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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Austria

18495

Philippine Industrial Investment Opportunity Study
May 1990

**ESTABLISHMENT OF A SOFTWARE
DEVELOPMENT CENTER**

FINAL REPORT

**SGV
CONSULTING**
SYCIP, CORRES, VELAYO & CO



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May 25, 1989

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Attention: Mr. S. Morozov
Chief, Contracts Section

Gentlemen:

Re: Follow-up services to Manila Investors' Forum
Project No. IUC/PHI/88/082
Contract No. 88/46/RK

We are pleased to submit our final report on the Philippine Industrial Investment Opportunity Study on the Establishment of a Software Development Center.

This study was conducted in accordance with the UNIDO Manual for the Preparation of Industrial Feasibility Studies. The report covers the following major topics:

- o Project background and history
- o Market and center capacity
- o SDC facilities
- o Location and site
- o Project engineering
- o Center organization and overhead costs
- o Manpower
- o Project implementation
- o Financial evaluation

The financial projection utilized the UNIDO Computer Model for Feasibility Analysis and Reporting (COMFAR).

S G V & C O.

This study was prepared mainly to provide preliminary broad indications of the viability of the project and is not meant to serve as a detailed project feasibility study necessary for project implementation. Moreover, it is understood that the results of the study may not be realized if there are changes in the environment that may require revision in any of the critical assumptions used.

We will be glad to discuss any question you may have on this report.

Very truly yours,

SGV & Co.

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Austria

Philippine Industrial Investment Opportunity Study
May 1990

**ESTABLISHMENT OF A SOFTWARE
DEVELOPMENT CENTER**

FINAL REPORT

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I. EXECUTIVE SUMMARY

PROJECT BACKGROUND AND HISTORY

This investment opportunity study examines the viability of establishing in the Philippines a common office building and computer resource facility that will be shared by local firms engaged in computer software development and related services.

The conduct of the study was endorsed by the Board of Investments (BOI) at the request of the local software houses through the Philippine Software Association.

The Software Development Center (SDC) project, geared towards possible tie-ups with foreign investors, presents an investment opportunity to both local and/or foreign investors in terms of office space lease operation, computer facility provision, and joint software development/marketing programs with prospective SDC tenants.

MARKET AND SDC CAPACITY

The project will provide office space and computer services and facilities for Philippine firms engaged in software development and related services. Based on the study of the market, there are currently over 60 software houses, 40 data entry firms, and a number of information technology research and training institutions in the country, majority of which do not have their own office and adequate computer resources.

A total net lettable office space of over 4,800 square meters will be available in the SDC. Full occupation of office space is projected on the third year of the project, with an estimated tenant base of 20 to 30 software firms.

Based on the perceived needs of prospective SDC users, it is proposed that the Center should make available at least one mainframe and two minicomputer systems. The projected capacity for the use of the SDC mainframe and minicomputers are as follows:

| <u>Computer System</u> | <u>No. of Users (workstations)</u> | <u>No. of Connect Hours/Day</u> |
|------------------------|--|---|
| Mainframe | 100 | 14 |
| Minicomputer I | 30 | 14 |
| Minicomputer II | 30 | 14 |

The project is expected to generate aggregate annual gross revenues of almost P83 million at full capacity. The projected revenue is based on the following proposed SDC rental rates and computer connect hour rates. These rates are in turn based on competitive rates for facilities (office spaces and computers) of same location (Makati) and comparable make, quality, and features as of early 1990.

| <u>Facility</u> | <u>Rate (in Pesos)</u> | <u>Unit</u> | <u>Estimated Revenue (P 000)</u> |
|--------------------------------|----------------------------|-------------------------------|--|
| Office Space | | | |
| Ground Floor | 330.00 | sqm per month | 475 |
| Computer Room | 330.00 | sqm per month | 1,283 |
| Upper Floors | 285.00 | sqm per month | 15,718 |
| Basement Cafeteria & Lounge | 285.00 | sqm per month | 1,689 |
| Showcase Center | 650.00 | sqm per month | 3,939 |
| Seminar/Training Rooms | 950.00 | room per day | 1,995 |
| Others | | | |
| Common Area | 10.00 | sqm of office office space | 664 |
| Computers | | | |
| Mainframe | 105.00 | Connect Hours | 44,100 |
| Minicomputer I | 53.00 | Connect Hours | 6,678 |
| Minicomputer II | 53.00 | Connect Hours | 6,678 |
| | | | <u>6,678</u> |
| | | | <u>P83,219</u> |
| | | | ===== |

LOCATION AND SITE

Several approaches and alternative sites for the Center were initially considered, including buying or leasing an existing building as against building a new one, and locating the SDC in Makati or in other parts of Metro Manila or choosing a site outside Metro Manila (i.e. the Science Park in Cabuyao, Laguna), where cost of land is significantly lower.

As for location, it is recommended that the proposed Software Development Center be located in the Makati area for the following reasons: Makati is the country's premier business center, the availability of good telephone and telecommunication facilities, and most of the software firms are currently situated in Makati. Moreover a preliminary survey of software firms indicated their preference for Makati as site for the SDC. In any case, the study presents a sensitivity analysis of the impact on investments and costs (and correspondingly rental rates) if the project were located outside of Makati and if it were able to obtain grants in the form of donated land and 50 per cent discount on hardware and software costs.

PROJECT ENGINEERING

The proposed Software Development Center will be a six-storey office building laid out on 1,500 square meters of prime property. With a total floor area of 8,474 square meters, it will house such facilities as a fully-equipped computer center, training and seminar rooms, telecommunications facilities, a library, a showcase center, a cafeteria, 4,836 square meters of prime office space, an administration office, and basement parking.

The SDC will acquire an IBM 3090-15S mainframe (or its equivalent) and an IBM AS/400-B45 and a DEC MICROVAX II minicomputers (or their equivalents) to service its client base. The choice of said equipment is for budgetary and illustrative purposes only.

PLANT ORGANIZATION AND MANPOWER

The Software Development Center will be headed by a General Manager who shall also act as building administrator. It will have two major main units, namely: EDP operations and general services. EDP operations will be headed by a supervisor who will have a complement staff of 10, including machine operators, schedulers, and technical support.

Total manpower requirement is estimated at 24.

PROJECT IMPLEMENTATION

Pre-operating activities for the establishment of the Software Development Center are expected to take two years. The activities involved during the pre-operating period include: formation of the project implementation management team, negotiations for possible sites, securing government approvals, arrangement for financing, project design, construction, formation of the SDC staff, pre-operation marketing, and project start-up. Total pre-operating expenses is estimated at P11.57 million.

FINANCIAL EVALUATION

Inasmuch as the project consists of two major components - office space for rent and computer facilities for use of SDC tenants and offsite customers - separate financial evaluations of the two components were made, in addition to the evaluation of the whole project. The impact of the project's availment or non-availment of BOI incentives on profitability was likewise determined. As earlier indicated, sensitivity analysis was additionally done on two other key alternatives (with the assumption of availment of BOI incentives):

- o Locating the SDC at the Science Park in Cabuyao, Laguna (or at a site in Metro Manila with the equivalent land cost of ₱700 per square meter)
- o The project's availment of grants consisting of donated land and a 50 per cent discount on hardware and software costs.

Total Investment Cost

The Software Development Project will require an initial investment of ₱259.602 million (US\$11.80 million) without BOI incentives and ₱238.311 million (US\$10.83 million) with BOI incentives if located in the Makati area. Alternatively, the SDC can be housed at the Science Park where total initial investment (with BOI incentives) is reduced to ₱210.120 million (US\$9.55 million). With the assumption of donated land and a 50 per cent grant on computer hardware and software, total initial investment is estimated to go down to ₱137.173 million (US\$6.24 million). The breakdown of the initial investment outlay for said four cases is as follows:

| | in Million Pesos | | | |
|---------------------------------------|---------------------------|------------------------|-----------------|---------------------|
| | Without BOI Incentives | With BOI Incentives | Science Park | Subsidy & Grants |
| Land | P 30.000 M | P 30.000 M | P 3.500 M | P 0.000 M |
| Buildings & civil works | 60.614 | 60.614 | 60.614 | 60.614 |
| Auxiliary & service equipment | 2.431 | 1.902 | 1.902 | 1.902 |
| Incorporated fixed assets | 0.407 | 0.389 | 0.389 | 0.389 |
| Computer & other equipment | <u>153.551</u> | <u>133.600</u> | <u>133.600</u> | <u>66.800</u> |
| Total fixed investment | 247.003 | 226.505 | 200.005 | 129.705 |
| Pre-operation capital expenditures | 12.361 | 11.567 | 9.876 | 7.229 |
| Net working capital | <u>0.238</u> | <u>0.238</u> | <u>0.238</u> | <u>0.238</u> |
| Total initial investment | P 259.602 M | P 238.310 M* | P 210.119 M* | P 137.172 M* |
| | ===== | ===== | ===== | ===== |

* Not equal to COMFAR results due to rounding.

Project Financing

The project can be financed through equity contributions and long-term loans at a proposed debt-to-equity ratio of 60:40. The breakdown of the proposed financing sources is as follows:

| | in Million Pesos | | | |
|----------------------|-----------------------------------|--------------------------------|-------------------------|---------------------------------|
| | <u>Without BOI Incentives</u> | <u>With BOI Incentives</u> | <u>Science Park</u> | <u>Subsidy & Grants</u> |
| Equity | | | | |
| Foreign | P 63.979 M | P 56.891 M | P 56.890 M | P 30.038 M |
| Local | 40.565 | 38.666 | 27.385 | 25.775 |
| Total equity | P 104.544 | P 95.557 | P 84.275 | P 55.813 |
| | ===== | ===== | ===== | ===== |
| Loan | | | | |
| Foreign | P 95.183 | P 84.911 | P 84.911 | P 42.526 |
| Local | 59.875 | 57.843 | 40.934 | 38.934 |
| Total loan | P 155.058 | P 142.754 | P 125.845 | P 81.360 |
| | ===== | ===== | ===== | ===== |
| Total required funds | P 259.602 M | P 238.311 M | P 210.120 M | P 137.173 M |
| | ===== | ===== | ===== | ===== |

The loan portion may be obtained from foreign and local sources. For the purpose of financial analysis, the loans are assumed to bear interest rates of 11.5 per cent and 20 per cent per year, for foreign and local loans, respectively. The terms of the loans are further assumed to be seven years inclusive of a two-year grace period on payment of the principal.

Total Operational Cost

Total operational cost at full capacity (1994) is estimated as follows:

| | in Million Pesos | | | |
|-------------------------|-----------------------------------|--------------------------------|-------------------------|---------------------------------|
| | <u>Without BOI Incentives</u> | <u>With BOI Incentives</u> | <u>Science Park</u> | <u>Subsidy & Grants</u> |
| Factory Costs | | | | |
| Utilities | P 0.047 M | P 0.047 M | P 0.047 M | P 0.047 M |
| Energy | 0.207 | 0.207 | 0.207 | 0.207 |
| Direct Labor | 1.175 | 1.175 | 1.175 | 1.175 |
| Repairs and Maintenance | 1.901 | 1.901 | 1.901 | 1.901 |
| Factory Overhead | 1.973 | 1.973 | 1.519 | 1.519 |
| Sub-total | 5.303 | 5.303 | 4.849 | 4.849 |
| Administrative Overhead | 1.146 | 1.146 | 1.146 | 1.146 |
| Depreciation | 21.619 | 19.197 | 19.197 | 11.181 |
| Financial Costs | 10.372 | 15.238 | 12.823 | 9.041 |
| Total Production Cost | P 44.440 M | P 40.584 M | P 38.015 M | P 28.217 M |
| | ===== | ===== | ===== | ===== |

Profitability

The commercial profitability of the project, for each scenario, is summarized below:

| | <u>Without BOI Incentives</u> | <u>With BOI Incentives</u> | <u>Science Park</u> | <u>Subsidy & Grants</u> |
|---|-----------------------------------|--------------------------------|-------------------------|---------------------------------|
| Internal rate of return (%) | | | | |
| on total investment | 17.70 | 20.24 | 20.11 | 21.06 |
| on equity | 17.71 | 21.43 | 21.86 | 22.46 |
| Net present value (P 000) | | | | |
| at 20% hurdle rate | (20,425.48) | 2,010.44 | 728.95 | 4,543.20 |
| Payback period (including construction period) | 5 years & 10 months | 5 years & 6 months | 5 years & 6 months | 5 years & 5 months |
| Breakeven sales (% of sales at full capacity) | 33.73 | 30.82 | 33.84 | 33.35 |

Said projected IRR, NPV, payback period, and breakeven sales figures were derived based on the following pricing scheme:

| | <u>Without BOI Incentives</u> | <u>With BOI Incentives</u> | <u>Science Park</u> | <u>Subsidy & Grants</u> |
|--|-----------------------------------|--------------------------------|-------------------------|---------------------------------|
| Office Space (sqm/mo) | | | | |
| Ground Floor | 330.00 | 330.00 | 215.00 | 215.00 |
| Upper Floors | 285.00 | 285.00 | 185.00 | 185.00 |
| Showcase Center (sqm/mo) | 650.00 | 650.00 | 425.00 | 425.00 |
| Seminar/Training Rooms (per room per day) | 950.00 | 950.00 | 620.00 | 620.00 |
| Common Areas (sqm of office space/mo) | 10.00 | 10.00 | 10.00 | 10.00 |
| Computers (connect hours) | | | | |
| Mainframe | 105.00 | 105.00 | 105.00 | 83.00 |
| Minicomputers | 53.00 | 53.00 | 53.00 | 32.00 |

Net profit as a percentage of revenue in years 1 (start of commercial operations), 3 (full capacity utilization), 5 (year after income tax holiday), and Year 8 (year after loan repayment) is as follows:

A. Without BOI Incentives (Makati)

| <u>Year</u> | <u>Revenues (P000)</u> | <u>Net Income (P000)</u> | <u>Net Income/ Revenues (%)</u> |
|-------------|----------------------------|------------------------------|-------------------------------------|
| 1 | 60,805.32 | 11,692.41 | 19.23 |
| 3 | 83,220.27 | 38,779.28 | 46.60 |
| 5 | 83,220.27 | 29,463.30 | 35.40 |
| 8 | 83,220.27 | 37,068.45 | 44.54 |

B. With BOI Incentives (Makati)

| <u>Year</u> | <u>Revenues (P000)</u> | <u>Net Income (P000)</u> | <u>Net Income/ Revenues (%)</u> |
|-------------|----------------------------|------------------------------|-------------------------------------|
| 1 | 60,805.32 | 15,702.24 | 25.82 |
| 3 | 83,220.27 | 42,335.52 | 50.87 |
| 5 | 83,220.27 | 31,480.04 | 37.83 |
| 8 | 83,220.27 | 38,642.91 | 46.43 |

C. With BOI Incentives (Science Park)

| <u>Year</u> | <u>Revenues (P000)</u> | <u>Net Income (P000)</u> | <u>Net Income/ Revenues (%)</u> |
|-------------|----------------------------|------------------------------|-------------------------------------|
| 1 | 53,684.60 | 12,417.24 | 23.13 |
| 3 | 74,443.05 | 36,427.77 | 48.93 |
| 5 | 74,443.05 | 27,011.94 | 36.29 |
| 8 | 74,443.05 | 33,232.71 | 44.64 |

D. With BOI Incentives (Grant)

| <u>Year</u> | <u>Revenues (P000)</u> | <u>Net Income (P000)</u> | <u>Net Income/ Revenues (%)</u> |
|-------------|----------------------------|------------------------------|-------------------------------------|
| 1 | 37,808.60 | 9,851.51 | 26.06 |
| 3 | 51,511.05 | 25,293.40 | 49.10 |
| 5 | 51,511.05 | 18,791.37 | 36.48 |
| 8 | 51,511.05 | 23,537.33 | 45.69 |

Financial Cashflow

Without BOI incentives, net cash inflow of the project is P10.66 million for the first year of operation and P87.11 million in year 15. Cumulative cashflow available for cash dividends is P10.66 million in year 1 increasing to P465.39 million in Year 15.

With BOI incentives and constructing in Makati, net cash inflow of the project is P14.01 million for the first year of operation and P86.26 million in year 15. Cumulative cashflow available for cash dividends is P14.01 million in year 1 increasing to P503.78 million in Year 15.

Locating in the Science Park, net cash inflow of the project is P13.18 million for the first year of operation and P61.35 million in year 15. Cumulative cashflow available for cash dividends is P13.18 million in year 1 increasing to P424.25 million in Year 15.

With the assumption of donated land and a 50 per cent subsidy on computer hardware and software, net cash inflow of the project is ₱8.95 million for the first year of operation and ₱43.64 million in year 15. Cumulative cashflow available for cash dividends is ₱8.95 million in year 1 increasing to ₱280.00 million in Year 15.

A. Without BOI Incentives

| Year | <u>Inflow</u> | <u>Outflow</u> | <u>Net Cash Inflow/ (Outflow)</u> | <u>Cumulative Cashflow</u> * |
|------|---------------|----------------|-----------------------------------|------------------------------|
| 1 | 61,090.86 | 50,429.31 | 10,661.55 | 10,661.55 |
| 3 | 83,220.27 | 44,973.04 | 38,247.23 | 61,299.79 |
| 5 | 83,220.27 | 207,839.90 | (124,619.63) | (21,798.18) |
| 8 | 83,220.27 | 24,532.75 | 58,687.52 | 143,667.04 |
| 15 | 128,849.30 | 41,737.18 | 87,112.12 | 465,392.78 |

B. With BOI Incentives (Makati)

| Year | <u>Inflow</u> | <u>Outflow</u> | <u>Net Cash Inflow/ (Outflow)</u> | <u>Cumulative Cashflow</u> * |
|------|---------------|----------------|-----------------------------------|------------------------------|
| 1 | 61,090.86 | 47,084.11 | 14,006.75 | 14,006.75 |
| 3 | 83,220.27 | 42,081.42 | 41,138.85 | 70,655.02 |
| 5 | 83,220.27 | 186,537.30 | (103,317.03) | 11,524.47 |
| 8 | 83,220.27 | 25,380.54 | 57,839.73 | 173,217.37 |
| 15 | 128,849.30 | 42,584.36 | 86,264.94 | 503,775.57 |

C. With BOI Incentives (Science Park)

| Year | <u>Inflow</u> | <u>Outflow</u> | <u>Net Cash Inflow/ (Outflow)</u> | <u>Cumulative Cashflow</u> * |
|------|---------------|----------------|-----------------------------------|------------------------------|
| 1 | 53,932.32 | 40,754.59 | 13,177.73 | 13,177.73 |
| 3 | 74,443.05 | 36,796.32 | 37,646.73 | 64,981.39 |
| 5 | 74,443.05 | 179,812.60 | (105,369.55) | (176.92) |
| 8 | 74,443.05 | 22,013.53 | 52,429.52 | 151,058.75 |
| 15 | 90,072.13 | 28,717.35 | 61,354.78 | 424,245.68 |

D. With BOI Incentives (Grant)

| <u>Year</u> | <u>Inflow</u> | <u>Outflow</u> | <u>Net Cash Inflow/ (Outflow)</u> | <u>Cumulative Cashflow</u> * |
|-------------|---------------|----------------|---|----------------------------------|
| 1 | 38,056.32 | 29,105.39 | 8,950.93 | 8,950.93 |
| 3 | 51,511.05 | 26,659.75 | 24,851.30 | 42,976.05 |
| 5 | 51,511.05 | 99,962.01 | (48,450.96) | 21,184.57 |
| 8 | 51,511.05 | 16,792.94 | 34,718.11 | 98,734.00 |
| 15 | 67,140.13 | 23,496.75 | 43,643.38 | 280,004.45 |

Note: * Available for cash dividends to the extent of retained earnings.

CONCLUSION

This project was financially evaluated without taking into account the appreciation value of the property (land and building). This could be substantial considering assumptions were made for a prime real estate property in Makati as site for the SDC. Aside from the difficulty in determining such appreciation value, its non-inclusion in the financial analysis was made for conservatism purposes. In any case, the project appears financially viable (even without consideration of the appreciation value), particularly with the assumption of BOI incentives.

As a project with huge potential economic benefits for the country, the project could easily avail of BOI incentives. The establishment of a Software Development Center, after all, is seen as a crucial step to make the Philippines succeed in its bid of becoming a major world supplier of software-related services.

II. PROJECT BACKGROUND AND HISTORY

PROJECT BACKGROUND

The project involves the establishment in the Philippines of a common office building and computer resource facility that will be shared by local firms engaged in computer software development and related services.

This project study on the establishment of a Software Development Center (SDC) was endorsed by the Philippine Board of Investments (BOI) at the request of local software houses (through the Philippine Software Association) which claim that their level of productivity could be greatly enhanced with the provision of such a facility.

The development of a viable computer software industry is the cornerstone of the country's long-term information technology development plan. The Philippine government has identified the software industry as one of the potential major dollar earners of the country. Belonging to a very young industry, however, the country's software companies are generally small and have limited resources.

