unrealized depreciation of the Funds' investments in stocks, dollar bonds and notes and of other major currencies, real estate and other tangible assets on every valuation date. Notwithstanding this provision, the Retirement Commission may instruct the Fund Administrator to proportionately distribute any or all amounts standing in the Reserve Account to the Equity of the individual members on any valuation date.

Unrealized loss and gain on fixed income - available-for-sale investment which were presented under reserve for net unrealized depreciation/appreciation of the market value of plan assets amounted to gain of P25,033,634 in 2010 and a loss of P23,656,152 in 2009 respectively.

The Retirement Commission credited in 2010 and debited in 2009, 25% of the net unrealized appreciation/depreciation of the market value of plan assets to the Reserve Account.

17. OTHER INCOME

	2010	2009
Income from trustee banks	P4,931,799	P -
Sale of equity	1,492,613	-
Rental	420,005	-
Donations	254,980	229,975
Exchange fluctuation	211,309	210,147
Others	300,002	-
	P7,610,708	P440,122

Income from trustee banks represents accumulated income from unquoted debt securities loans with a principal amount of P50,000,000.

Rental income earned from the leased land of the Plan located at Vista Alegre, Mansilingan, Bacolod City as disclosed in Note 8.

18. INVESTMENT EXPENSES

	Notes	2010	2009
Trust advisory fees	22	P10,492,547	P10,778,820
Professional fees		5,600,000	5,600,000
Premium amortization	8	2,624,772	2,831,895
Loss on sale of investments	8	1,781,319	23,648,342
Provision in losses in loan		1,180,621	-
Unrealized loss on valuation of investment	8	-	23,224,575
Others		1,698,075	452,835
		P23,377,334	P66,536,467

Professional fees pertain to services rendered by ASC Philippines, Inc. to the Plan.

19. FORFEITURE EXPENSES

This pertains to the distributed/allocated income of the Plan on accumulated forfeitures to its participating employer.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	2010	2009
Administrative cost	21	P1,907,647	P1,881,261
Assembly		662,005	522,830
Employee benefits		363,043	356,774
Professional fees		285,000	330,000
Rentals	24	275,370	275,370
Transportation and travel		249,359	233,844
Representation and entertainment		206,584	285,052
Communications		183,725	190,014
Light and water		141,554	116,986
Withdrawals		127,490	115,701
Office supplies		69,501	88,073
Repairs and maintenance		43,360	62,370
Depreciation	10	25,779	76,933
Marketing		10,000	19,540
Miscellaneous		128,392	105,093
		P4,678,809	P4,659,841

Employee benefits include salaries, retirement benefits and other bonuses of Plan's employees and key management personnel.

Retirement expense charged to operation amounted to P69,882 and P68,333 in 2010 and 2009, respectively, which are included in the employee benefits account.

The total general and administrative expenses were partially paid out from the trust fund with Metrobank in 2010 and 2009.

21. RELATED PARTY TRANSACTION

CEAP provides manpower and administrative function to the Plan amounting to P1,907,647 and P1,881,261 in 2010 and 2009, respectively.

As of April 30, 2010 and 2009, the due to/from CEAP Secretariat amounted to a net liability of P127,576 and net receivable of P4,137, respectively, as disclosed in Notes 9 and 15.

As of April 30, 2010 and 2009, advances to committee members amounted to P40,746 and P22,756, respectively, included in others as disclosed in Note 9.

The carrying amount of the Plan's related party balances approximates fair value.

22. TRUST AGREEMENT

The Retirement Commission of the Plan, in its regular meeting held on May 31, 2001, unanimously approved the appointment of Bank of the Philippine Islands (BPI) as successor trustee bank of the retirement fund effective September 1, 2001. BPI was later replaced by Metropolitan Bank and Trust Plan as collection agent. Under the trust agreement, the trustee bank will administer and manage the Retirement Fund (Fund) which is subject to the control and supervision of the CEAP Retirement Commission. The trustee bank may invest and reinvest the principal and income of the Fund but not limited to, common and preferred stocks, personal, corporate or governmental obligations, trust and participating certificates, leaseholds, mortgages, and other interests in realty, time or savings deposits. Also the trustee should observe the following rules to invest and reinvest the Fund:

- Invest and reinvest the Fund in any kind of loan on a secured and unsecured basis, which includes the authority to borrow and to secure loans and credits as the trustee may deem proper for the good of the Fund;

- Lend, sell, transfer or assign money or property to any of the departments, directors, officers, stockholders or employees of the trustee or relatives within the third degree of consanguinity or affinity, or the related interests of such directors, officers and stockholders; or to any corporation where the trustee owns at least 50% of the subscribed capital or voting stock in its own right and not in a representative capacity;
- Purchase or acquire property or debt instruments from any of the departments, directors, officers, stockholders or employees of the trustee or relatives within the third degree of consanguinity or affinity or the related interests of such directors, officers and stockholders; or from any corporation where the trustee owns at least 50% of the subscribed capital or voting stock in its own right and not in a representative capacity;
- Invest in equities of or in securities underwritten by the trustee or a corporation in which the trustee owns at least 50% of the subscribed capital in its own right and not in a representative capacity; and
- Sell, transfer, assign or lend money or property from one trust or fiduciary account to another trust or fiduciary account.

The trustee shall determine the market value of the Fund, or any investment thereof, for any purpose on the basis of such quotation, evidence, data or information as the trustee may deem pertinent and reliable.

The trustee shall keep and maintain books of accounts and other accounting records. The trustor or its duly authorized representative(s) shall have the right, during banking hours, to examine or audit all the books and records relative to the Fund.

The trustee shall be entitled for services rendered, to collect such reasonable compensation to be paid of the Fund equivalent to 0.30% per annum applied to the market value of the Fund or a floor of P25,000 whichever is higher (VAT inclusive) for a minimum fund balance of P500,000,000.

Certain trust agreements are also entered into with other banks namely Chinatrust (Phils.) Commercial Bank Corporation, Rizal Commercial Banking Corporation, Deutsche Bank AG Manila Branch, Banco de Oro and ING Bank. These banks are managing the other investment accounts of the Fund.

23. RETIREMENT AND GRATUITY PLAN

The Plan has adopted a funded plan for separation, death, disability and retirement pay benefits for qualified employees and members of the Plan and their beneficiaries and other employees of those private schools and institutions duly registered under the Plan.

The Plan's retirement plan is basically non-contributory. However, members of the Plan have the option to contribute voluntarily an amount equal to 1% but not more than 4% of their current basic monthly salary.

The benefit payable under the Plan shall be computed based on the full amount standing to the credit of the member in the fund consisting of his own contributions and the contributions of his participating employer in his favor comprising of future service contributions and past service contributions plus the income credited thereto to be determined as of last valuation date.

The benefits are payable generally upon termination of employment due to old age (retirable age), permanent total incapacity or disability or redundancy, and in case of death while in service.

24. LEASE COMMITMENTS

The Plan leases its office facilities operating under lease agreements. Relative to this lease, the Plan paid an advance rental of P45,895, which was included as part of receivable and other current assets account in the statements of net assets available for plan benefits. The lease agreement is for a period of one year commencing from June 1, 2005 to May 31, 2006. The Plan renewed the lease until May 31, 2010.

At the reporting date, the Plan had outstanding minimum lease payables with a third party under the operating lease agreement executed on May 8, 2008, which falls due as follows:

	2010	2009
Not later than 1 year	P252,422	P252,422
Later than 1 year but not later than 5 years	22,948	22,948
	P275,370	P275,370

Rent expense charged to operations amounted to P275,370 in 2010 and 2009, as disclosed in Note 20.

25. RECOVERY ON EQUITY LOSSES

In 2001, the Plan has equity investments of P80,000,000 in common shares of Educational Capital Corporation (ECC) representing 39.38% interest with ECC. The entire investment was derecognized in 2004 due to significant decline in net assets value of ECC.

As of January 2010, the Plan recovered P16,588,726 and a condominium property in Makati City as liquidation proceeds representing portion of its return on its capital investment.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by Management and authorized for issue on October 19, 2010.

* * *