It was noted that while small software houses, working independently, may be adequate for the local market, they are at a great disadvantage when it comes to foreign software development jobs.

It is recognized that a sharing of resources among local software firms would help the industry reach its export targets. Aside from certain economies of scale that can be achieved by the sharing of facilities, local software houses could also benefit from the synergistic effects of pooled resources and capabilities. For example, subcontracting work for large foreign software development jobs can be more easily facilitated with several software firms commonly housed in the same facility.

The setting-up of the SDC, complete with office and computer facilities, also presents an investment opportunity to local and/or foreign investors in terms of office space lease operation, computer facility provision, and joint software development/marketing programs with prospective SDC tenants, among others.

THE PHILIPPINE SOFTWARE INDUSTRY

There are currently over 60 companies engaged in software development and EDP consultancy services. As shown in Table 1, the number of software firms has been growing at an average of 14 per cent a year since 1981 (a list of Philippine software firms is shown in Annex 1).

Table 1
Philippine Computer Software Houses
(annual growth in percentage)

| <u>Year</u> | <u>Number of Software Houses</u> | <u>Annual Growth</u> |
|-------------|----------------------------------|----------------------|
| 1981 | 23 | - |
| 1982 | 31 | 34.78 |
| 1983 | 44 | 41.94 |
| 1984 | 47 | 6.82 |
| 1985 | 51 | 8.51 |
| 1986 | 56 | 9.80 |
| 1987 | 59 | 5.36 |
| 1988 | 62 | 5.08 |

Sources: Asian Computer Directory, 1981 - 1987
Philippine Computer Directory, 1988 - 1989
Trade Publications.

The industry is dominated by small-scale entrepreneurial companies which are capitalized at less than ₱500,000. These firms rely on their own funds or use their own resources to finance their software development efforts and to acquire the necessary computer hardware and software.

It is generally held that the Philippines has the potential to develop a viable software export industry. It has a strong manpower base for world-class software products and related services.

A distinct advantage for the Philippines is the presence of a large pool of highly-literate, highly-trainable English-speaking people. Also, labor costs for software development and services are much lower, as low as a third of the development costs in other countries.

In recent years, locally-developed software packages have made their entry into the foreign market. Other firms have elected to form tie-ups with foreign-based companies to raise the necessary capital, to source foreign job opportunities, and to facilitate the transfer of technology and to create international marketing networks.

As of 1989, 28 firms (15 software houses and 13 data entry firms) have registered with the Philippine's Board of Investments as export producers of software services and magnetic databases. In 1988, these firms generated export earnings valued at US\$7.06 million, about half of the industry's estimated total revenues for the year (there are software export firms which are not registered with the BOI).

Table 2
Export Sales of BOI-registered Producers of
Software Packages and Magnetic Databases
(annual growth in percentage)

| <u>Year</u> | <u>Value (US \$)</u> | <u>Annual Growth</u> |
|-------------|--------------------------|--------------------------|
| 1980 | 378,839 | - |
| 1981 | 1,070,767 | 182.64 |
| 1982 | 700,265 | (34.60) |
| 1983 | 701,036 | 0.11 |
| 1984 | 1,079,726 | 54.02 |
| 1985 | 3,333,073 | 208.70 |
| 1986 | 1,814,366 | (45.56) |
| 1987 | 4,184,101 | 130.61 |
| 1988 | 7,061,522 | 68.77 |

Note: Breakdown of export sales by company is not available.

Source: Board of Investments.

The country's computer software industry is expected to expand due to anticipated demand increases and the aggressive industry-wide export drive for software and related services. Specifically, it is projected to realize an export value of US\$70 million by 1992. Some industry experts, however, put this value at US\$100 million, or over 60 per cent annual growth. The government, on the other hand, is targetting a hefty US\$300 million. While the latter figure may be difficult to realize, this reflects the high degree of expectations of the government on the future of the software export industry. (This optimism may be attributed to the continued growth of the worldwide software market, estimated at US\$350 billion by 1992. The Philippines targets a one per cent share of the market.)

However, in order to attain these targets, there should be a deliberate push from both the government and private sectors to build a strong demand for local software development and services overseas.

While some local firms enjoy a substantial amount of success in penetrating foreign markets, many firms still lack the capital to improve their capabilities and to contribute to the overall growth of the industry. Apart from their inability to employ more EDP professionals and their lack of exposure in other countries, a major factor affecting the growth of local software

houses and the software industry as a whole is the high cost of acquiring modern computer hardware and software.

It is perceived that a concerted effort towards improving the state of these companies must be taken if the country is to develop a successful software export industry. The concept of housing computer companies under one roof and providing the latest computer equipment and other facilities for their use is seen as a crucial step towards this goal.

The use of shared facilities and resources among software companies would enable smaller firms with little capital to avail of state-of-the-art computer equipment. Money that would otherwise be needed to purchase these equipment may be used for other purposes, such as for software research and development and manpower training.

Resource sharing also provides an environment to foster cooperation between software firms. As the size of a software company plays a major factor in the acquisition of large overseas projects, smaller firms may form special arrangements with, or become subcontractors to, larger, more established firms.

Moreover, the SDC could boost the country's image in the international business world. A facility for information technology such as the SDC could further enhance the Philippines' reputation abroad as a reliable supplier of computer software and services.

APPROACHES TO THE ESTABLISHMENT OF THE SDC

In view of the many possibilities for setting up such a Center, the study preliminarily examined a number of different approaches in implementing the project. Among the options initially considered are the following:

- o Buy an existing building. This presents the advantage of reduced set up time and possibly reduced investment costs than if a new building was constructed. It was determined however, that apart from the difficulty in finding a suitable building, the cost of purchasing and renovating such a building may be comparable to constructing a new one.
- o Lease an existing building or part of it. Aside from significantly lower initial investment cost, this also has the advantage of reduced implementation time. This option appears best only, however, if only a computer facility were set up but it may not be the best approach if sub-leasing of office space (at a premium) to software firms is also desired.

- o Construct a new building. While relatively more complex, potentially more expensive and more difficult to implement, the study elaborates on this option largely for the purpose of financial analysis. This approach also offers greater flexibility in terms of determining the location, site, size, make and features of the SDC. Moreover, it is deemed that while assumptions are made for the construction of a new building, the alternative of buying or leasing an existing building (should one become available that offers the greatest benefit in terms of suitability and cost), may likewise be more closely investigated or considered upon the implementation of the project.

OTHER COUNTRY EXPERIENCE

There seems to be a total absence of role models for the project. Despite seeking earnestly in the international environment, no other country appears to have set up a center in such form and purpose. In Singapore and India, they have the so-called software villages which resemble the concept of science parks and/or industrial estates.

III. MARKET AND CENTER CAPACITY

DEMAND AND MARKET STUDY

Based on a survey of the needs of local software firms, the Software Development Center is expected to have the following components:

- o a computer center housing at least a mainframe and two minicomputer systems,
- o prime office space for multi-tenant lease,
- o training, meeting rooms, and seminar facilities,
- o a showcase center for promoting software products and services, and
- o central office automation services (e.g. facsimiles, photocopiers, shredders, etc).

Market Size and Demand

Except for a few large companies which have their own office building and/or adequate computer resources, virtually all local software firms could make use of the facilities of the SDC. In addition to over 60 software firms, there are currently some 40 data entry companies and a number of information technology research and training institutions who could also serve as potential markets for the SDC. It is estimated that the SDC could penetrate at least one-third of said firms.

Office Space

In terms of office space, it is estimated that the existing requirement of software firms without their own office buildings exceeds 4,000 square meters. This could easily double within the next few years not only as a result of normal expansion of existing software houses but also because of the likely emergence of new software firms.

Computer Resources

A study of the market suggests that to be responsive to the needs of software developers, the Center should be equipped with at least one mainframe and two minicomputer systems. As for the microcomputers, the market survey shows that most of the firms either have their required microcomputers or could easily acquire them. Nevertheless, the computer resources of SDC is proposed to initially include 10 microcomputers to be used primarily as servers to local area network systems or as workstations to the mainframe and the minicomputer systems.

Training and Seminar Rooms

In addition to office space and computer resources, the software firms surveyed indicated the need for several training or meeting rooms as well as seminar facilities.

Considering the multi-tenant nature of the SDC, at least seven seminar rooms of 40 persons capacity each may be required. The training rooms will be furnished with the necessary audio-visual equipment and facilities.

Showcase Center

To cater to the requirements of some software firms to showcase their products, a permanent exhibit area or showcase center will be provided on the ground floor of the SDC building. The showcase center could also be used as office space at premium rates compared to ordinary office space within the SDC.

Auxiliary Services

As auxiliary services, the SDC may also provide computer time for data processing (or service bureau operations), setting up data communication facilities for software development and data entry firms with offshore clients, facsimile and photocopying services, and other related services.

PROPOSED SDC CAPACITY

Lettable Space

The total floor area of lettable office space in the SDC (net of common areas and areas for SDC facilities such as the computer room, showcase center, training rooms, and canteen, and the parking area), is computed at 4,836 square meters. It is assumed that in the first two years of the SDC operation, only 80 per cent of the available space or 3,702 square meters will be used. Full occupation of office space is projected on the third year of the project.

Number of Tenants

Due to varying office space requirements of users, it is difficult to determine the exact number of software firms that can be housed in the SDC. It is estimated, however, that with a mix of office spaces ranging in size from 50 square meters to 400 square meters, the SDC can accommodate from 20 to 30 software firms.

Computer Users

The SDC computer users would include not only firms housed within the SDC building but other firms in offsite locations. Given the configuration of the hardware and software systems of the Center, the SDC can service over a hundred users (in terms of individual workstations) simultaneously, using user-provided workstations and telecommunication lines. But for estimation purposes, full capacity is projected as follows:

Table 3
Estimated Computer Usage at Full Capacity

| <u>Computer System</u> | <u>No. of Users (workstations)</u> | <u>No. of Connect Hours/Day</u> |
|------------------------|--|---|
| Mainframe | 100 | 14 |
| Minicomputer I | 30 | 14 |
| Minicomputer II | 30 | 14 |

SALES AND MARKETING

Pricing and Revenue

Pricing for the use of the SDC facilities will be made competitive with other facilities of comparable make, features and quality. Based on a survey of current rental rates of office spaces in Makati, it was noted that while older buildings have rental rates ranging from P85 to P150 per square meter as of June 1989 (see Annex 2) the newer ones have rental rates of P200 to P350 per square meter of space. As the SDC is assumed to be a new building with special features, it could adopt the rental rates of new buildings in the Makati area. Consideration must also be made, however, of the fact that the SDC is being put up precisely to help small software firms which have limited resources and which may not be able to afford very high rental rates. The proposed SDC rental rates on Table 4 takes this into consideration.

The computer rates of other computer centers and service bureaus, on the other hand, were considered in determining the rates for the use of the computer facilities. The connect-hour rates (per individual workstation) is likewise shown in the following table:

Table 4
Schedule of Proposed Prices/Rates
for SDC Facilities

| <u>Facility</u> | <u>Rate (in Pesos)</u> | <u>Unit</u> |
|--------------------------------|----------------------------|------------------------|
| Office Space | | |
| Ground Floor | 330.00 | sqm per month |
| Computer Room | 330.00 | sqm per month |
| Upper Floors | 285.00 | sqm per month |
| Basement Cafeteria & Lounge | 285.00 | sqm per month |
| Showcase Center | 650.00 | sqm per month |
| Seminar/Training Rooms | 950.00 | room per day |
| Common Areas | 10.00 | sqm of office space |
| Computers | | |
| Mainframe | 105.00 | Connect Hours |
| Minicomputer I | 53.00 | Connect Hours |
| Minicomputer II | 53.00 | Connect Hours |

The schedules of projected rental and computer revenues during the 15-year projection period are shown in Annex 3 and Annex 4, respectively.

The SDC mainframe and minicomputer systems will be replaced by new equipment (assumed to be, for budgetary purposes, of the same specifications and cost as the original) every five years. This will ensure the availability of advanced, state-of-the-art equipment for SDC users. Based on interviews with Philippine computer vendors, five-year old mainframes and minicomputer systems may be sold in the local second hand market up to 40 per cent of their original value. Aside from the generally strong second hand market in the Philippines, this relatively high salvage value may be attributed to the fact that locally, computers tend not to be readily replaced, with some users still equipped with ten-year old machines.

For the SDC, the resale of the old equipment is thus expected to mean additional revenues of ₱53.44 million on its sixth year and again on its eleventh year of operation.

Marketing Strategy

The marketing of SDC facilities can commence before the construction phase. Commitment from software firms to locate in the SDC and/or use its computer resource facility can be secured before and during this phase. This could be more easily undertaken through coordination with the Philippine Software Association.

A sustained promotion program using promotional materials such as brochures and flyers (for direct mail marketing) as well as advertisements in print and other media should be pursued.

For the marketing program of SDC facilities to be effective, the following problems should be properly addressed:

- o psychological fear of tenants that shared resource networking jeopardizes the confidentiality of their work and increases their vulnerability to business espionage, and
- o piracy of personnel.

One way of properly addressing said concerns is the development and eventual implementation of a code of ethics to be observed by all SDC users. Specifically, in the case of piracy of personnel, a policy could be adopted discouraging the practice and compelling errant firms to reimburse the aggrieved company for the cost of training and other relevant investments it made on its pirated staff.

IV. SDC FACILITIES

SDC BUILDING

The SDC building will be made of concrete with a glass facade. It will be aesthetically designed, taking into consideration functionality and a great amount of flexibility.

COMPUTER RESOURCES

The technical objective of the SDC is to provide a hardware and software environment that would support the largest number of local software developers. This then presupposes that the computer hardware and software resources available at the SDC are anchored on highly popular mainframe and minicomputer environments, widely accepted by computer users here and abroad. Based on the market survey, it was found that the most ideal SDC computer resource setup is as follows:

- o mainframe
 - an IBM 3090 Model 15S
- o minicomputers
 - an IBM AS/400 Model B-45, and
 - a DEC MICROVAX II
- o operating systems
 - IBM 3090-15S : MVS/XA
 - AS/400-B45 : OS/400
 - DEC MICROVAX II : UNIX

Access to the SDC Computer Resource Facility

Access to the SDC's computer resource facility may be established through gateways provided by the SDC. For remote user workstations, gateways will also be provided by the SDC. Any additional equipment that may be required to establish access (local area networks, modems, cables, etc.) should be shouldered by the users.

V. LOCATION AND SITE

SELECTION OF LOCATION

Three possible locations were initially considered for the proposed site of the Software Development Center (SDC), namely: the Makati area, the Roxas Boulevard area, and the Greenhills/Ortigas area.

All three proposed locations share the characteristics of an ideal business center, including such qualities as accessibility, good environment, and availability of essential services and infrastructure to support the operation of the Center.

The possibility of housing the SDC in the Science Park being put up in Cabuyao, Laguna was also looked into. One advantage of setting up the SDC in the Science Park is the relatively cheap cost of land, estimated at ₱700.00 per square meter. However, certain factors work against housing the Center in said location, such as inaccessibility, non-availability of required infrastructure (specifically, telecommunications), and apparent bias of potential SDC facilities users for a site close to, or within the, key business centers in Metro Manila.

Based on a market study conducted among existing software development firms, the most preferred site for the SDC appears to be the Makati area, with survey respondents citing as reasons the fact that Makati is the country's premier business center, proximity to client's business, and the availability of good telephone and telecommunication facilities. Another reason favoring the location of the SDC in the Makati area is that most of the software firms are currently situated in Makati and transferring to the SDC would therefore not pose much of a problem to the said firms.

SELECTION OF SITE

One constraint in selecting a site in Makati, however, is the availability of land. Vacant land in Makati is very limited and, where available, the cost is prohibitively high. It was found, however, that land of appropriate size and at relatively reasonable cost is still available in certain parts of Makati, notably in the Pasong Tamo area and along the South Superhighway, as well as the southern part of Makati.

In the Roxas Boulevard/Manila Bay area, land is more readily available and the cost (averaging around ₱12,000 to ₱15,000 per square meter) is much lower compared to Makati. However, being a reclaimed area where the foundation is sand, site preparation and development would take longer and would be more expensive than constructing in Makati.

LAND COST

Where the current market prices of land in the prime area of Makati (such as the Salcedo/Legaspi Villages) range from ₱40,000 to ₱80,000 per square meter, land cost in the recommended site (i.e. Pasong Tamo or the South Superhighway, Makati area) is only around ₱20,000 per square meter at current prices. With the proposed lot size of 1,500 square meters, the estimated total cost of land is ₱30 million.

VI. PROJECT ENGINEERING

LAYOUT AND PHYSICAL COVERAGE

The proposed Software Development Center will be a six-storey office building laid out on 1,500 square meters of prime property. Two high-speed elevators will service the SDC.

With a total floor area of nearly 8,500 square meters, the SDC will house such facilities as a fully-equipped computer center, training and seminar rooms, telecommunications facilities, a showcase center, a cafeteria, over 4,800 square meters of prime office space, an administration office, and basement parking.

An architect's perspective of the proposed SDC building is shown in Annex 5 while the individual floor layouts/building specifications are shown in Annex 6.

SDC FACILITIES

Computer Room

The computer center, occupying a total floor area of 324 square meters, will be situated on the first floor of the six-storey SDC building. It will be a fully-equipped computer facility anchored by a powerful mainframe and two minicomputers. The computer center will be constructed entirely on raised flooring.

Training and Seminar Rooms

Seven training and seminar rooms will be available. Each training and seminar room can accommodate up to 40 participants. Four adjacent rooms, divided by foldable partitions, may be expanded to accommodate up to 160 participants. Two other rooms may likewise be extended to seat up to 80 participants. In addition to chairs and desks, the training and seminar rooms will be equipped with writing boards and audio-visual equipment.

Telecommunications Facilities

Modern telecommunications facilities using modems and networking products will be installed at the SDC. A local telecommunications company may be contracted to link the SDC to offices in the country and abroad. Since requirements for communication links vary, the cost for such facility have not been incorporated in the present study.

Showcase Center

The ground floor lobby will feature a showcase center where interested companies may promote their latest products in software development and hardware technology. The showcase center may also be converted into office space at premium rates.

Cafeteria

A cafeteria, occupying a total of 356 square meters will be constructed at the basement to cater up to 200 people at one time.

Office Space

Over 4,800 square meters of prime office space will be available for lease to clients. Office space may be rented at 50, 100, 200, and 400 square meter sizes.

Administrative Office and Central Automation Services

An administrative office to service the day-to-day needs of SDC clients will be located on the ground floor.

The office will likewise house central office automation service facilities including a photocopier, a facsimile machine, a paper shredder, and other related equipment.

EQUIPMENT

The SDC will acquire a mainframe and two minicomputer systems to service its client base. In consultation with the Philippine Software Association members, it was determined that an IBM 3090-15S mainframe (or its equivalent) and an IBM AS/400-B45 and a DEC MICROVAX II minicomputers (or their equivalents) will be appropriate machines for the SDC. The choice of hardware is purely for budgetary purposes only and may vary upon actual implementation of the project.

Auxiliary equipment will include centralized and packaged airconditioning, a generator with a ten-second automatic transfer switch, and an uninterruptible power supply unit with 10 minutes of battery power.

The proposed hardware and software configurations of said systems, as well as a list of auxiliary equipment are found in Annex 7.

ESTIMATED COSTS

The total cost of equipment determined to service the SDC is estimated at ₱135.89 million or US\$6.18 million. These costs were based on the quotations of equipment obtained from suppliers. Said costs are presented mainly for budgetary purposes and, in the case of the IBM mainframe and minicomputer systems in particular, could be lower during actual negotiations. The breakdown of equipment cost by classification (with the assumption of the project's availment of BOI incentives) is shown below.

Table 5
Estimated Cost of Equipment

| <u>Equipment Classification</u> | <u>Cost (Million ₱)</u> | <u>Percent to Total</u> |
|-------------------------------------|-----------------------------|-----------------------------|
| Primary Equipment | | |
| Hardware | 112.201 | 82.57 |
| Software | 21.399 | 15.75 |
| Auxiliary Equipment | 1.902 | 1.40 |
| Other Equipment | <u>0.389</u> | <u>0.29</u> * |
| Total | 135.891 ===== | 100.01* ===== |

Note: *Exceeds 100 per cent due to rounding.

A detailed costing of equipment and other items is shown in Annex 7.

VII. CENTER ORGANIZATION AND OVERHEAD COSTS

CENTER ORGANIZATION

The Software Development Center will have two main units namely: EDP Operations and General Services. The Center's day-to-day operations will be supervised by a general manager/building administrator and an EDP operations supervisor.

Participants who locate their offices in the SDC will enjoy a full range of SDC services and facilities. They will have first priority in the use of the facilities over SDC customers in offsite locations.

Functional Responsibilities

The functional responsibilities of each unit is shown in Table 6.

Table 6
Functional Responsibilities of Each Unit

| <u>EDP Operations</u> | <u>General Services</u> |
|-----------------------|-------------------------|
| Computer Operations | Building Administration |
| Telecoms Support | Facilities Management |
| Technical Support | General Services |
| Hardware Maintenance | Personnel |
| | Treasury |
| | Accounting |

OVERHEAD COSTS

Total overhead costs are estimated at P2.845 million per year. Sixty-nine per cent or P1.973 million goes to direct overhead while 31 per cent or P0.872 million goes to administrative overhead.

The major components of direct overhead are rent of the computer space (P1.283 million) and insurance of equipment (P0.561 million), while the main elements of administrative overhead include building and facilities insurance, building repairs and maintenance (P0.297 million), and real property tax (P0.150 million).

The detailed breakdown of direct and administrative overheads is shown in Annex 8 and Annex 9, respectively.

MACHINE OBSOLESCENCE

To ensure that the Center has state-of-the art computer resources that are able to adequately meet customer requirements, and in view of rapid changes in information technology, additional computer equipment acquisition and upgrades of existing systems and software are provided in the sixth and eleventh years of the project. Specifically, it is assumed that a mainframe and two minicomputer systems, comparable in specifications and cost to the initial proposed systems will be purchased.

DEPRECIATION

Depreciation of fixed assets using the straight-line method, is estimated at ₱19.197 million a year. Each set of computer hardware and software, depreciated over a five-year period, is assumed to have a salvage value of 40 per cent of the total purchase cost.

The building is depreciated over a 20-year period. At year 15, the building is supposed to have a book value of ₱15.153 million. It is known, however, that real estate properties normally appreciate rather than depreciate in market value.

The complete depreciation schedule is shown in Annex 10.

VIII. MANPOWER

Total manpower requirement for the Software Development Center (SDC) is estimated at 24. The SDC organization will be supervised by a general manager/building administrator and an EDP operations supervisor. The breakdown of personnel by unit is shown below.

Table 7
Number of Personnel by Unit

| <u>Unit</u> | <u>Number</u> |
|------------------|---------------|
| General Manager | 1 |
| EDP Operations | 12 |
| General Services | <u>11</u> |
| Total | 24 |
| | == |

The organizational structure is shown in Annex 11.

STAFF

A general manager/building administrator and an EDP operations supervisor will respectively head the different functions of the SDC, namely: General Services and EDP Operations. The EDP supervisor will be assisted by a computer engineer and 10 other technical personnel while General Services will be comprised of 11 staff.

Except for the EDP supervisor and the computer engineer, the EDP operations staff will be working on two shifts. Each shift will be composed of one senior, two junior operators, and two technical support personnel.

General Services will be composed of 11 personnel whose work will range from accounting to building maintenance.

Selection of Staff

Staff will be selected on the basis of scholastic record and work experience. Qualified personnel can readily be sourced from Manila.

ESTIMATED COSTS

Total salaries and benefits for the 24 SDC personnel are estimated at P1.449 million per year. Benefits are estimated at 30 per cent of salaries. The breakdown of total salaries and benefits by unit is shown on Table 8 below.

Table 8
Personnel Salaries and Benefits
(in thousand pesos)

| <u>Unit</u> | <u>Monthly Salaries</u> | <u>Benefits</u> | <u>Monthly Salary & Benefits</u> | <u>Total per Year</u> |
|------------------|-------------------------|-----------------|--------------------------------------|-----------------------|
| General Manager | P10.00 | 3.00 | 13.00 | P 156.00 |
| EDP Operations | 52.50 | 15.75 | 68.25 | 819.00 |
| General Services | 30.40 | 9.12 | 39.52 | <u>474.24</u> |
| | | | | <u>P1,449.24</u> |
| | | | | ===== |

A detailed breakdown of manpower costs is shown in Annex 12.

IX. PROJECT IMPLEMENTATION

IMPLEMENTATION SCHEDULE

Pre-operating activities for the establishment of the Software Development Center are expected to take two years. It begins with the formation of the project implementation management team and ends with the start of actual operations of the project. Please refer to Annex 13 for the implementation schedule.

The pre-operational activities are as follows:

Formation of Project Implementation Management Team

Once the decision to invest in the Software Development Center is made, the primary task is to form a project implementation team. The project team will plan the implementation program for the facility. A feasibility study specifying the exact site for the facility and detailing the building plan as well as the specific hardware and software configurations of the computer resource facility will be made. The feasibility study is expected to take four months to complete.

Negotiations for the Purchase of Land

Negotiations for the project site can be done in conjunction with the start of the feasibility study. This may take two months.

Securing Government Approval

This activity involves all procedures and processes necessary to secure approvals from relevant national and local government departments and agencies. This includes registration with the Board of Investments, Securities and Exchange Commission, and the Central Bank; registration of business name with the Department of Trade and Industry; and application of business permit with the local government body. The required registration, licenses, and permits are expected to take two months to complete.

Arrangement for Financing

Upon government approval, arrangements for financing may begin. Negotiations are expected to be completed in three months.

Project Design

Project design will entail the following sub-activities: finalizing land purchase, tendering and evaluation of bids, building design, and awarding of contracts.

Pre-operation Marketing

Shortly before the start of the construction phase, pre-operation marketing of the SDC can be undertaken. This will involve announcements and advertisements of the project through newspapers and trade publications, among others. A marketing team comprised of professional real estate agents may be employed to recruit the office building tenants. Special promotional brochures and materials detailing the hardware and software resources of the Center and other available facilities will be prepared and distributed to all potential users of the SDC.

Construction

Construction activities include: site preparation and development, construction of building and structures, and installation of equipment. The construction phase is expected to last for one year.

Formation of SDC Staff

Recruitment and training of personnel and staff is projected to take three months.

Start-up

Start-up procedures will involve the following sub-activities: testing of all equipment, trial runs, and all tests and procedures necessary before actual operations. This phase is expected to take three months.

ESTIMATED COSTS

Total pre-operational expenditures are estimated at P11.567 million. The duration of pre-operational activities and expenditures are as follows:

Table 9
Pre-Operational Activities

| Activity | Duration (No. of Months) | Cost Estimate (P 000) |
|---|-----------------------------|--------------------------|
| Formation of Project Implementation Management Team and Feasibility Study | 4 | 250 |
| Negotiations for the Purchase of Land | 2 | 20 |
| Securing Government Approval | 2 | 20 |
| Arrangement for Financing | 3 | 20 |
| Project Design | 7 | 250 |
| Pre-operation Marketing | 4.5 | 250 |
| Construction | 12 | - |
| Formation of SDC Staff | 5 | 60 |
| Start-up | 3 | 30 |
| Capitalized Interest | - | 10,667 |
| Total Pre-operational Duration and Expenses | <u>42.5</u> * | <u>11,567</u> |
| | ===== | ===== |

* exceeds two years (24 months) due to overlapping of activities.

X. FINANCIAL EVALUATION

Software development is currently considered as a preferred area of investment by the Philippine Board of Investments (BOI). Software firms that register with the BOI are granted incentives under the country's Omnibus Investments Code of 1987. While the SDC is not a software development firm, it is seen as an enterprise that can help promote software export by providing small software houses access to computer resources and facilities. These facilities can help them bid for, and undertake, large foreign software development jobs. Therefore, the SDC parallels the concept of "incubation," that is, providing incentives to projects (such as information technology or science parks and industrial estates) that would enable small local firms to flourish and enhance their capacity to contribute significantly to the country's export targets.

The 1989 Investment Priorities Plan approved by the BOI lists the SDC project as a preferred area of investment with a non-pioneer status. It is covered under the heading, "Industrial Estates, including Science and Technology Parks, Technology Incubation Centers and Science and Technology Centers." As such, the project may avail of the following BOI incentives:

- a. Income tax holiday for four years from the start of commercial operation;
- b. Tax and duty exemptions on imported capital equipment; and
- c. Tax credit on domestic capital equipment.

In as much as the project consists of two major components - office space for rent and computer facilities for use of SDC tenants and offsite customers - separate financial evaluations of the two components are made, in addition to the evaluation of the whole project. The impact of the project's availment or non-availment of BOI incentives on profitability was likewise determined. In addition, sensitivity analysis was done on two other key alternatives (with the assumption of the availment of BOI incentives).

- o Locating the SDC at the Science Park in Cabuyao, Laguna (or at a site in Metro Manila with the equivalent land cost of ₱700 per square meter)
- o The project's availment of grants consisting of donated land and a 50 per cent discount on hardware and software costs.

TOTAL INVESTMENT OUTLAY

The total initial investment requirement (including pre-operation capital expenditures and net working capital) of the software development center project ranges from a high of ₱259.60 million (US\$11.80 million) to a low of ₱137.17 million (US\$6.24 million) depending on the project scheme or scenario chosen. The components of the total investment outlay for each scenario is shown in Table 10.

Table 10
Total Initial Investment
(in million pesos)

| | <u>Without BOI</u> | <u>With BOI</u> | <u>Science</u> | <u>Subsidy</u> |
|------------------------------------|--------------------|-------------------|----------------|---------------------|
| | <u>Incentives</u> | <u>Incentives</u> | <u>Park</u> | <u>& Grants</u> |
| Land | ₱ 30.000 M | ₱ 30.000 M | ₱ 3.500 M | ₱ 0.000 M |
| Buildings & civil works | 60.614 | 60.614 | 60.614 | 60.614 |
| Auxiliary & service equipment | 2.431 | 1.902 | 1.902 | 1.902 |
| Incorporated fixed assets | 0.407 | 0.389 | 0.389 | 0.389 |
| Computer & other equipment | <u>153.551</u> | <u>133.600</u> | <u>133.600</u> | <u>66.800</u> |
| Total fixed investment | 247.003 | 226.505 | 200.005 | 129.705 |
| Pre-operation capital expenditures | 12.361 | 11.567 | 9.876 | 7.229 |
| Net working capital | <u>0.238</u> | <u>0.238</u> | <u>0.238</u> | <u>0.238</u> |
| Total initial investment | ₱ 259.602 M | ₱ 238.310 M* | ₱ 210.119 M* | ₱ 137.172 M* |
| | ===== | ===== | ===== | ===== |

* Not equal to COMFAR results due to rounding.

Constructing the SDC building in Makati will require an initial investment in fixed assets of ₱247.003 million (US\$11.227 million) without the availment of BOI incentives. With BOI incentives, initial investment in fixed assets of ₱226.505 million (US\$10.296 million) is required. Should the Center be established within the Science Park, a ₱200.005 million (US\$9.091 million) investment outlay is projected. With the assumption of donated land and a 50 per cent discount on computer hardware and software costs, the SDC will require a significantly lower initial investment in fixed assets of ₱129.705 million (US\$5.896 million).

Pre-operation capital expenditures, covering recruitment and training of personnel, project design, and capitalized interest, is estimated to range from a high of ₱12.361 million or US\$0.562 million (without BOI incentives) to a low of ₱7.229 million or US\$0.329 million (with grants and subsidies). Net working capital is projected at ₱0.238 million (US\$0.011 million).

PROJECT FINANCING

The proposed project may be financed through equity contributions and long term loans at a debt-to-equity ratio of 60:40. The proposed breakdown of the financing sources is as follows:

Table 11
Proposed Sources of Financing
(in million pesos)

| | <u>Without BOI Incentives</u> | <u>With BOI Incentives</u> | <u>Science Park</u> | <u>Subsidy & Grants</u> |
|----------------------|-----------------------------------|--------------------------------|-----------------------------|---------------------------------|
| Equity | | | | |
| Foreign | P 63.979 M | P 56.891 M | P 56.890 M | P 30.038 M |
| Local | <u>40.565</u> | <u>38.666</u> | <u>27.385</u> | <u>25.775</u> |
| Total equity | <u>P 104.544</u> ===== | <u>P 95.557</u> ===== | <u>P 84.275</u> ===== | <u>P 55.813</u> ===== |
| Loan | | | | |
| Foreign | P 95.183 | P 84.911 | P 84.911 | P 42.526 |
| Local | <u>59.875</u> | <u>57.843</u> | <u>40.934</u> | <u>38.834</u> |
| Total loan | <u>P 155.058</u> ===== | <u>P 142.754</u> ===== | <u>P 125.845</u> ===== | <u>P 81.360</u> ===== |
| Total required funds | <u>P 259.602 M</u> ===== | <u>P 238.311 M</u> ===== | <u>P 210.120 M</u> ===== | <u>P 137.173 M</u> ===== |

The loan portion may be obtained from foreign and local sources and are assumed, for financial evaluation purposes, to bear interest rates of 11.5 per cent and 20 per cent per year, respectively. The repayment period is assumed to be seven years with a two-year grace period on the principal.

OPERATING AND ADMINISTRATIVE COST

Total operating and administrative costs at full capacity (1994) are estimated as follows:

Table 12
Total Operating Cost
(in million pesos)

| | Without BOI <u>Incentives</u> | With BOI <u>Incentives</u> | Science <u>Park</u> | Subsidy <u>& Grants</u> |
|------------------------------|----------------------------------|-------------------------------|------------------------|--------------------------------|
| Factory Costs | | | | |
| Utilities | P 0.047 M | P 0.047 M | P 0.047 M | P 0.047 M |
| Energy | 0.207 | 0.207 | 0.207 | 0.207 |
| Direct Labor | 1.175 | 1.175 | 1.175 | 1.175 |
| Repairs and Maintenance | 1.901 | 1.901 | 1.901 | 1.901 |
| Factory Overhead | <u>1.973</u> | <u>1.973</u> | <u>1.519</u> | <u>1.519</u> |
| Sub-total | 5.303 | 5.303 | 4.849 | 4.849 |
| Administrative Overhead | 1.146 | 1.146 | 1.146 | 1.146 |
| Depreciation | 21.619 | 19.197 | 19.197 | 11.181 |
| Financial Costs | <u>16.372</u> | <u>15.238</u> | <u>12.823</u> | <u>9.041</u> |
| Total Production Cost | P 44.440 M | P 40.884 M | P 38.015 M | P 26.217 M |
| | ===== | ===== | ===== | ===== |

The details of the total operating costs are shown in Annex 14.

The proposed rental and computer connect hour rates for the SDC facilities for each of the four scenarios are presented on the following Table:

Table 13
Summary of Proposed Prices/Rates
of SDC Facilities
(in pesos)

| | <u>Without BOI</u> | <u>With BOI</u> | <u>Science</u> | <u>Subsidy</u> |
|----------------------------------|--------------------|-------------------|----------------|---------------------|
| | <u>Incentives</u> | <u>Incentives</u> | <u>Park</u> | <u>& Grants</u> |
| Office Space (sqm/mo) | | | | |
| Ground Floor | 330.00 | 330.00 | 215.00 | 215.00 |
| Upper Floors | 285.00 | 285.00 | 185.00 | 185.00 |
| Showcase Center (sqm/mo) | 650.00 | 650.00 | 425.00 | 425.00 |
| Seminar/Training Rooms | | | | |
| (per room per day) | 950.00 | 950.00 | 620.00 | 620.00 |
| Common Areas | | | | |
| (sqm of office space/mo) | 10.00 | 10.00 | 10.00 | 10.00 |
| Computers (connect hours) | | | | |
| Mainframe | 105.00 | 105.00 | 105.00 | 63.00 |
| Minicomputers | 53.00 | 53.00 | 53.00 | 32.00 |

Under the assumption that the SDC will be established in Makati (and shall avail of BOI incentives), office rental rates for ground and upper floors can be pegged at minimum rates of P330.00 and P285.00, respectively. Without BOI incentives, however, rental rates would have to be increased significantly in order for the project to become financially viable. Establishing the Center in the Science Park or assuming that land is donated, could bring rental rates down by at least 30 per cent to P215.00 and P185.00 for ground and upper floors, respectively.

Charges for common areas are uniformly estimated at P10.00 per square meter of office space.

Computer connect hours are estimated at P105.00 per hour for the mainframe and P53.00 per hour for the minicomputers. A 50 per cent discount on computer hardware and software purchase prices can bring the rates down by about 40 per cent to P63.00 and P32.00 for mainframe and minicomputer connect hours, respectively.

COMMERCIAL PROFITABILITY

The commercial profitability of the project, for each scenario, with and without BOI incentives is summarized in Table 14 below.

It must be pointed out that the financial analysis of the project was made without taking into account the appreciation value of the real estate component of the project (land and building). This amount could be substantial considering the principal assumption is for the SDC to be located in a prime real estate property in Makati.

Without BOI incentives, locating the SDC in Makati yields an estimated internal rate of return (IRR) of 17.70 and 17.71 per cent, respectively on total investment and equity. The net present value (NPV) at 20 per cent hurdle rate is estimated at (P20.425) million. Payback period on initial investment is 5 years and 10 months.

Locating the SDC in Makati and availing of BOI incentives brings an estimated IRR of 20.24 per cent on investment and 21.43 on total equity. The NPV at 20 per cent hurdle rate, on the other hand, is P2.010 million. The payback period on initial investment is 5 years and 6 months.

Table 14
Commercial Profitability
(with and without BOI incentives)

| | <u>Without BOI Incentives</u> | <u>With BOI Incentives</u> | <u>Science Park</u> | <u>Subsidy & Grants</u> |
|---|-----------------------------------|--------------------------------|-------------------------|---------------------------------|
| Internal rate of return (%) | | | | |
| on total investment | 17.70 | 20.24 | 20.11 | 21.06 |
| on equity | 17.71 | 21.43 | 21.86 | 22.46 |
| Net present value (P 000) | | | | |
| at 20% hurdle rate | (20,425.48) | 2,010.44 | 728.95 | 4,543.20 |
| Payback period (including construction period) | 5 years & 10 months | 5 years & 6 months | 5 years & 6 months | 5 years & 5 months |
| Breakeven sales (% of sales at full capacity) | 33.73 | 30.82 | 33.84 | 33.35 |

Locating the project at the Science Park may yield an IRR of 20.11 per cent on total investment and 21.86 per cent on equity. The NPV at 20 per cent hurdle rate is computed at P0.729 million. (This assumes, however, that the SDC facilities can expect the same level of usage whether located in Makati or Laguna, an aspect that still has to be conclusively determined.) The payback period on initial investment is computed at 5 years and 6 months.

Assuming that subsidy and grants, in addition to BOI incentives, are provided, the project could give an IRR yield of 21.06 per cent on total investment and 22.46 cent on equity. The NPV at the same 20 per cent hurdle rate is projected to amount to P4.543 million, while the payback period on initial investment is 5 years and 5 months.

Based on the projected revenues and net income of the project (see Table 14), the following profit profiles emerge:

- o Without BOI incentives, net income of the project as a percentage of revenues is 19.23 per cent in Year 1 (start of commercial operations), 46.60 per cent in Year 3 (full capacity), 35.40 per cent in Year 5 (year after availment of income tax holiday), and 44.54 per cent in Year 8, respectively.
- o With BOI incentives, net income of the project as a percentage of revenues is 25.82 per cent, 50.87 per cent, 37.83 per cent, and 46.43 per cent in Year 1, Year 3, Year 5, and Year 8, respectively.
- o Establishing the SDC at the Science Park will have the following net income as a percentage of revenues for years 1, 3, 5, and 8: 23.13 per cent, 48.93 per cent, 36.29 per cent, and 44.64 per cent, respectively.
- o With the assumption of donated land and a 50 per cent grant on computer hardware and software, net income as a percentage of revenues are 26.06 per cent, 49.10 per cent, 36.48 per cent, and 45.69 per cent for years 1, 3, 5, and 8, respectively.

Table 15
Net Income as a Percentage of Revenues
Years 1 to 15

A. Without BOI Incentives (Makati)

| <u>Year</u> | <u>Revenues (P000)</u> | <u>Net Income (P000)</u> | <u>Net Income/ Revenues (%)</u> |
|-------------|----------------------------|------------------------------|-------------------------------------|
| 1 | 60,805.32 | 11,692.41 | 19.23 |
| 2 | 60,805.32 | 13,089.91 | 21.53 |
| 3 | 83,220.27 | 38,779.28 | 46.60 |
| 4 | 83,220.27 | 42,053.71 | 50.53 |
| 5 | 83,220.27 | 29,463.30 | 35.40 |
| 6 | 144,640.60 | 72,734.91 | 50.29 |
| 7 | 83,220.27 | 34,940.07 | 41.99 |
| 8 | 83,220.27 | 37,068.45 | 44.54 |
| 9 | 83,220.27 | 37,068.45 | 44.54 |
| 10 | 83,220.27 | 37,068.40 | 44.54 |
| 11 | 144,640.60 | 77,018.14 | 53.25 |
| 12 | 83,220.27 | 35,874.90 | 43.11 |
| 13 | 83,220.27 | 35,874.90 | 43.11 |
| 14 | 83,220.27 | 35,874.90 | 43.11 |
| 15 | 128,849.30 | 65,533.80 | 50.86 |

B. With BOI Incentives (Makati)

| <u>Year</u> | <u>Revenues (P000)</u> | <u>Net Income (P000)</u> | <u>Net Income/ Revenues (%)</u> |
|-------------|----------------------------|------------------------------|-------------------------------------|
| 1 | 60,805.32 | 15,702.24 | 25.82 |
| 2 | 60,805.32 | 16,872.93 | 27.75 |
| 3 | 83,220.27 | 42,335.52 | 50.87 |
| 4 | 83,220.27 | 45,383.15 | 54.53 |
| 5 | 83,220.27 | 31,480.04 | 37.83 |
| 6 | 136,661.40 | 69,417.73 | 50.80 |
| 7 | 83,220.27 | 36,661.95 | 44.05 |
| 8 | 83,220.27 | 38,642.91 | 46.43 |
| 9 | 83,220.27 | 38,642.91 | 46.43 |
| 10 | 83,220.27 | 38,642.93 | 46.43 |
| 11 | 136,661.40 | 73,404.97 | 53.71 |
| 12 | 83,220.27 | 37,448.21 | 45.00 |
| 13 | 83,220.27 | 37,448.21 | 45.00 |
| 14 | 83,220.27 | 37,448.21 | 45.00 |
| 15 | 128,849.30 | 67,107.13 | 52.08 |

C. With BOI Incentives (Science Park)

| <u>Year</u> | <u>Revenues (P000)</u> | <u>Net Income (P000)</u> | <u>Net Income/ Revenues (%)</u> |
|-------------|----------------------------|------------------------------|-------------------------------------|
| 1 | 53,684.60 | 12,417.24 | 23.13 |
| 2 | 53,684.60 | 13,104.81 | 24.41 |
| 3 | 74,443.05 | 36,427.77 | 48.93 |
| 4 | 74,443.05 | 38,992.27 | 52.38 |
| 5 | 74,443.05 | 27,011.94 | 36.29 |
| 6 | 127,884.20 | 64,635.60 | 50.54 |
| 7 | 74,443.05 | 31,565.78 | 42.40 |
| 8 | 74,443.05 | 33,232.71 | 44.64 |
| 9 | 74,443.05 | 33,232.71 | 44.64 |
| 10 | 74,443.05 | 33,232.72 | 44.64 |
| 11 | 127,884.20 | 67,994.77 | 53.17 |
| 12 | 74,443.05 | 32,038.01 | 43.04 |
| 13 | 74,443.05 | 32,038.01 | 43.04 |
| 14 | 74,443.05 | 32,038.01 | 43.04 |
| 15 | 90,072.13 | 42,196.93 | 46.85 |

D. With BOI Incentives (Grant)

| <u>Year</u> | <u>Revenues (P000)</u> | <u>Net Income (P000)</u> | <u>Net Income/ Revenues (%)</u> |
|-------------|----------------------------|------------------------------|-------------------------------------|
| 1 | 37,808.60 | 9,851.51 | 26.06 |
| 2 | 37,808.60 | 9,782.76 | 25.87 |
| 3 | 51,511.05 | 25,293.40 | 49.10 |
| 4 | 51,511.05 | 27,101.59 | 52.61 |
| 5 | 51,511.05 | 18,791.37 | 36.48 |
| 6 | 51,511.05 | 21,186.68 | 41.13 |
| 7 | 51,511.05 | 22,362.01 | 43.41 |
| 8 | 51,511.05 | 23,537.33 | 45.69 |
| 9 | 51,511.05 | 23,537.33 | 45.69 |
| 10 | 51,511.05 | 23,537.33 | 45.69 |
| 11 | 51,511.05 | 23,562.64 | 45.74 |
| 12 | 51,511.05 | 22,342.63 | 43.37 |
| 13 | 51,511.05 | 22,342.63 | 43.37 |
| 14 | 51,511.05 | 22,342.63 | 43.37 |
| 15 | 67,140.13 | 32,501.53 | 48.41 |

FINANCIAL CASHFLOW

Without BOI incentives, net cash inflow of the project is P10.66 million, P38.25 million, and P58.69 million in Year 1, Year 3, and Year 8, respectively. Cumulative cashflow available for cash dividends is P61.30 million, P143.67 million, P465.39 million in Year 3, Year 8, and Year 15, respectively.

With BOI incentives, net cash inflow of the project is considerably increased to P14.01 million, P41.14 million, P57.84 million in Year 1, Year 3, and Year 8, respectively. Cumulative cashflow available for cash dividends is P70.65 million, P173.22 million, P503.78 million in Year 3, Year 8, and Year 15, respectively.

Establishing the project in the Science Park will generate a net cash inflow of P13.18 million, P37.65 million, and P52.43 million for years 1, 3, and 8 respectively. Cumulative cashflow for years 3, 8, and 15 are as follows: P64.98 million, P151.06 million, and P424.25 million.

With the assumption of donated land and a 50 per cent grant on computer hardware and software, net cash inflow for years 1, 3, and 8 are as follows: P8.95 million, P24.85 million, and P34.72 million. Cumulative cashflow for years 3, 8, and 15 are as follows: P42.98 million, P98.73, and P280.00 million.

Table 16
Net Cash Inflow and Cumulative Cashflow
Years 1 to 15

A. Without BOI Incentives

| <u>Year</u> | <u>Inflow</u> | <u>Outflow</u> | <u>Net Cash Inflow/ (Outflow)</u> | <u>Cumulative Cashflow</u> * |
|-------------|---------------|----------------|---|----------------------------------|
| 1 | 61,090.86 | 50,429.31 | 10,661.55 | 10,661.55 |
| 2 | 60,961.73 | 48,570.72 | 12,391.01 | 23,052.56 |
| 3 | 83,220.27 | 44,973.04 | 38,247.23 | 61,299.79 |
| 4 | 83,220.27 | 41,698.61 | 41,521.66 | 102,821.45 |
| 5 | 83,220.27 | 207,839.90 | (124,619.63) | (21,798.18) |
| 6 | 144,640.60 | 72,270.91 | 72,369.69 | 50,571.51 |
| 7 | 83,220.27 | 48,812.26 | 34,408.01 | 84,979.52 |
| 8 | 83,220.27 | 24,532.75 | 58,687.52 | 143,667.04 |
| 9 | 83,220.27 | 24,532.75 | 58,687.52 | 202,354.56 |
| 10 | 83,220.27 | 178,083.60 | (94,863.33) | 107,491.23 |
| 11 | 144,640.60 | 46,044.11 | 98,596.49 | 206,087.72 |
| 12 | 83,376.68 | 26,090.26 | 57,286.42 | 263,374.14 |
| 13 | 83,220.27 | 25,767.01 | 57,453.26 | 320,827.40 |
| 14 | 83,220.27 | 25,767.01 | 57,453.26 | 378,280.66 |
| 15 | 128,849.30 | 41,737.18 | 87,112.12 | 465,392.78 |

B. With BOI Incentives (Makati)

| <u>Year</u> | <u>Inflow</u> | <u>Outflow</u> | <u>Net Cash Inflow/ (Outflow)</u> | <u>Cumulative Cashflow</u> * |
|-------------|---------------|----------------|---|----------------------------------|
| 1 | 61,090.86 | 47,084.11 | 14,006.75 | 14,006.75 |
| 2 | 60,961.73 | 45,452.31 | 15,509.42 | 29,516.17 |
| 3 | 83,220.27 | 42,081.42 | 41,138.85 | 70,655.02 |
| 4 | 83,220.27 | 39,033.79 | 44,186.48 | 114,841.50 |
| 5 | 83,220.27 | 186,537.30 | (103,317.03) | 11,524.47 |
| 6 | 136,661.40 | 68,273.52 | 68,387.88 | 79,912.35 |
| 7 | 83,220.27 | 47,754.98 | 35,465.29 | 115,377.64 |
| 8 | 83,220.27 | 25,380.54 | 57,839.73 | 173,217.37 |
| 9 | 83,220.27 | 25,380.54 | 57,839.73 | 231,057.10 |
| 10 | 83,220.27 | 158,981.00 | (75,760.73) | 155,296.37 |
| 11 | 136,661.40 | 44,098.57 | 92,562.83 | 247,859.20 |
| 12 | 83,376.68 | 26,937.43 | 56,439.25 | 304,298.45 |
| 13 | 83,220.27 | 26,614.18 | 56,606.09 | 360,904.54 |
| 14 | 83,220.27 | 26,614.18 | 56,606.09 | 417,510.63 |
| 15 | 128,849.30 | 42,584.36 | 86,264.94 | 503,775.57 |

C. With BOI Incentives (Science Park)

| <u>Year</u> | <u>Inflow</u> | <u>Outflow</u> | <u>Net Cash Inflow/ (Outflow)</u> | <u>Cumulative Cashflow *</u> |
|-------------|---------------|----------------|---|----------------------------------|
| 1 | 53,932.32 | 40,754.59 | 13,177.73 | 13,177.73 |
| 2 | 53,841.01 | 39,684.08 | 14,156.93 | 27,334.66 |
| 3 | 74,443.05 | 36,796.32 | 37,646.73 | 64,981.39 |
| 4 | 74,443.05 | 34,231.81 | 40,211.24 | 105,192.63 |
| 5 | 74,443.05 | 179,812.60 | (105,369.55) | (176.92) |
| 6 | 127,884.20 | 61,862.80 | 66,021.40 | 65,844.43 |
| 7 | 74,443.05 | 41,658.30 | 32,784.75 | 98,629.23 |
| 8 | 74,443.05 | 22,013.53 | 52,429.52 | 151,058.75 |
| 9 | 74,443.05 | 22,013.53 | 52,429.52 | 203,488.27 |
| 10 | 74,443.05 | 155,613.90 | (81,170.85) | 122,317.42 |
| 11 | 127,884.20 | 40,731.55 | 87,152.65 | 209,470.07 |
| 12 | 74,599.46 | 23,570.41 | 51,029.05 | 260,499.12 |
| 13 | 74,443.05 | 23,247.16 | 51,195.89 | 311,695.01 |
| 14 | 74,443.05 | 23,247.16 | 51,195.89 | 362,890.90 |
| 15 | 90,072.13 | 28,717.35 | 61,354.78 | 424,245.68 |

D. With BOI Incentives (Grant)

| <u>Year</u> | <u>Inflow</u> | <u>Outflow</u> | <u>Net Cash Inflow/ (Outflow)</u> | <u>Cumulative Cashflow *</u> |
|-------------|---------------|----------------|---|----------------------------------|
| 1 | 38,056.32 | 29,105.39 | 8,950.93 | 8,950.93 |
| 2 | 37,965.01 | 28,791.19 | 9,173.82 | 18,124.75 |
| 3 | 51,511.05 | 26,659.75 | 24,851.30 | 42,976.05 |
| 4 | 51,511.05 | 24,851.57 | 26,659.48 | 69,635.53 |
| 5 | 51,511.05 | 99,962.01 | (48,450.96) | 21,184.57 |
| 6 | 51,511.05 | 30,599.63 | 20,911.42 | 42,095.99 |
| 7 | 51,511.05 | 29,591.15 | 21,919.90 | 64,015.89 |
| 8 | 51,511.05 | 16,792.94 | 34,718.11 | 98,734.00 |
| 9 | 51,511.05 | 16,792.94 | 34,718.11 | 133,452.11 |
| 10 | 51,511.05 | 83,593.14 | (32,082.09) | 101,370.02 |
| 11 | 51,511.05 | 16,806.57 | 34,704.48 | 136,074.50 |
| 12 | 51,667.46 | 18,349.83 | 33,317.63 | 169,392.13 |
| 13 | 51,511.05 | 18,026.58 | 33,484.47 | 202,876.60 |
| 14 | 51,511.05 | 18,026.58 | 33,484.47 | 236,361.07 |
| 15 | 67,140.13 | 23,496.75 | 43,643.38 | 280,004.45 |

Note: * Available for cash dividends to the extent of retained earnings.

ANNEXES

LIST OF PHILIPPINE SOFTWARE FIRMS
AND THEIR CONTACT PERSONS

1. Mr. Titos Manuel
Managing Director
Ateneo Computer Technology Centre
2. Ms. Cecilia Elinon
Commodities Exponent Inc.
3. Dr. Antonio P. Perlas
Managing Director
Compumetrics Management Services Inc.
4. Ms. Diana Davila
Managing Director
Computer Connection Inc.
5. Mr. Hipolito Ylen
President
Computer Engineering Corp.
6. Mr. Willy N. Gan
President
Computer Network Systems Corporation
7. Mrs. Emma V. Teodoro
President
Computer Software and Services Inc.
8. Mr. Abraham Pascual
Managing Director
Cybernetics Computer Systems Inc.
9. Mr. Pierre L. Manalo
Managing Director
Data Processing Service Corp.
10. Mr. Antonio B. Ramos
Managing Director
Datarite Systems Corp.
11. Mr. Antonio V. Baviera
President
Datronics Philippines, Inc.
12. Mr. Julio De Faro
President
De Faro Software Research Inc.
13. Mr. Rene F. Aguirre
Managing Director
Dynamic Computer Services, Inc.

14. Dr. John D. Butterworth
President
Programming Impact
15. Mrs. Corazon Hammond
President
Dynamic Software Solutions International
16. Mr. Emmanuel B. Garcia
President
EBG Systems Inc.
17. Mr. Ed Evangelista
President
EESS Asia Commodities and Systems Corp.
18. Mr. Antonio L. Go
Managing Director
Equitable Computer Services Inc.
19. Mr. Jorge C. Buenaventura
President
First Datacorp
20. Mr. Gerard H. Kho
Managing Director
IO Software Systems
21. Mr. Zoilo Jesus M. de la Cruz III
Managing Director
Infoserve Inc.
22. Mr. Rafael M. Garcia III
Managing Director
Mega Group of Computer Companies
23. Mr. Kenneth Kho
Managing Director
Metasystems Development
24. Mr. Alex S. Pronove
Managing Director
Micro Computer Services
25. Mr. Ruperto K. Capistrano
Managing Director
Multinational Computer and Comm. Associates Inc.
26. Mr. Anthony Wong
Managing Director
PACT Group, Inc.

27. Mr. Vince P. Vargas
President
Philippine Business Automation Center
28. Mr. Constancio S. Reyes
Managing Director
Philippine Technical Consultants Inc. (PHILTECH)
29. Mr. Antonio A. Pardo, Jr.
President
Republic Business Systems International
30. Mr. Gil Guanio
President
Software Ventures International Corp.
31. Mr. Patrick V. Ferrer
Managing Director
Systemantics Information Systems Consultants
32. Mr. Ananias M. Diokno
Managing Director
Systemation (Philippines) Inc.
33. Mr. Lincoln Chen
Managing Director
Systems Automation Centre Inc.
34. Mr. Edgar H. Sarte
President and Chief Executive Officer
Systems Resources Inc.
35. Mr. Manuel A. Alcuaz, Jr.
President
Systems Sciences Consult Inc.
36. Mr. Robert L. Tom
Manager
Tymshare Corporation
37. Mr. Pablo D. Arevalo, Jr.
Managing Director
Technosphere Consultants Group Inc.
38. Mr. Arnie S. Bernabe
Marketing Manager
Abacom Systems Corp.
39. Mr. Patrick Co
General Manager
SJ Program Resource Center

40. Mr. Manuel R. De Jesus
President & General Manager
Acapcoi Phils.
41. Mr. Benito Yu
President
Ace Microcomputers, Inc.
42. Mr. Michael Sarino
General Manager
Advanced Computer Center (ACC)
43. Mr. Mariano Ang, Jr.
President
Advanced Digital Automation Systems (ADAS)
44. Mr. Jerry O. Chua
President
AllSystem 9 Technology
45. Mr. Perfecto Tiongson
President
Alphameric Data Processing System, Inc.
46. Mr. Faustino Co
President
American Technologies, Inc.
47. Ms. Minerva Castillo
President
Asian Software Consultants, Inc.
48. Ms. Maria Paz Q. Cuevas
Senior Manager
Decision Systems Corporation
49. Mr. Manny Padilla
General Manager
Chico Computer Research
50. Mr. Orlando G. Morabe
President
Computab, Inc.
51. Ms. Imelda Lopez Santos
General Manager
Computech Computer System, Inc.
52. Mr. Ronald A. Fullerton
President
M A I Philippines, Inc.

53. Mr. Wilson Keh
General Manager
Shellsoft Technology Corporation
54. Mr. Tan Bin Yam
President
Micom Business Systems
55. Mr. Washington Sy
Manager
Microsoft Enterprises
56. Mr. Antonio Tinsay
Chairman & Chief Executive Officer
P C Network
57. Mr. Geraldo C. Sevilla
Vice President for Marketing
Philippine Microprocessor Systems, Inc.
58. Mr. Augusto P. Quirino
President
Software Research & Development Inc.
59. Mrs. Melinda P. Nogales
President
The Legal Clinic, Inc.
Computer Systems Development & Skills Training Center
60. Mr. James H. Yu
President
Yutivo Corporation
61. Ms. Ma. Rosario M. Gruet
Manager and Corporate Treasurer
Computer Professionals, Inc.
62. Mr. Amado C. Malacaman, Jr.
Chairman and Chief Executive Officer
Advanced Software Systems and Training, Inc.
63. Mr. Mario Hilado
Vice President for Marketing
Intex Marketing and Development Corp.
64. Mr. Rene Tenezas
President
Software Brewers
65. Mr. Winston Chan
General Manager
Softworld, Inc.

Office Rental Rates in Makati
as of June 1989
(in pesos)

| Building | Ground Floor | Upper Floor | Rate per Square Meter | | |
|-----------------------|--------------|-------------|-----------------------|---------------|----------|
| | | | Aircon | Light | Water |
| ADC | 100.00 | 90.00 | - | 45.00 per sqm | - |
| ACE | 100-140 | 85-120 | w/o | - | - |
| Allied Bank | 120.00 | 93.50 | - | 50.00 per sqm | - |
| BPI Head Office | - | 150.00 | 25.00 | charge | charge |
| | 160.00 | | | | |
| BF Topman | 150.00 | 90.00 | free | charge | free |
| Cibeles | - | 85.00 | 25.00 | charge | charge |
| COMBANK | - | 85.00 | free | charge | free |
| Corinthian Plaza | 325.00 | - | - | - | - |
| DCG | 110.00 | 85.00 | - | - | - |
| Filipinas Life | 113.00 | 85.00 | free | free | metered |
| Fortune Building | - | 150.00 | - | - | - |
| Insular Life | 135.00 | 94.00 | 35.00 | charge | free |
| LTA | 180.00 | 130.00 | w/o | - | - |
| Madrigal | 200.00 | 75.00 | 35.00 | charge | charge |
| Makati Stock Exchange | 220.00 | 110.00 | 30.00 | charge | charge |
| Manila Bank | - | 90.00 | free | free | metered |
| Metro Bank (Ayala) | - | 95.00 | 40.00 | charge | charge |
| NLIC | 180.00 | 100.00 | 27.00 | 2.00 | metered |
| Oledan | 150.00 | 95.00 | 7.00 | free | metered |
| Pacific Bank | 105.00 | 78.00 | 50.00 | 50.00 | metered |
| Pacific Star | 350.00 | 200-300 | | | |
| PB COM | 150.00 | 100.00 | 27.00 | charge | free |
| Phil Banking | 120.00 | 96.00 | free | charge | free |
| Rufino | 78.00 | 130.00 | free | free | pro-rata |
| Solid Mills | - | 100.00 | 85.00 | - | - |
| Wellington | - | 250-300 | - | - | - |

Source: SGV Survey of Rental Rates Interviews.

Projected Rental Revenues
(in pesos)

A. Office Space

1. Ground Floor (including computer room)

| Year | Utilization (in sqm) | Rate/Month (per sqm) | Total per Month | Total per Year |
|------|-------------------------|-------------------------|--------------------|-------------------|
| 1 | 384 | 330.00 | 126,720.00 | 1,520,640.00 |
| 2 | 384 | 330.00 | 126,720.00 | 1,520,640.00 |
| 3 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 4 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 5 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 6 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 7 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 8 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 9 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 10 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 11 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 12 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 13 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 14 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| 15 | 444 | 330.00 | 146,520.00 | 1,758,240.00 |
| | | | | 25,898,400.00 |

2. Upper Floors (including basement)

| Year | Utilization (in sqm) | Rate/Month (per sqm) | Total per Month | Total per Year |
|------|-------------------------|-------------------------|--------------------|-------------------|
| 1 | 4,171 | 285.00 | 1,188,735.00 | 14,264,820.00 |
| 2 | 4,171 | 285.00 | 1,188,735.00 | 14,264,820.00 |
| 3 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 4 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 5 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 6 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 7 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 8 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 9 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 10 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 11 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 12 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 13 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 14 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| 15 | 5,090 | 285.00 | 1,450,650.00 | 17,407,800.00 |
| | | | | 254,831,040.00 |

B. Training/Seminar Rooms

| Year | Utilization (no of rooms) | Rate/Day (per room) | Total per Month | Total per Year |
|------|------------------------------|------------------------|--------------------|-------------------|
| 1 | 5 | 950.00 | 118,750.00 | 1,425,000.00 |
| 2 | 5 | 950.00 | 118,750.00 | 1,425,000.00 |
| 3 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 4 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 5 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 6 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 7 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 8 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 9 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 10 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 11 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 12 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 13 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 14 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| 15 | 7 | 950.00 | 166,250.00 | 1,995,000.00 |
| | | | | 28,785,000.00 |
| | | | | ===== |

C. Showcase Center

| Year | Utilization (in sqm) | Rate/Month (per sqm) | Total per Month | Total per Year |
|------|-------------------------|-------------------------|--------------------|-------------------|
| 1 | 404 | 650.00 | 262,600.00 | 3,151,200.00 |
| 2 | 404 | 650.00 | 262,600.00 | 3,151,200.00 |
| 3 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 4 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 5 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 6 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 7 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 8 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 9 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 10 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 11 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 12 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 13 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 14 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| 15 | 505 | 650.00 | 328,250.00 | 3,939,000.00 |
| | | | | 57,509,400.00 |
| | | | | ===== |

D. Common Area

| Year | Utilization* | Rate/Month (per sqm) | Total per Month | Total per Year |
|------|--------------|-------------------------|--------------------|--------------------------------|
| 1 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 2 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 3 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 4 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 5 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 6 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 7 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 8 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 9 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 10 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 11 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 12 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 13 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 14 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| 15 | 5,534 | 10.00 | 55,340.00 | 664,080.00 |
| | | | | ----- 9,961,200.00 ===== |

Note: *Common areas are charged at P10.00 for every square meter of office space occupied by the tenants.

Projected Computer Revenues
(in pesos)

A. Mainframe

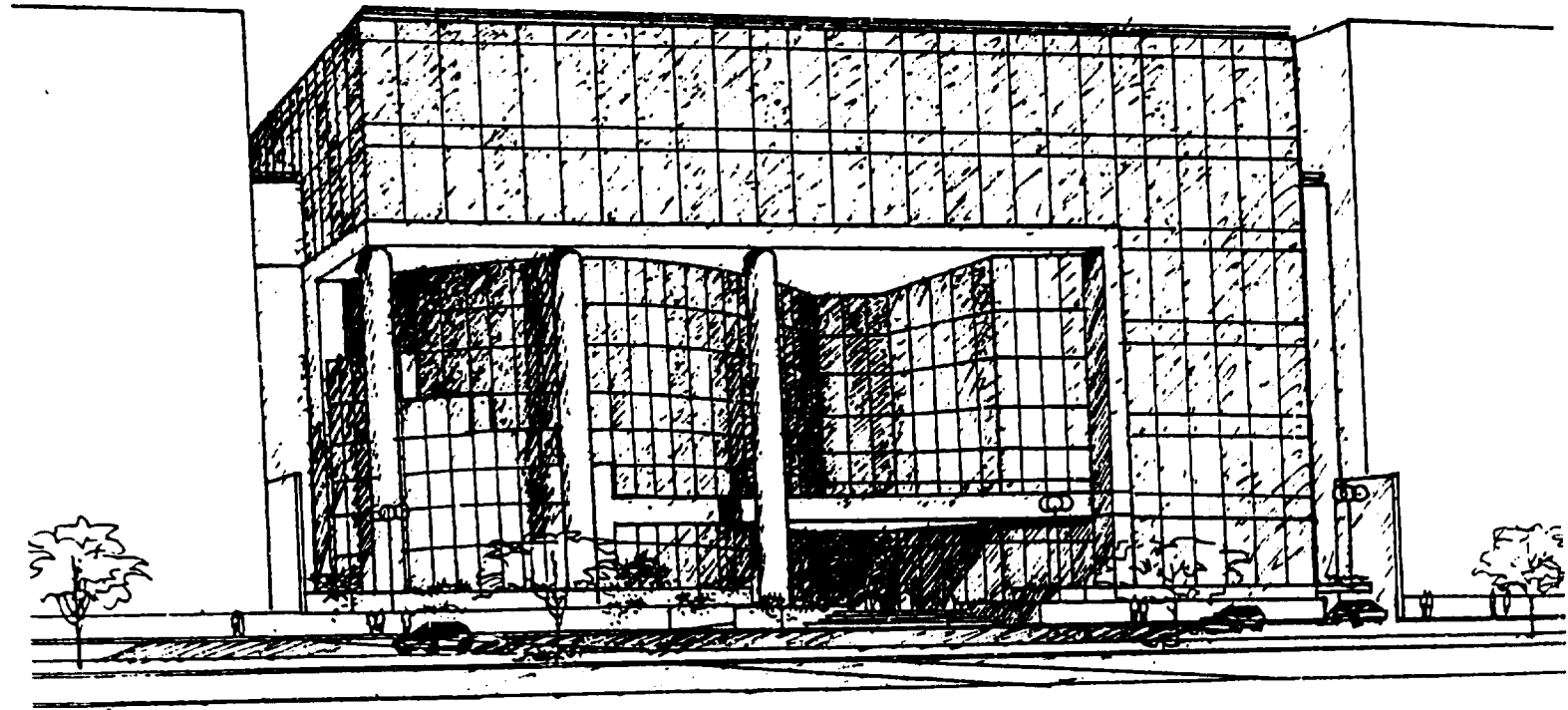
| Year | Utilization (connect hr) | Rate (con-hr) | Number of Users (workstations) | Total per Day | Total per Year |
|------|-----------------------------|------------------|-----------------------------------|------------------|----------------------------------|
| 1 | 12 | 105.00 | 80 | 100,800.00 | 30,240,000.00 |
| 2 | 12 | 105.00 | 80 | 100,800.00 | 30,240,000.00 |
| 3 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 4 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 5 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 6 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 7 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 8 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 9 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 10 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 11 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 12 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 13 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 14 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| 15 | 14 | 105.00 | 100 | 147,000.00 | 44,100,000.00 |
| | | | | | ----- 633,780,000.00 ===== |

B. Minicomputer I

| Year | Utilization (connect hr) | Rate (con-hr) | Number of Users (workstations) | Total per Day | Total per Year |
|------|-----------------------------|------------------|-----------------------------------|------------------|---------------------------------|
| 1 | 12 | 53.00 | 25 | 15,900.00 | 4,770,000.00 |
| 2 | 12 | 53.00 | 25 | 15,900.00 | 4,770,000.00 |
| 3 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 4 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 5 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 6 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 7 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 8 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 9 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 10 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 11 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 12 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 13 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 14 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 15 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| | | | | | ----- 96,354,000.00 ===== |

C. Minicomputer II

| Year | Utilization (connect hr) | Rate (con-hr) | Number of Users (workstations) | Total per Day | Total per Year |
|------|-----------------------------|------------------|-----------------------------------|------------------|---------------------------------|
| 1 | 12 | 53.00 | 25 | 15,900.00 | 4,770,000.00 |
| 2 | 12 | 53.00 | 25 | 15,900.00 | 4,770,000.00 |
| 3 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 4 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 5 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 6 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 7 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 8 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 9 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 10 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 11 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 12 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 13 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 14 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| 15 | 14 | 53.00 | 30 | 22,260.00 | 6,678,000.00 |
| | | | | | ----- 96,354,000.00 ===== |



BUILDING SPECIFICATIONS

R. R. PAYUMO & PARTNERS
ARCHITECTS

PROJECT : PROPOSED SOFTWARE DEVELOPMENT CENTER
LOCATION: MAKATI, METRO MANILA
SUBJECT : FLOOR AREAS (IN SQUARE METERS)

| | | | |
|----------------------------|------------|--|-----------|
| 1. Basement Floor | | | |
| a. Cafeteria and Kitchen | 356 sqm | | |
| b. Lounge | 138 | | |
| c. Parking and Utilities | 818 | | |
| | | | 1,312 sqm |
| 2. Ground Floor | | | |
| a. Entry | 24 sqm | | |
| b. Elevator Lobby | | | |
| Hallway and Stairs | 125 | | |
| c. Lounge | 25 | | |
| d. Office Space | 120 | | |
| e. Administration | 90 | | |
| f. Computer Center | 324 | | |
| g. Auxiliary Services | 505 | | |
| | | | 1,213 |
| 3. Second Floor | | | |
| a. Elevator Lobby | | | |
| Hallway and Stairs | 185 | | |
| b. Office Space | 494 | | |
| c. Conference Rooms | 476 | | |
| | | | 1,155 |
| 4. Third and Fourth Floors | | | |
| Two (2) typical floors | | | |
| Each Floor: | | | |
| a. Elevator Lobby | | | |
| Hallway and Stairs | 173 | | |
| b. Office Space | <u>982</u> | | |
| | 1,155 | | |
| | | | 2,310 |

5. Fifth and Sixth Floors
Two (2) typical floors

Each Floor:

| | | |
|--------------------|--------------|-------|
| a. Elevator Lobby | | |
| Hallway and Stairs | 173 | |
| b. Office Space | <u>1,069</u> | |
| | 1,242 | |
| | | 2,484 |

Total Floor Area : 8,474
=====

DIGEST SPECIFICATIONS

R. R. PAYUMO & PARTNERS
ARCHITECTS

PROJECT : PROPOSED SOFTWARE DEVELOPMENT CENTER
LOCATION: MAKATI, METRO MANILA

STRUCTURAL SYSTEM

Foundation System Mat Foundation (reinforced concrete footings).

Structural Frame Post-tension beams and girders on reinforced concrete columns.

Roof Reinforced concrete slab on post-tension beams and girders.

DOORS AND WINDOWS

Powder coated/anodized aluminum frame sections with reflective glass for curtain wall system. Powder coated steel windows for other windows.

Anodized aluminum frame with clear glass for entry doors. Steel plates on tubular frame and jambs for service doors. Wood doors for toilets.

FINISHES

Flooring Marble slabs for lobbies. Vinyl tiles for offices. Vitrified tiles for toilets. Epoxy paint for basement parking.

Ceiling Aluminum cladding for the exterior. Gypsum board for lobbies and toilets. Fiberglass boards with vinyl facing on suspension snap-on system.

Interior Walls Plain cement plaster finish on concrete hollow blocks. Glazed ceramic tiles for toilets. Marble slabs for lobbies.

Exterior Walls Curtain wall system and textured paint coating.

FIXTURES

Plumbing fixtures Colored vitreous china.

Lighting Fixtures Surface mounted fluorescent lamps, suspended lighting fixtures and recessed lighting fixtures.

Hardware Heavy-duty type; pcisets, locks, bolts, hinges, and doorclosers.

EQUIPMENT

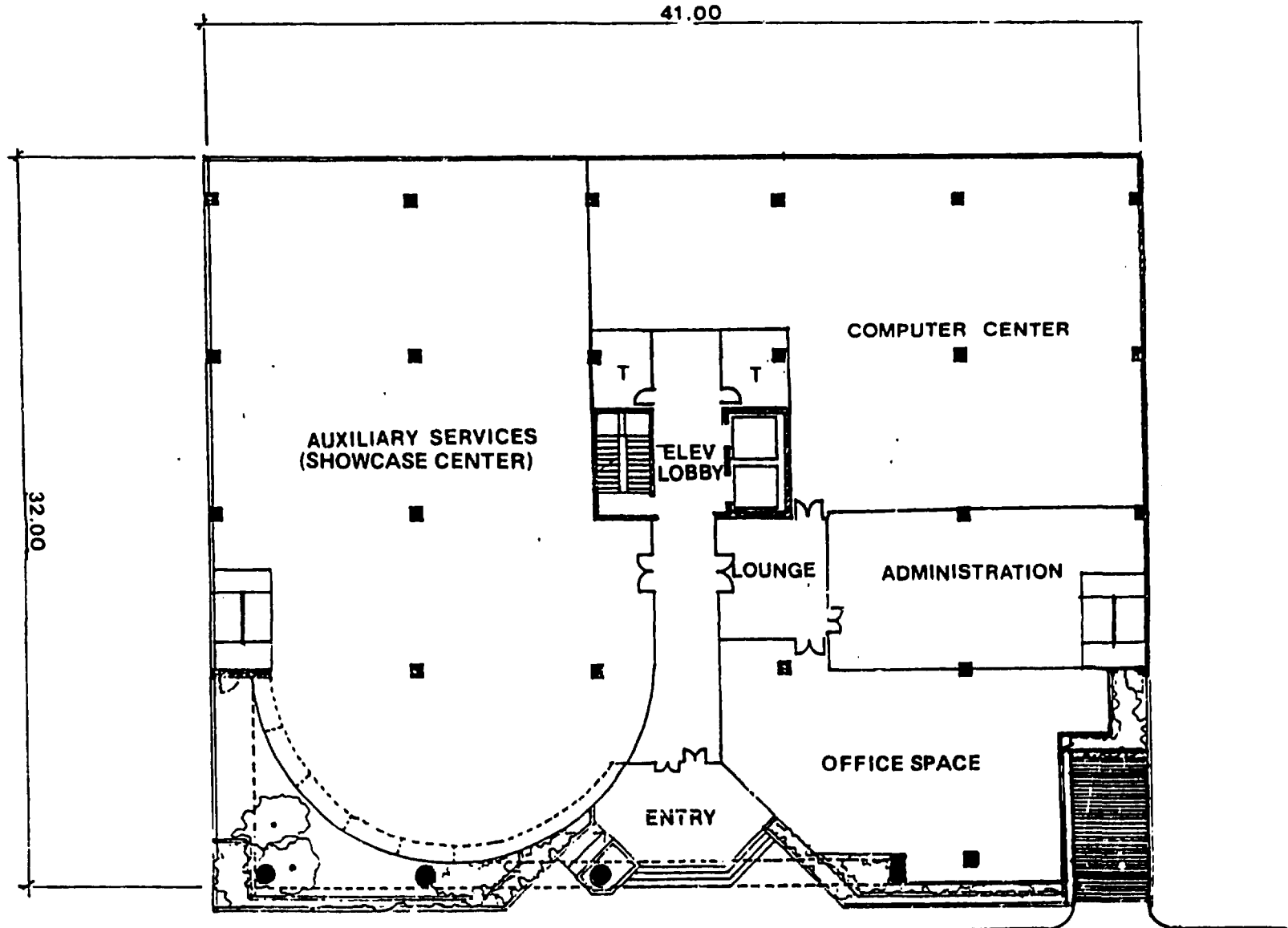
Two (2) eight passenger elevators

Ducted package air conditioning system

Power generator for emergency requirements

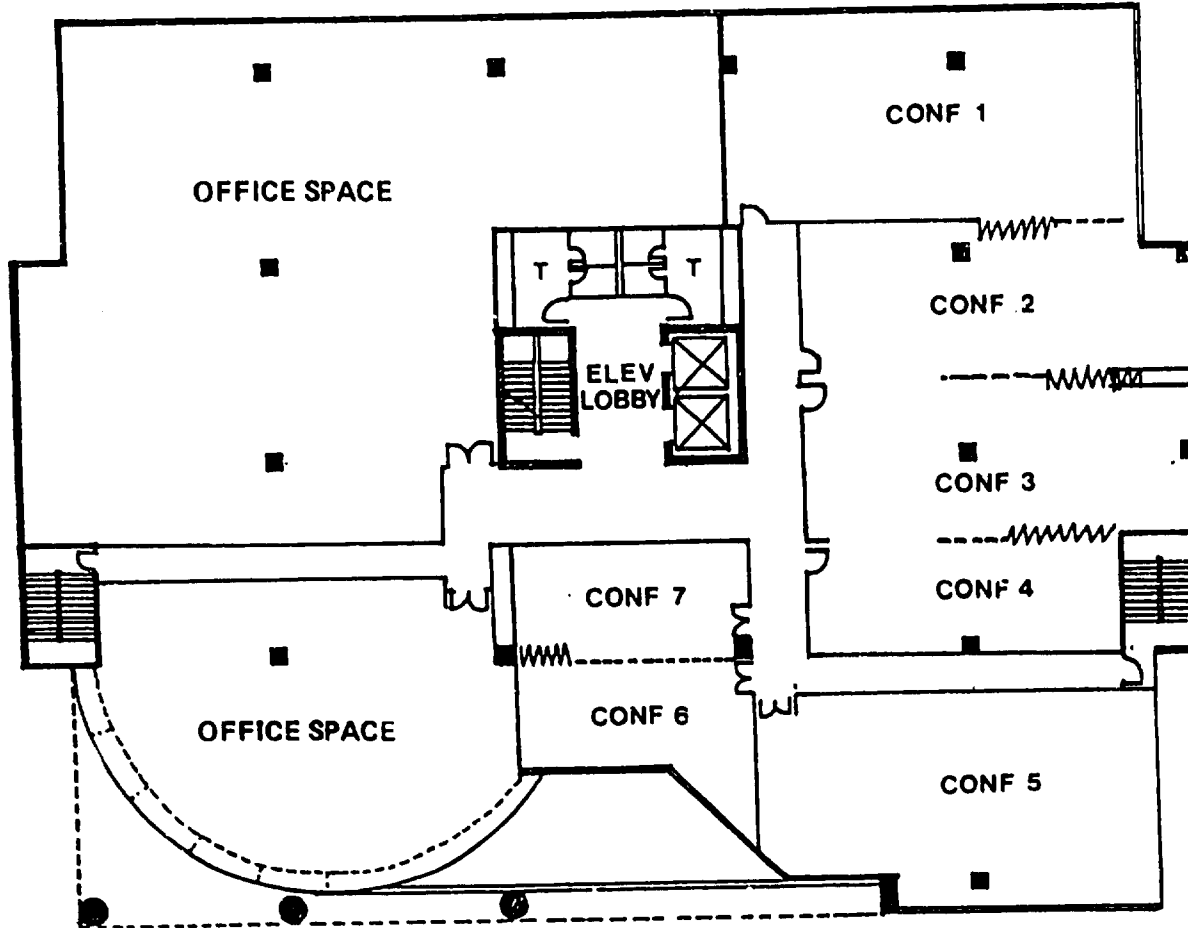
*On ground and above ground water reservoir complete with transfer pumps, and

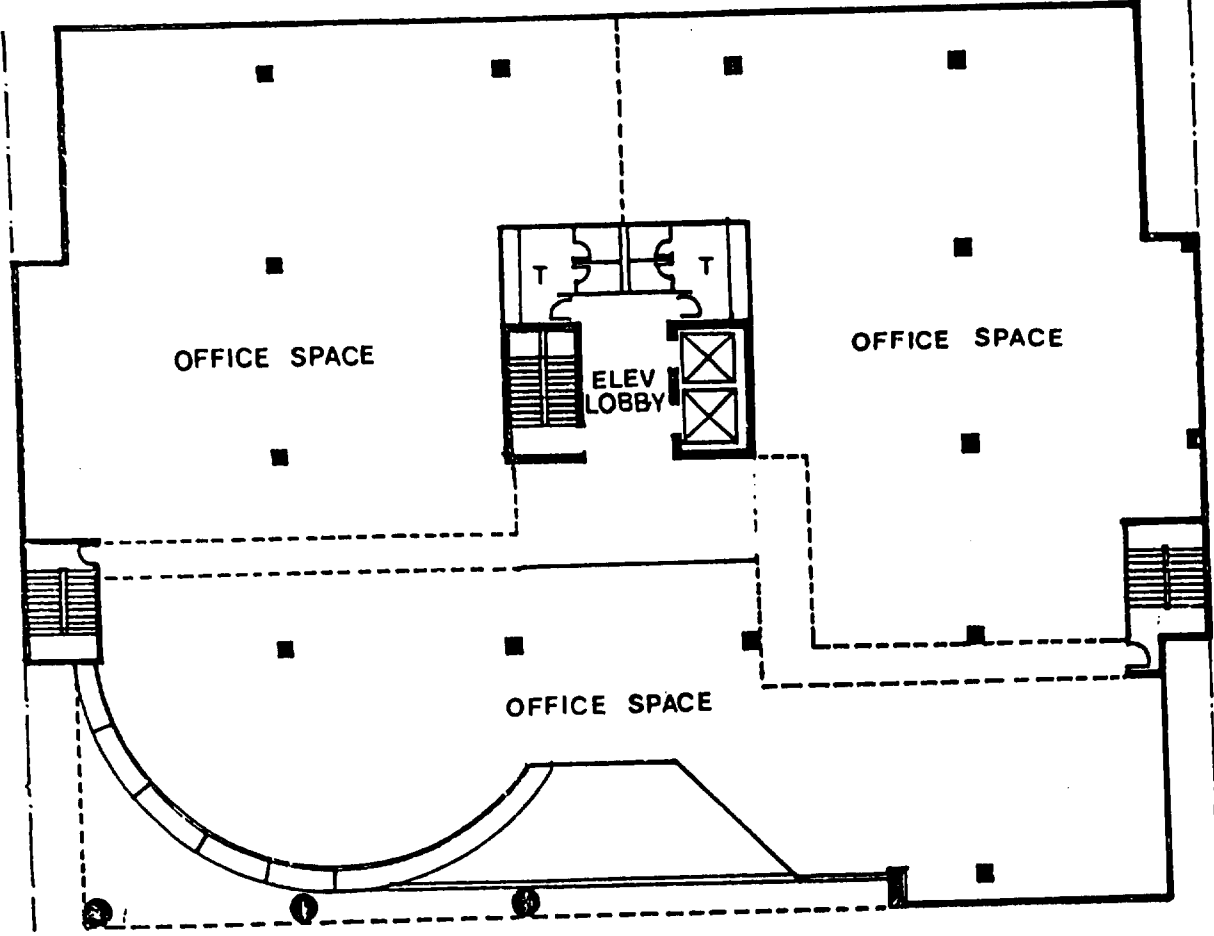
Sump pumps.



GROUND FLOOR PLAN

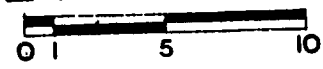




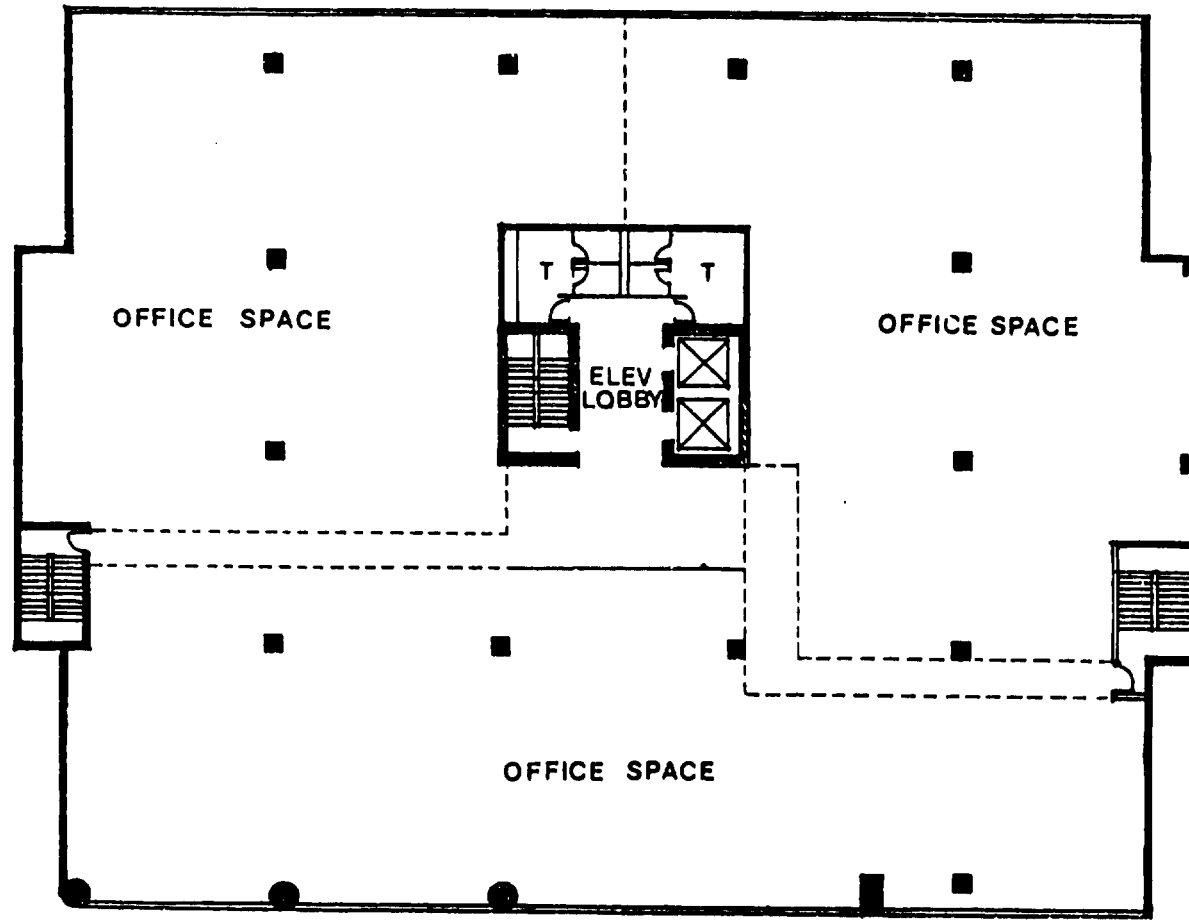


RRP
Ravinao
& Partners

TYPICAL 3rd & 4th FLOOR PLAN
SCALE

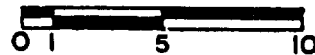


PROJECT: PROPOSED SOFTWARE DEVELOPMENT CENTER
LOCATION: MAKATI, METRO MANILA



TYPICAL 5th & 6th FLOOR PLAN

SCALE



PROJECT: PROPOSED SOFTWARE DEVELOPMENT CENTER
LOCATION: MAKATI, METRO MANILA

LIST OF EQUIPMENT: HARDWARE
(in pesos)

| DESCRIPTION | NO. OF UNITS | PURCHASE PRICE | WITHOUT INCENTIVES TOTAL COST (IMPORTED) | TAX CREDITS | WITH INCENTIVES TOTAL COST (IMPORTED) |
|--|--------------|---------------------------------|--|---------------|---|
| A. 3090 ISS Mainframe, MVS/VA Environment | | | | | |
| 3090-155 Uniprocessor | 1 | 44,749,897.00 | | | |
| 43664 Central Storage Add'l | 1 | 6,079,750.00 | | | |
| 3092 005 Processor Controller | 1 | 3,051,000.00 | | | |
| 3206 100 Console, Green CRT | 2 | 160,769.00 | | | |
| 3097 002 Power and Coolant Distribution Unit | 1 | 3,559,208.00 | | | |
| 3039 003 Power Unit | 1 | 1,204,553.00 | | | |
| TOTAL | | 55,800,469.00 | | | |
| ADD HANDLING CHARGES | | 11,240,058.00 | | | |
| TOTAL | | 67,040,527.00 | | | |
| Peripherals, DASC | | | | | |
| 3390 4K4 Direct Access Storage | 2 | 7,376,240.00 | | | |
| 3390 8K4 Direct Access Storage | 2 | 6,050,822.00 | | | |
| 3390 002 Storage Control, 4 Path, No Cache | 1 | 3,320,899.00 | | | |
| 3490 A22 Tape Control Unit | 1 | 3,074,059.00 | | | |
| 3490 B22 Magnetic Tape Unit with 2 Tape Drives each | 2 | 2,739,712.00 | | | |
| 4245 612 Printer, 1200 LPM | 2 | 1,966,832.00 | | | |
| TOTAL | | 23,521,000.00 | | | |
| ADD HANDLING CHARGES | | 4,194,260.00 | | | |
| TOTAL | | 27,715,260.00 | | | |
| EQUIPMENT AND PERIPHERALS ADD VAT | | 105,155,070.00 10,815,577.00 | | | |
| TOTAL AMOUNT | | 115,870,547.00 | 115,870,547.00 | 14,391,439.79 | 100,709,160.00 |

B. Minicomputers

IBM AS/400 B4S

| | | |
|--------------------------------------|---|--------------|
| 9405 B4S Processor-3MB | 1 | 1,919,365.00 |
| 6040 Twinax Wkstr. Ctr. | 1 | 76,652.00 |
| 6110 Magnetic Storage Device Ctr. | 1 | 91,953.00 |
| 9331 001 8" Diskette Unit | 1 | 123,776.00 |
| 9335 A01 Device Function Ctr. | 1 | 257,159.00 |
| 9335 B01 250MB Disk Unit | 2 | 1,235,735.00 |
| 9347 001 Magnetic Tape Drive | 1 | 250,420.00 |
| 9309 002 Rack Enclosure 1.6M | 1 | 95,095.00 |
| 3136 A1y Display Station | 1 | 33,132.00 |
| 4234 012 Dot Band Printer | 1 | 393,120.00 |

TOTAL 4,525,591.00
ADD HANDLING CHARGES 406,871.00

TOTAL 4,932,462.00
ADD VAT 493,845.20

TOTAL AS/400 5,426,307.20 5,426,307.20 701,329.31 4,724,977.89

DEC MICROVAX II

| | | |
|--|---|--|
| DH-630Q5-BA Microvax II CPU with FPU | | |
| RAS2-CA 622 MB Fixed Disk | 2 | |
| TUB1E-DA TUB1-Plus with cabinet | | |
| 145 MB 1600/6250 bpi Streaming Tape Drive | 1 | |
| V1320-AA White-Text Terminal with Standard Keyboard | 1 | |
| BC16E-10 Cable for V1320-AA Terminal | | |
| Ho571-A Adapter | | |
| L600-BA 600 LPM Text and Graphics Printer | 1 | |

TOTAL US 204,095.00
x 22

IN PESOS 4,490,030.00
ADD VAT 443,033.00

TOTAL MICROVAX II 4,933,063.00 4,933,063.00 633,647.05 4,300,415.95

C. Microcomputers

| | | | | | |
|-------------------|----|------------|------------|-----------|------------|
| PC/AT Compatibles | 10 | 500,000.00 | 500,000.00 | 84,827.48 | 468,371.07 |
|-------------------|----|------------|------------|-----------|------------|

D. Other Equipment

| | | | | | |
|-------------------------|--|--------------|--------------|------------|--------------|
| Cables | | 80,000.00 | | | |
| DB-9 Connector | | 20,000.00 | | | |
| IBM 9220 MAU | | 500,000.00 | | | |
| IBM Data Connector | | 110,754.00 | | | |
| IBM LAN Support Program | | 888,000.00 | | | |
| IBM PC LAN Program | | 18,200.00 | | | |
| MAU Housing Unit | | 70,636.00 | | | |
| Modems (2424 BPS) | | 44,848.00 | | | |
| Token Ring PC Adapter | | 20,871.00 | | | |
| | | ----- | | | |
| TOTAL OTHER EQUIPMENT | | 1,867,112.00 | 1,867,112.00 | 208,740.64 | 1,879,371.08 |

E. Office Automation

| | | | | | |
|------------------------------|---|------------|------------------|---------------|----------------|
| Facsimile Machine | 1 | 80,000.00 | | | |
| Overhead Projectors | 4 | 88,000.00 | | | |
| Paper Shredder | 1 | 12,000.00 | | | |
| Photocopier | 1 | 80,000.00 | | | |
| Printers | | | | | |
| Laser | 1 | 115,000.00 | | | |
| IQ Dot Matrix | 1 | 38,000.00 | | | |
| Projection Screens (6' X 6') | 7 | 24,640.00 | | | |
| Slide Projectors | 4 | 80,000.00 | | | |
| Television Sets | 2 | 84,000.00 | | | |
| VHS/Betamax Machines | 2 | 48,000.00 | | | |
| Whiteboards (4' X 3') | | | | | |
| Wall Type | 1 | 15,000.00 | | | |
| | | ----- | | | |
| TOTAL OFFICE AUTOMATION | | 628,630.00 | 628,630.00 | 67,935.00 | 457,894.70 |
| | | | ----- | ----- | ----- |
| TOTAL EQUIPMENT | | | 1,295,770,045.00 | 16,653,602.62 | 112,201,412.80 |
| | | | ----- | ----- | ----- |

COST OF SOFTWARE
(in pesos)

| SOFTWARE | TOTAL SOFTWARE LEASE | WITHOUT INCENTIVES TOTAL COST (IMPORTED) | TAX CREDITS | WITH INCENTIVES TOTAL COST (IMPORTED) |
|----------------------------------|-------------------------|--|--------------|---|
| A. Mainframe, MVS/XA Environment | | | | |
| Device Support Facility | - | | | |
| EREP V3 | - | | | |
| MVS/XA DFP | 1,559,596.00 | | | |
| RMF | 1,236,444.00 | | | |
| ACF/VTAM for XA | 3,435,559.00 | | | |
| DFSS | 336,999.00 | | | |
| CFHSM | 1,217,237.00 | | | |
| ISDF/PDF V3 for MVS | 402,575.00 | | | |
| SMP/E | 717,029.00 | | | |
| VS COBOL II Compiler/LIB/DEBUG | 1,333,233.00 | | | |
| TSO/E Version 2 | 1,014,365.00 | | | |
| ISPF V3 | 497,664.00 | | | |
| DFSORT | 423,360.00 | | | |
| MVS/SP JES2 V2 | 7,754,899.00 | | | |
| OS/VS2 | - | | | |
| | 20,464,964.00 | | | |
| ADD VAT: | 2,046,495.40 | | | |
| TOTAL MAINFRAME | 22,511,449.40 | 22,511,449.40 | 2,311,740.19 | 19,599,709.21 |

B. Minicomputers

| | | | | |
|-------------------------------|----------|--------------|--------------|--------------|
| IBM AS/400 B45 | | | | |
| OS/400 | | 756,529.00 | | |
| Application Development Tools | | 156,495.00 | | |
| PC SUPPORT | | 173,353.00 | | |
| COBOL/400 | | 156,495.00 | | |
| | | ----- | | |
| | | 1,256,872.00 | | |
| | ADD VAT: | 125,687.20 | | |
| | | ----- | | |
| | | 1,382,559.20 | 1,382,559.20 | 1,206,732.28 |

DEC MICROVAX II

| | | | | |
|---|----------|------------|------------|------------|
| QL-001AN-BZ 1-R | US | 3,165.00 | | |
| QA-09SAA-H5 VAX VMS Update | | | | |
| TK50 with Base Documentation | | 3,226.00 | | |
| QA-09SAA-H5 VAX RDB | | 14,654.00 | | |
| QL-VD2AN-AA VAX RDB Media & Documentation | | 1,957.00 | | |
| | | ----- | | |
| | US | 23,002.00 | | |
| | | X 22 | | |
| | | ----- | | |
| | IN PESOS | 536,044.00 | | |
| | ADD VAT | 63,304.40 | | |
| | | ----- | | |
| | | 730,350.40 | 730,350.40 | 552,023.48 |

C. Microcomputers

| | | | | |
|----------------------|-------------|---------------|--------------|---------------|
| | 50,000.00 * | 50,000.00 | 6,467.24 | 43,532.76 |
| | | ----- | ----- | ----- |
| TOTAL SOFTWARE LEASE | | 24,674,853.00 | 3,275,861.27 | 21,398,991.73 |
| | | ----- | ----- | ----- |

* estimate

LIST OF AUXILIARY EQUIPMENT
(In Pesos)

| DESCRIPTION | CAPACITY | WITHOUT INCENTIVES TOTAL COST | TAX CREDITS | WITH INCENTIVES TOTAL COST |
|-------------------------------|-----------|----------------------------------|-------------|-------------------------------|
| ----- | | | | |
| Centralized Airconditioners * | 100 Tons | | | |
| Generators * | 600 KW | | | |
| with transfer switch | | | | |
| Uninterrupted Power Supply | 75 KVA | 2,000,000.00 | 359,068.65 | 1,640,931.35 |
| ADD Installation (10%) | | 200,000.00 | | 164,093.14 |
| 2 Packaged Airconditioners | 15 Tons @ | 210,000.00 | 121,560.05 | 88,439.95 |
| ADD Installation (10%) | | 21,000.00 | | 8,844.00 |
| 2 Elevators * | | | | |
| | | ----- | ----- | ----- |
| | | 2,431,000.00 | 480,628.70 | 1,902,308.43 |
| | | ===== | ===== | ===== |

* cost included in estimated building cost

LIST OF OFFICE EQUIPMENT/FURNITURE
(In Pesos)

| DESCRIPTION | NO. OF UNITS | UNIT COST | WITHOUT INCENTIVES | | TAX CREDITS | WITH INCENTIVES | |
|-----------------------------|--------------|-----------|--------------------|-----------------------|-------------|--------------------|-----------------------|
| | | | TOTAL COST (LOCAL) | TOTAL COST (IMPORTED) | | TOTAL COST (LOCAL) | TOTAL COST (IMPORTED) |
| Computers | 2 | 50,000.00 | | 100,000.00 | 12,934.49 | | 87,065.51 |
| Conference Tables/Chairs | 3 | 12,000.00 | 36,000.00 | | | 36,000.00 | |
| Filing Cabinet | 2 | 1,200.00 | 2,400.00 | | | 2,400.00 | |
| Office Chairs | 12 | 800.00 | 9,600.00 | | | 9,600.00 | |
| Office Fixtures/Accessories | | 25,000.00 | 25,000.00 | | | 25,000.00 | |
| Office Tables | 12 | 1,000.00 | 12,000.00 | | | 12,000.00 | |
| Other Office Furniture | | 20,000.00 | 20,000.00 | | | 20,000.00 | |
| Printer | 1 | 38,000.00 | | 38,000.00 | 4,915.10 | | 33,084.90 |
| Training Room Facilities | | | | | | | |
| Tables | 150 | 675.00 | 101,250.00 | | | 101,250.00 | |
| Chairs | 300 | 210.00 | 63,000.00 | | | 63,000.00 | |
| TOTAL EQUIPMENT/FURNITURE | | | 269,250.00 | 138,000.00 | 17,949.59 | 269,250.00 | 120,150.41 |

DIRECT OVERHEAD
(in Pesos)

| DESCRIPTION | WITH BOI INCENTIVES | WITHOUT BOI INCENTIVES |
|----------------------|------------------------|---------------------------|
| * Insurance Premiums | 501,007.06 | 644,350.23 |
| Supplies | 100,000.00 | 100,000.00 |
| ** Office Rental | 1,283,040.00 | 1,283,040.00 |
| *** Miscellaneous | 29,160.71 | 11,165.25 |
| | ----- | ----- |
| | 1,973,207.77 | 2,038,555.48 |
| | ===== | ===== |

- * 0.5% of total direct equipment cost
- ** 324 square meters X 330.00 per square meter X 12 months
- *** 1.5% of total cash overhead

ADMINISTRATIVE OVERHEAD
(in Pesos)

| DESCRIPTION | WITH BOI INCENTIVES | WITHOUT BOI INCENTIVES |
|------------------------------|------------------------|---------------------------|
| * Insurance Premiums | 296,590.00 | 296,590.00 |
| * Repairs and Maintenance | 296,590.00 | 296,590.00 |
| ** Real Property Tax | 150,000.00 | 150,000.00 |
| Fax, Telex, & Telephone | 50,000.00 | 50,000.00 |
| Professional Fees | 30,000.00 | 30,000.00 |
| Licenses and Government Fees | 20,000.00 | 20,000.00 |
| Office Supplies | 20,000.00 | 20,000.00 |
| *** Miscellaneous | 8,631.80 | 8,631.80 |
| | 871,811.80 | 871,811.80 |
| | 871,811.80 | 871,811.80 |

- * 0.5% of total cost of building
- ** 0.5% of cost of land
- *** 1.0% of total cash overhead

Depreciation Schedule (costs in pesos)

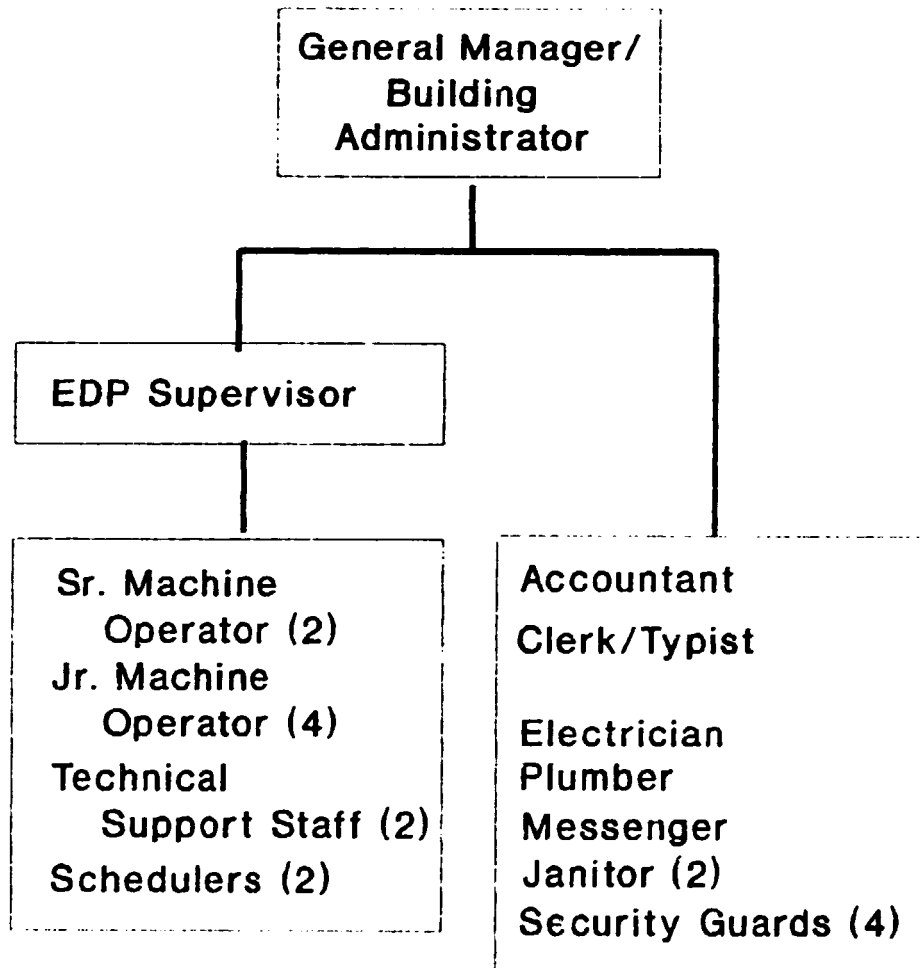
A. Without BOI Incentives

| Fixed Asset | Total Cost | Amort. Period | Rate of Dep'n (%) | Salvage Value (%) | Annual Depreciation |
|---------------------|----------------|---------------|-------------------|-------------------|---------------------|
| Building | 60,514,000.00 | 20 | 5 | 0 | 3,030,700.00 |
| Auxiliary Equipment | 2,431,000.00 | 20 | 5 | 0 | 121,550.00 |
| Hardware | 128,870,045.20 | 5 | 20 | 40 | 15,464,405.42 |
| Software | 24,674,59.00 | 5 | 20 | 40 | 2,960,983.08 |
| Office Equipment | 407,250.00 | 10 | 10 | 0 | 40,725.00 |
| | | | | | 21,618,363.50 |

B. With BOI Incentives

| Fixed Asset | Total Cost | Amort. Period | Rate of Dep'n (%) | Salvage Value (%) | Annual Depreciation |
|---------------------|----------------|---------------|-------------------|-------------------|---------------------|
| Building | 60,614,000.00 | 20 | 5 | 0 | 3,030,700.00 |
| Auxiliary Equipment | 1,902,308.43 | 20 | 5 | 0 | 95,115.42 |
| Hardware | 112,201,412.68 | 5 | 20 | 40 | 13,464,169.52 |
| Software | 21,398,997.73 | 5 | 20 | 40 | 2,567,879.73 |
| Office Equipment | 389,400.41 | 10 | 10 | 0 | 38,940.04 |
| | | | | | 19,196,804.71 |

Software Development Center Organizational Structure



SALARIES AND WAGES
(in Pesos)

| Position | Number of Personnel | Monthly Rate | Monthly Salary/ Compensation |
|-----------------------------------|---------------------|---------------------------|------------------------------|
| I. Building Administration | | | |
| Building Administrator | 1 | 10,000.00 | 10,000.00 |
| | 1 | | 10,000.00 |
| | | ADD 30% BENEFITS | 3,000.00 |
| | | TOTAL SALARIES & BENEFITS | 13,000.00 |
| | | | x 12 |
| | | TOTAL PER YEAR | 156,000.00 |
| II. EDP Department | | | |
| EDP Operations Supervisor | 1 | 7,500.00 | 7,500.00 |
| Computer Engineer | 1 | 6,000.00 | 6,000.00 |
| Sr. Machine Operator | 2 | 5,000.00 | 10,000.00 |
| Jr. Machine Operator | 4 | 4,000.00 | 16,000.00 |
| Technical Support Staff | 2 | 3,500.00 | 7,000.00 |
| Schedulers | 2 | 3,000.00 | 6,000.00 |
| | 12 | | 52,500.00 |
| | | ADD 30% BENEFITS | 15,750.00 |
| | | TOTAL SALARIES & BENEFITS | 68,250.00 |
| | | | x 12 |
| | | TOTAL PER YEAR | 819,000.00 |

PROJECT IMPLEMENTATION SCHEDULE

| ACTIVITY | M O N T H | | | | | | | | | | | |
|--|-----------|------|------|------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| FORMATION OF PROJECT IMPLEMENTATION MANAGEMENT TEAM - setting-up of project team - initial planning - conduct feasibility study | **** | **** | **** | **** | | | | | | | | |
| NEGOTIATIONS FOR THE PURCHASE OF LAND | | **** | **** | | | | | | | | | |
| SECURING GOVERNMENT APPROVAL - registration with the BOI, SEC, CB, and DTI - application for local licenses | | | | **** | **** | | | | | | | |
| ARRANGEMENT FOR FINANCING | | | **** | **** | **** | | | | | | | |
| PROJECT DESIGN - tendering, evaluation, and awarding of contracts | | | | | **** | **** | **** | **** | **** | **** | **** | **** |
| PRE-OPERATION MARKETING - preparation of marketing materials - groundbreaking program - seeking commitment from users | | | | | | | | | | **** | ** | ** |
| CONSTRUCTION - site preparation and development - erection of building and other civil works - equipment installation | | | | | | | | | | | **** | **** |
| FORMATION OF SDC STAFF - recruitment of personnel - training and orientation | | | | | | | | | | | | |
| START-UP - trial runs | | | | | | | | | | | | |

PROJECT IMPLEMENTATION SCHEDULE

| M O N T H S | | | | | | | | | | | | | | | | | |
|-------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| ** | **** | **** | **** | **** | **** | | | | | | | | | | | | |
| | | | **** | ** | | | | | | | | | | | | | |
| | | ** | **** | **** | **** | **** | | | | | | | | | | | |
| | | | **** | | | | | | | | | | | | | | |
| | | | **** | **** | **** | **** | **** | **** | **** | **** | **** | **** | **** | **** | **** | **** | **** |
| | | | | | | | | | | | | | **** | **** | **** | **** | **** |
| | | | | | | | | | | | | | | | | **** | **** |
| | | | | | | | | | | | | | | | | **** | **** |

Notes and Assumptions Used
in the Financial Projections

INCOME STATEMENT

Revenues

Rental income estimated during the fifteen-year projection period by revenue source are as follows:

A. Office Rental

1. Ground Floor (including computer room)

| Year | Leased Area (in sqm) | Rate/Month (per sqm) | Total Revenues (P 000) | Total Revenues (US\$ 000) |
|--------|-------------------------|-------------------------|---------------------------|------------------------------|
| 1 - 2 | 384 | 330.00 | 1,520.64 | 69.12 |
| 3 - 15 | 444 | 330.00 | 1,758.24 | 79.92 |

2. Upper Floors (and basement)

| Year | Leased Area (in sqm) | Rate/Month (per sqm) | Total Revenues (P 000) | Total Revenues (US\$ 000) |
|--------|-------------------------|-------------------------|---------------------------|------------------------------|
| 1 - 2 | 4,171 | 285.00 | 14,264.82 | 648.40 |
| 3 - 15 | 5,090 | 285.00 | 17,407.80 | 791.26 |

B. Training/Seminar Rooms

| Year | Utilization (no of rooms) | Rate/Day (per room) | Total Revenues (P 000) | Total Revenues (US\$ 000) |
|--------|------------------------------|------------------------|---------------------------|------------------------------|
| 1 - 2 | 5 | 950.00 | 1,425.00 | 64.77 |
| 3 - 15 | 7 | 950.00 | 1,995.00 | 90.68 |

C. Showcase Center

| Year | Leased Area (in sqm) | Rate/Month (per sqm) | Total Revenues (P 000) | Total Revenues (US\$ 000) |
|--------|-------------------------|-------------------------|---------------------------|------------------------------|
| 1 - 2 | 404 | 650.00 | 3,151.20 | 143.24 |
| 3 - 15 | 505 | 650.00 | 3,939.00 | 179.05 |

D. Common Area

| Year | Utilization* | Rate/Month (per sqm) | Total Revenues (P 000) | Total Revenues (US\$ 000) |
|--------|--------------|-------------------------|---------------------------|------------------------------|
| 1 - 15 | 5,534 | 10.00 | 664.08 | 30.19 |

Note: *Common areas are charged at P10.00 for every square meter of office space occupied by the tenants.

Computer Lease

A. Mainframe

| Year | Utilization (connect hr) | Rate (con-hr) | No. of Users | Total Revenues (P 000) | Total Revenues (US\$ 000) |
|--------|-----------------------------|------------------|-----------------|---------------------------|------------------------------|
| 1 - 2 | 12 | 105.00 | 80 | 37,485.00 | 1,703.86 |
| 3 - 15 | 14 | 105.00 | 100 | 44,100.00 | 2,004.55 |

B. Minicomputer I

| Year | Utilization (connect hr) | Rate (con-hr) | No. of Users | Total Revenues (P 000) | Total Revenues (US\$ 000) |
|--------|-----------------------------|------------------|-----------------|---------------------------|------------------------------|
| 1 - 2 | 12 | 53.00 | 25 | 4,770.00 | 216.82 |
| 3 - 15 | 14 | 53.00 | 30 | 6,678.00 | 303.55 |

C. Minicomputer II

| Year | Utilization (connect hr) | Rate (con-hr) | No. of Users | Total Revenues (P 000) | Total Revenues (US\$ 000) |
|--------|-----------------------------|------------------|-----------------|---------------------------|------------------------------|
| 1 - 2 | 12 | 53.00 | 25 | 4,770.00 | 216.82 |
| 3 - 15 | 14 | 53.00 | 30 | 6,678.00 | 303.55 |

Office Rental and Computer Lease Rates

The monthly rental rates for office space were estimated at P330 per square meter for the ground floor and P285 per square meter for the upper floors, as well as the basement. Training and seminar rooms will be leased out at P950 per room per day, while the showcase center will be offered at P650 per square meter per month. For the common areas of the building, tenants will be charged an additional P10 per square meter of office space they occupy.

Computer connect-hours for the mainframe were estimated at P105 per hour per workstation, while connect-hours for the minicomputers were projected at P53 per hour.

Variable Costs

Utilities

Total utility requirement for the project was estimated at 6,480 cubic meters of water per year (excluding the water consumption of tenants who will be served with their own water meters or charged their water consumption). At P7.20 per cubic meter, the total utilities cost is projected at P46,660 (US\$2,100) per year.

Energy

Total energy requirement for the project was estimated at 120 thousand kilowatt-hours (Kwh) per year (tenants will likewise be serviced with their own electric meters). At P1.73 per Kwh, the total energy cost was computed at P207,600 (US\$9,436) per year.

Direct Labor Cost

The EDP operations unit will have a manpower complement of 12 whose annual salaries and benefits total P0.819 million (US\$0.037 million). Direct salary cost was estimated at P0.630 million (US\$28,636) per year while benefits were computed at 30 per cent of salaries or P0.189 million (US\$8,591) per year.

Fixed Costs

Repair, Maintenance

Repairs and maintenance for computer equipment were estimated at P1.901 million (US\$0.086 million) per year. Please see Annex 20 for the maintenance schedule of computers and Annex 21 for the details of maintenance costs.

Direct Overhead

Direct overhead is estimated to amount P1.973 million (US\$897,900) per year. The major components are rent of computer office space (P1.283 million), and insurance of equipment (P0.561 million). Please refer to Annex 8 for the details of direct overhead.

Administrative Overhead and Labor

Total administrative expenses were projected at ₱0.973 million (US\$0.044 million). Salaries and benefits amount to ₱0.156 million (US\$7,091) per year while administrative overhead was assumed at ₱0.872 million (US\$39,636) per year. Please refer to Annex 9 for the details of administrative overhead.

Included as indirect labor costs are salaries and benefits of the General Services unit totalling ₱0.474 million (US\$21,545) per year.

Depreciation

Depreciation of fixed assets will begin on the first year of actual operation and was estimated at ₱19.197 million per year. The classification of the assets, their estimated life, and their yearly depreciation rates are shown in Annex 10.

Cost of Financing

Sixty per cent of the total project cost or ₱142.754 million (US\$6.489 million) will be financed by an ₱84.911 million (US\$3860 million) foreign loan and a ₱57.843 million (US\$2.629 million) local loan. Both are assumed to be seven-year loans (inclusive of a two-year grace period on principal) with yearly interest rates assumed at 11.5 per cent and 20 per cent for foreign and local loans, respectively.

The cost of financing is estimated as follows:

Yearly Cost of Financing
(in million pesos)

| <u>Year</u> | <u>Principal Payment</u> | <u>Interest Payment</u> |
|-------------|------------------------------|-----------------------------|
| 1991 | ₱ 0.000 | ₱ 10.667 |
| 1992 | 20.393 | 21.333 |
| 1993 | 20.393 | 18.286 |
| 1994 | 20.393 | 15.238 |
| 1995 | 20.393 | 12.191 |
| 1996 | 20.393 | 9.143 |
| 1997 | 20.550 | 6.095 |
| 1998 | 20.393 | 3.048 |
| | <u>₱142.908</u> | <u>₱ 96.001</u> |
| | ===== | ===== |

BALANCE SHEET AND CASHFLOW STATEMENTS

Cash in Bank

The minimum cash requirement for the project is equivalent to 60 days' cash.

Accounts Receivable

Office rent and computer lease are assumed to be collectible within 60 days.

Financial Statements (Makati)
Without BOI Incentives



COMFAR
21 UNIDO

----- COMFAR 2.1 - SYCIP, GORRES, YELAYO & CO., MANILA -----

SOFTWARE DEVELOPMENT CENTER
APRIL 1990
+++++

2 year(s) of construction, 15 years of production
currency conversion rates:

foreign currency 1 unit = 22.0000 units accounting currency
local currency 1 unit = 1.0000 units accounting currency
accounting currency: THOUSAND PESOS

Total initial investment during construction phase

| | | |
|-----------------|-----------|------------------|
| fixed assets: | 259363.60 | 61.366 % foreign |
| current assets: | 238.26 | 0.000 % foreign |
| total assets: | 259601.90 | 61.310 % foreign |

Source of funds during construction phase

| | | |
|------------------|-----------|------------------|
| equity & grants: | 104544.00 | 61.198 % foreign |
| foreign loans : | 95183.05 | |
| local loans : | 59874.83 | |
| total funds : | 259601.80 | 61.310 % foreign |

Cashflow from operations

| Year: | 2 | 3 | 5 |
|------------------|----------|----------|------------|
| operating costs: | 6449.76 | 6449.76 | 6449.76 |
| depreciation : | 21619.07 | 21619.07 | 21619.07 |
| interest : | 19646.59 | 16372.15 | 9823.29 |
| production costs | 47715.41 | 44440.98 | 37892.12 |
| thereof foreign | 58.31 % | 59.09 % | 61.04 % |
| total sales : | 60805.32 | 83220.27 | 83220.27 |
| gross income : | 13089.91 | 38779.28 | 45328.15 |
| net income : | 13089.91 | 38779.28 | 29463.30 |
| cash balance : | 12391.00 | 38247.23 | -124619.60 |
| net cashflow : | 54188.71 | 76770.51 | -92645.19 |

Net Present Value at: 20.00 % = -20425.48
Internal Rate of Return: 17.70 %
Return on equity1: 26.62 %
Return on equity2: 17.71 %

Index of Schedules produced by COMFAR

| | |
|------------------------------------|----------------------|
| Total initial investment | Cashflow Tables |
| Total investment during production | Projected Balance |
| Total production costs | Net income statement |
| Working Capital requirements | Source of finance |



COMFAR
21 UNIDO

COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Net Income Statement in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 |
|--|-----------|-----------|-----------|------------|------------|
| Total sales, incl. sales tax | 60805.320 | 60805.320 | 83220.270 | 83220.270 | 83220.270 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 60805.320 | 60805.320 | 83220.270 | 83220.270 | 83220.270 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 26191.890 | 28068.820 | 28068.830 | 28068.830 | 28068.820 |
| Operational margin | 34613.430 | 32736.490 | 55151.440 | 55151.440 | 55151.440 |
| As % of total sales | 56.925 | 53.838 | 66.272 | 66.272 | 66.272 |
| Cost of finance | 22921.020 | 19646.590 | 16372.150 | 13097.720 | 9823.293 |
| Gross profit | 11692.410 | 13089.910 | 38779.280 | 42053.710 | 45328.150 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Taxable profit | 11692.410 | 13089.910 | 38779.280 | 42053.710 | 45328.150 |
| Tax | 0.000 | 0.000 | 0.000 | 0.000 | 15864.850 |
| Net profit | 11692.410 | 13089.910 | 38779.280 | 42053.710 | 29463.300 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 11692.410 | 13089.910 | 38779.280 | 42053.710 | 29463.300 |
| Accumulated undistributed profit . . . | 11692.410 | 24782.320 | 63561.600 | 105615.300 | 135078.600 |
| Gross profit, % of total sales | 19.229 | 21.528 | 46.598 | 50.533 | 54.468 |
| Net profit, % of total sales | 19.229 | 21.528 | 46.598 | 50.533 | 35.404 |
| ROE, Net profit, % of equity | 11.184 | 12.521 | 37.094 | 40.226 | 28.183 |
| ROI, Net profit+interest, % of invest. | 13.921 | 13.157 | 22.166 | 22.166 | 9.764 |



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----- COMFAR 2.1 - SYCIP, GORRES, YELAYO & CO., MANILA -----

Net Income Statement in THOUSAND PESOS

| Year | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|------------|------------|------------|------------|------------|
| Total sales, incl. sales tax | 144640.600 | 83220.270 | 83220.270 | 83220.270 | 83220.270 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 144640.600 | 83220.270 | 83220.270 | 83220.270 | 83220.270 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 26191.890 | 26191.880 | 26191.890 | 26191.890 | 26191.950 |
| Operational margin | 118448.700 | 57028.380 | 57028.380 | 57028.380 | 57028.310 |
| As % of total sales | 81.892 | 68.527 | 68.527 | 68.527 | 68.527 |
| Cost of finance | 6548.862 | 3274.431 | 0.000 | 0.000 | 0.000 |
| Gross profit | 111899.900 | 53753.950 | 57028.380 | 57028.380 | 57028.310 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Taxable profit | 111899.900 | 53753.950 | 57028.380 | 57028.380 | 57028.310 |
| Tax | 39164.950 | 18813.880 | 19959.930 | 19959.930 | 19959.910 |
| Net profit | 72734.910 | 34940.070 | 37068.450 | 37068.450 | 37068.400 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 72734.910 | 34940.070 | 37068.450 | 37068.450 | 37068.400 |
| Accumulated undistributed profit . . . | 207813.500 | 242753.600 | 279822.000 | 316890.500 | 353958.900 |
| Gross profit, % of total sales | 77.364 | 64.592 | 68.527 | 68.527 | 68.527 |
| Net profit, % of total sales | 50.287 | 41.985 | 44.543 | 44.543 | 44.543 |
| ROE, Net profit, % of equity | 69.574 | 33.421 | 35.457 | 35.457 | 35.457 |
| ROI, Net profit+interest, % of invest. | 19.713 | 9.502 | 9.217 | 9.217 | 6.670 |

----- SOFTWARE DEVELOPMENT CENTER --- APRIL 1990 -----



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CONFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Net Income Statement in THOUSAND PESOS

| Year | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|------------|------------|------------|------------|------------|
| Total sales, incl. sales tax | 144640.600 | 83220.270 | 83220.270 | 83220.270 | 128849.300 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 144640.600 | 83220.270 | 83220.270 | 83220.270 | 128849.300 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 26151.170 | 28028.110 | 28028.110 | 28028.110 | 28028.120 |
| Operational margin | 118489.400 | 55192.160 | 55192.160 | 55192.160 | 100821.200 |
| As % of total sales | 81.920 | 66.321 | 66.321 | 66.321 | 78.247 |
| Cost of finance | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Gross profit | 118489.400 | 55192.160 | 55192.160 | 55192.160 | 100821.200 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Taxable profit | 118489.400 | 55192.160 | 55192.160 | 55192.160 | 100821.200 |
| Tax | 41471.300 | 19317.260 | 19317.260 | 19317.260 | 35287.430 |
| Net profit | 77018.140 | 35874.900 | 35874.900 | 35874.900 | 65533.800 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 77018.140 | 35874.900 | 35874.900 | 35874.900 | 65533.800 |
| Accumulated undistributed profit . . . | 430977.000 | 466851.900 | 502726.800 | 538601.700 | 604135.500 |
| Gross profit, % of total sales | 81.920 | 66.321 | 66.321 | 66.321 | 78.247 |
| Net profit, % of total sales | 53.248 | 43.108 | 43.108 | 43.108 | 50.861 |
| ROE, Net profit, % of equity | 73.671 | 34.316 | 34.316 | 34.316 | 62.685 |
| ROI, Net profit+interest, % of invest. | 13.859 | 6.453 | 6.453 | 6.453 | 11.789 |



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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow Discounting:

| | | |
|---|--------------|---------|
| a) Equity paid versus Net income flow: | | |
| Net present value | 36287.05 at | 20.00 % |
| Internal Rate of Return (IRRE1) .. | 26.62 % | |
| b) Net Worth versus Net cash return: | | |
| Net present value | -13624.23 at | 20.00 % |
| Internal Rate of Return (IRRE2) .. | 17.71 % | |
| c) Internal Rate of Return on total investment: | | |
| Net present value | -20425.48 at | 20.00 % |
| Internal Rate of Return (IRR) .. | 17.70 % | |
| Net Worth = Equity paid plus reserves | | |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990



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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow Tables, construction in THOUSAND PESOS

| Year | 1990 | 1991 |
|-------------------------|------------|-------------|
| Total cash inflow . . | 30000.000 | 229601.800 |
| Financial resources . | 30000.000 | 229601.800 |
| Sales, net of tax . . | 0.000 | 0.000 |
| Total cash outflow . . | 30000.000 | 229601.800 |
| Total assets | 30000.000 | 218141.300 |
| Operating costs . . . | 0.000 | 0.000 |
| Cost of finance . . . | 0.000 | 11460.510 |
| Repayment | 0.000 | 0.000 |
| Corporate tax | 0.000 | 0.000 |
| Dividends paid | 0.000 | 0.000 |
| Surplus (deficit) . | 0.000 | 0.000 |
| Cumulated cash balance | 0.000 | 0.000 |
| Inflow, local | 30000.000 | 70439.990 |
| Outflow, local | 30000.000 | 70439.990 |
| Surplus (deficit) . | 0.000 | 0.000 |
| Inflow, foreign | 0.000 | 159161.900 |
| Outflow, foreign . . . | 0.000 | 159161.900 |
| Surplus (deficit) . | 0.000 | -0.016 |
| Net cashflow | -30000.000 | -218141.300 |
| Cumulated net cashflow | -30000.000 | -248141.300 |



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COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Cashflow tables, production in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|--------------------------|-------------|-------------|------------|------------|-------------|------------|
| Total cash inflow . . | 61090.860 | 60961.730 | 83220.270 | 83220.270 | 83220.270 | 144640.600 |
| Financial resources . | 285.537 | 156.412 | 0.000 | 0.900 | 0.000 | 0.000 |
| Sales, net of tax . . | 60805.320 | 60805.320 | 83220.270 | 83220.270 | 83220.270 | 144640.600 |
| Total cash outflow . . | 50429.310 | 48570.720 | 44973.040 | 41698.610 | 207835.900 | 72270.910 |
| Total assets | 184.357 | 323.251 | -0.000 | 0.000 | 153550.800 | -523.250 |
| Operating costs | 4572.816 | 6449.762 | 6449.758 | 6449.758 | 6449.758 | 4572.813 |
| Cost of finance | 22921.020 | 19646.590 | 16372.150 | 13097.720 | 9823.293 | 6548.862 |
| Repayment | 22151.130 | 22151.130 | 22151.130 | 22151.130 | 22151.130 | 22367.540 |
| Corporate tax | 0.000 | 0.000 | 0.000 | 0.000 | 15864.850 | 39164.950 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . . | 10661.540 | 12391.000 | 38247.230 | 41521.660 | -124619.600 | 72369.700 |
| Accumulated cash balance | 10661.540 | 23052.550 | 61299.770 | 102821.400 | -21798.179 | 50571.530 |
| Inflow, local | 61090.860 | 60961.730 | 83220.270 | 83220.270 | 83220.270 | 144640.600 |
| Outflow, local | 25885.680 | 25590.820 | 23556.850 | 21846.140 | 36000.290 | 55545.890 |
| Surplus (deficit) . . | 35205.170 | 35370.910 | 59663.410 | 61374.130 | 47219.980 | 89094.720 |
| Inflow, foreign | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Outflow, foreign | 24543.630 | 22979.910 | 21416.190 | 19852.460 | 171839.600 | 16725.020 |
| Surplus (deficit) . . | -24543.630 | -22979.910 | -21416.190 | -19852.460 | -171839.600 | -16725.020 |
| Net cashflow | 55733.680 | 54188.710 | 76770.510 | 76770.510 | -92645.190 | 101069.700 |
| Accumulated net cashflow | -192407.700 | -138218.900 | -61448.430 | 15322.080 | -77323.110 | 23746.570 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990



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COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Cashflow tables, production in THOUSAND PESOS

| Year | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|------------|------------|------------|-------------|------------|------------|
| Total cash inflow . . | 83220.270 | 83220.270 | 83220.270 | 83220.270 | 147640.600 | 83376.680 |
| Financial resources . | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 156.412 |
| Sales, net of tax . . | 83220.270 | 83220.270 | 83220.270 | 83220.270 | 144640.600 | 83220.270 |
| Total cash outflow . . | 48612.260 | 24532.750 | 24532.750 | 178083.600 | 46044.110 | 26090.260 |
| Total assets | -0.001 | 0.000 | 0.000 | 153550.800 | 0.001 | 323.250 |
| Operating costs . . . | 4572.820 | 4572.820 | 4572.820 | 4572.820 | 4572.813 | 6449.758 |
| Cost of finance . . . | 3274.431 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Repayment | 22151.130 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Corporate tax | 18813.880 | 19959.930 | 19959.930 | 19959.910 | 41471.300 | 19317.260 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 34408.010 | 58687.520 | 58687.520 | -94863.300 | 98596.500 | 57286.410 |
| Accumulated cash balance | 84979.540 | 143667.100 | 202354.600 | 107491.300 | 206087.800 | 263374.200 |
| Inflow, local | 83220.270 | 83220.270 | 83220.270 | 83220.270 | 144640.600 | 83376.680 |
| Outflow, local | 33650.960 | 24532.750 | 24532.750 | 24532.730 | 46044.110 | 26090.260 |
| Surplus (deficit) . | 49569.310 | 58687.520 | 58687.520 | 58687.540 | 98596.500 | 57286.410 |
| Inflow, foreign . . . | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Outflow, foreign . . . | 15161.300 | 0.000 | 0.000 | 153550.800 | 0.000 | 0.000 |
| Surplus (deficit) . | -15161.300 | 0.000 | 0.000 | -153550.800 | 0.000 | 0.000 |
| Net cashflow | 59833.560 | 58687.520 | 58687.520 | -94863.310 | 98596.500 | 57286.410 |
| Accumulated net cashflow | 83580.130 | 142267.700 | 200955.200 | 106091.900 | 204688.400 | 261974.800 |



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----- CONFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow tables, production in THOUSAND PESOS

| Year | 2004 | 2005 | 2006 |
|------------------------|------------|------------|------------|
| Total cash inflow . . | 83220.270 | 83220.270 | 128849.300 |
| Financial resources . | 0.000 | 0.000 | 0.000 |
| Sales, net of tax . . | 83220.270 | 83220.270 | 128849.300 |
| Total cash outflow . . | 25767.010 | 25767.010 | 41737.200 |
| Total assets | 0.000 | 0.000 | 0.000 |
| Operating costs . . . | 6449.758 | 6449.758 | 6449.766 |
| Cost of finance . . . | 0.000 | 0.000 | 0.000 |
| Repayment | 0.000 | 0.000 | 0.000 |
| Corporate tax | 19317.260 | 19317.260 | 35287.430 |
| Dividends paid | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 57453.250 | 57453.250 | 87112.150 |
| Simulated cash balance | 320827.400 | 378280.700 | 465392.800 |
| Inflow, local | 83220.270 | 83220.270 | 128849.300 |
| Outflow, local | 25767.010 | 25767.010 | 41737.200 |
| Surplus (deficit) . | 57453.250 | 57453.250 | 87112.150 |
| Inflow, foreign . . . | 0.000 | 0.000 | 0.000 |
| Outflow, foreign . . . | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 0.000 | 0.000 | 0.000 |
| Net cashflow | 57453.250 | 57453.250 | 87112.150 |
| Simulated net cashflow | 319428.000 | 376881.300 | 463993.400 |

----- SOFTWARE DEVELOPMENT CENTER --- APRIL 1996 -----



COMFAR
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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, construction in THOUSAND PESOS

| Year | 1990 | 1991 |
|--|-----------|------------|
| Total assets | 30000.000 | 259601.900 |
| Fixed assets, net of depreciation | 0.000 | 30000.000 |
| Construction in progress | 30000.000 | 229363.600 |
| Current assets | 0.000 | 238.260 |
| Cash, bank | 0.000 | 0.000 |
| Cash surplus, finance available | 0.000 | 0.000 |
| Loss carried forward | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 |
| Total liabilities | 30000.000 | 259601.900 |
| Equity capital | 30000.000 | 104544.000 |
| Reserves, retained profit | 0.000 | 0.000 |
| Profit | 0.000 | 0.000 |
| Long and medium term debt | 0.000 | 155057.900 |
| Current liabilities | 0.000 | 0.000 |
| Bank overdraft, finance required | 0.000 | 0.047 |
| Total debt | 0.000 | 155057.900 |
| Equity, % of liabilities | 100.000 | 40.271 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990


COMFAR
 UNITED STATES OF AMERICA

----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total assets | 249428.700 | 240523.900 | 257152.000 | 277054.600 | 306165.000 |
| Fixed assets, net of depreciation | 237744.600 | 216125.500 | 194506.400 | 172887.400 | 151268.300 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 153550.800 |
| Current assets | 662.737 | 829.576 | 829.576 | 829.576 | 829.576 |
| Cash, bank | 359.880 | 516.292 | 516.292 | 516.292 | 516.292 |
| Cash surplus, finance available . | 10661.500 | 23052.500 | 61299.720 | 102821.400 | 0.000 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 249428.700 | 240523.900 | 257152.000 | 277054.600 | 306165.000 |
| Equity capital | 104544.000 | 104544.000 | 104544.000 | 104544.000 | 104544.000 |
| Reserves, retained profit | 0.000 | 11697.410 | 24782.320 | 63561.600 | 105615.300 |
| Profit | 11692.410 | 13089.910 | 38779.280 | 42053.710 | 29463.300 |
| Long and medium term debt | 132906.800 | 110755.600 | 88604.500 | 66453.380 | 44302.250 |
| Current liabilities | 285.537 | 441.949 | 441.949 | 441.949 | 441.949 |
| Bank overdraft, finance required. | 0.000 | 0.000 | 0.000 | 0.000 | 21798.250 |
| Total debt | 133192.300 | 111197.600 | 89046.450 | 66895.320 | 66542.450 |
| Equity, % of liabilities | 41.913 | 43.465 | 40.655 | 37.734 | 34.146 |

----- SOFTWARE DEVELOPMENT CENTER --- APRIL 1990 -----

----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total assets | 334794.200 | 347583.100 | 384651.500 | 421720.000 | 458788.400 |
| Fixed assets, net of depreciation | 283200.100 | 261581.000 | 239962.000 | 218342.900 | 196723.800 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 153550.800 |
| Current assets | 662.737 | 662.736 | 662.736 | 662.736 | 662.736 |
| Cash, bank | 359.880 | 359.880 | 359.880 | 359.880 | 359.880 |
| Cash surplus, finance available . | 50571.440 | 84979.440 | 143667.000 | 202354.500 | 107491.100 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 334794.200 | 347583.100 | 384651.500 | 421720.000 | 458788.400 |
| Equity capital | 104544.000 | 104544.000 | 104544.000 | 104544.000 | 104544.000 |
| Reserves, retained profit | 135079.600 | 207813.500 | 242753.600 | 279822.000 | 316890.500 |
| Profit | 72734.910 | 34940.070 | 37068.450 | 37068.450 | 37068.400 |
| Long and medium term debt | 22151.130 | 0.000 | 0.000 | 0.000 | 0.000 |
| Current liabilities | 285.537 | 285.537 | 285.537 | 285.537 | 285.537 |
| Bank overdraft, finance required. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total debt | 22436.660 | 285.537 | 285.537 | 285.537 | 285.537 |
| Equity, % of liabilities | 31.226 | 30.077 | 27.179 | 24.790 | 22.787 |



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UNIDO

CONFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Total assets | 535806.600 | 571837.800 | 607712.700 | 643587.600 | 709121.400 |
| Fixed assets, net of depreciation | 328696.300 | 307117.900 | 285539.600 | 263961.200 | 242382.900 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Current assets | 662.737 | 829.576 | 829.576 | 829.576 | 829.576 |
| Cash, bank | 359.880 | 516.292 | 516.292 | 516.292 | 516.292 |
| Cash surplus, finance available | 206087.700 | 263374.100 | 320827.300 | 376280.600 | 465392.700 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 535806.600 | 571837.800 | 607712.700 | 643587.600 | 709121.400 |
| Equity capital | 104544.000 | 104544.000 | 104544.000 | 104544.000 | 104544.000 |
| Reserves, retained profit | 353958.900 | 430977.000 | 466851.900 | 502726.800 | 538601.700 |
| Profit | 77018.140 | 35874.900 | 35874.900 | 35874.900 | 65533.800 |
| Long and medium term debt | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Current liabilities | 285.537 | 441.949 | 441.949 | 441.949 | 441.949 |
| Bank overdraft, finance required | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total debt | 285.537 | 441.949 | 441.949 | 441.949 | 441.949 |
| Equity, % of liabilities | 19.512 | 18.282 | 17.203 | 16.244 | 14.743 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990

Financial Statements (Makati)
With BOI Incentives



----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

SOFTWARE DEVELOPMENT CENTER
APRIL 1996
+++++++

2 year(s) of construction, 15 years of production
currency conversion rates:

foreign currency 1 unit = 22.0000 units accounting currency
local currency 1 unit = 1.0000 units accounting currency
accounting currency: THOUSAND PESOS

Total initial investment during construction phase

| | | |
|-----------------|-----------|------------------|
| fixed assets: | 238072.90 | 58.219 % foreign |
| current assets: | 238.26 | 0.000 % foreign |
| total assets: | 238311.10 | 58.161 % foreign |

Source of funds during construction phase

| | | |
|------------------|-----------|------------------|
| equity & grants: | 95556.69 | 59.536 % foreign |
| foreign loans : | 84910.96 | |
| local loans : | 57843.45 | |
| total funds : | 238311.10 | 59.503 % foreign |

Cashflow from operations

| Year: | 2 | 3 | 5 |
|------------------|----------|----------|------------|
| operating costs: | 6449.76 | 6449.76 | 6449.76 |
| depreciation : | 19196.81 | 19196.81 | 19196.77 |
| interest : | 18285.81 | 15238.18 | 9142.91 |
| production costs | 43932.38 | 40884.75 | 34789.43 |
| thereof foreign | 55.57 % | 56.30 % | 58.15 % |
| total sales : | 60805.32 | 83220.27 | 83220.27 |
| gross income : | 16872.93 | 42335.52 | 48430.83 |
| net income : | 16872.93 | 42335.52 | 31480.04 |
| cash balance : | 15509.41 | 41138.84 | -103317.10 |
| net cashflow : | 54188.71 | 76770.51 | -73780.67 |

Net Present Value at: 20.00 % = 2010.44
Internal Rate of Return: 20.24 %
Return on equity1: 30.40 %
Return on equity2: 21.43 %

Index of Schedules produced by COMFAR

| | |
|------------------------------------|----------------------|
| Total initial investment | Cashflow Tables |
| Total investment during production | Projected Balance |
| Total production costs | Net income statement |
| Working Capital requirements | Source of finance |



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COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Net Income Statement in THOUSAND PESOS

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|--|-----------|-----------|-----------|------------|------------|
| Total sales, incl. sales tax | 60805.320 | 60805.320 | 83220.270 | 83220.270 | 83220.270 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 60805.320 | 60805.320 | 83220.270 | 83220.270 | 83220.270 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 23769.630 | 25646.570 | 25646.570 | 25646.570 | 25646.530 |
| Operational margin | 37035.690 | 35158.750 | 57573.700 | 57573.700 | 57573.740 |
| % of total sales | 60.909 | 57.822 | 69.182 | 69.182 | 69.182 |
| Cost of finance | 21333.450 | 18285.810 | 15238.180 | 12190.540 | 9142.906 |
| Gross profit | 15702.240 | 16872.930 | 42335.520 | 45383.150 | 48430.830 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Adjustable profit | 15702.240 | 16872.930 | 42335.520 | 45383.150 | 48430.830 |
| Income tax | 0.000 | 0.000 | 0.000 | 0.000 | 16950.790 |
| Net profit | 15702.240 | 16872.930 | 42335.520 | 45383.150 | 31480.040 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 15702.240 | 16872.930 | 42335.520 | 45383.150 | 31480.040 |
| Cumulated undistributed profit | 15702.240 | 32575.170 | 74910.690 | 120293.800 | 151773.900 |
| Gross profit, % of total sales | 25.824 | 27.749 | 50.872 | 54.534 | 58.196 |
| Operational profit, % of total sales | 25.824 | 27.749 | 50.872 | 54.534 | 37.827 |
| ROI, Net profit, % of equity | 16.432 | 17.658 | 44.304 | 47.493 | 32.944 |
| ROI, Net profit+interest, % of invest. | 16.234 | 15.400 | 25.217 | 25.217 | 11.225 |



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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Net Income Statement in THOUSAND PESOS

| Year | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|------------|------------|------------|------------|------------|
| Total sales, incl. sales tax | 136661.400 | 83220.270 | 83220.270 | 83220.270 | 83220.270 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 136661.400 | 83220.270 | 83220.270 | 83220.270 | 83220.270 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 23769.630 | 23769.630 | 23769.630 | 23769.630 | 23769.610 |
| Operational margin | 112891.800 | 59450.640 | 59450.630 | 59450.630 | 59450.660 |
| As % of total sales | 82.607 | 71.438 | 71.438 | 71.438 | 71.438 |
| Cost of finance | 6095.271 | 3047.636 | 0.000 | 0.000 | 0.000 |
| Gross profit | 106796.500 | 56403.000 | 59450.630 | 59450.630 | 59450.660 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Taxable profit | 106796.500 | 56403.000 | 59450.630 | 59450.630 | 59450.660 |
| Tax | 37378.780 | 19741.050 | 20807.720 | 20807.720 | 20807.730 |
| Net profit | 69417.730 | 36661.950 | 38642.910 | 38642.910 | 38642.930 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 69417.730 | 36661.950 | 38642.910 | 38642.910 | 38642.930 |
| Accumulated undistributed profit . . . | 221191.600 | 257853.600 | 296496.500 | 335139.400 | 373782.300 |
| Gross profit, % of total sales | 78.147 | 67.776 | 71.438 | 71.438 | 71.438 |
| Net profit, % of total sales | 50.795 | 44.054 | 46.435 | 46.435 | 46.435 |
| ROE, Net profit, % of equity | 72.646 | 38.357 | 40.440 | 40.440 | 40.440 |
| ROI, Net profit+interest, % of invest. | 20.875 | 10.977 | 10.682 | 10.682 | 7.801 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990



COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Net Income Statement in THOUSAND PESOS

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|------------|------------|------------|------------|------------|
| Net sales | | | | | |
| Total sales, incl. sales tax | 136661.400 | 83220.270 | 83220.270 | 83220.270 | 128849.300 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 136661.400 | 83220.270 | 83220.270 | 83220.270 | 128849.300 |
| % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 23730.690 | 25607.630 | 25607.630 | 25607.630 | 25607.610 |
| Operational margin | 112930.700 | 57612.630 | 57612.630 | 57612.630 | 103241.700 |
| % of total sales | 82.635 | 69.229 | 69.229 | 69.229 | 80.126 |
| Cost of finance | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Gross profit | 112930.700 | 57612.630 | 57612.630 | 57612.630 | 103241.700 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Adjustable profit | 112930.700 | 57612.630 | 57612.630 | 57612.630 | 103241.700 |
| Tax | 39525.750 | 20164.420 | 20164.420 | 20164.420 | 36134.610 |
| Net profit | 73404.970 | 37448.210 | 37448.210 | 37448.210 | 67107.130 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 73404.970 | 37448.210 | 37448.210 | 37448.210 | 67107.130 |
| Accumulated undistributed profit . . . | 447187.300 | 484635.500 | 522083.800 | 559531.900 | 626639.100 |
| Gross profit, % of total sales | 82.635 | 69.229 | 69.229 | 69.229 | 80.126 |
| Net profit, % of total sales | 53.713 | 44.999 | 44.999 | 44.999 | 52.082 |
| ROE, Net profit, % of equity | 76.818 | 39.190 | 39.190 | 39.190 | 70.228 |
| ROI, Net profit+interest, % of invest. | 14.819 | 7.557 | 7.557 | 7.557 | 13.543 |



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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow Discounting:

| | | | |
|---|----------|----|---------|
| a) Equity paid versus Net income flow: | | | |
| Net present value | 52776.38 | at | 20.00 % |
| Internal Rate of Return (IRRE1) .. | 30.40 | | % |
| b) Net Worth versus Net cash return: | | | |
| Net present value | 7708.52 | at | 20.00 % |
| Internal Rate of Return (IRRE2) .. | 21.43 | | % |
| c) Internal Rate of Return on total investment: | | | |
| Net present value | 2010.44 | at | 20.00 % |
| Internal Rate of Return (IRR) .. | 20.24 | | % |
| Net Worth = Equity paid plus reserves | | | |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990



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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow Tables, construction in THOUSAND PESOS

| Year | 1990 | 1991 |
|------------------------|------------|-------------|
| Total cash inflow . . | 30000.000 | 208311.100 |
| Financial resources . | 30000.000 | 208311.100 |
| Sales, net of tax . . | 0.000 | 0.000 |
| Total cash outflow . . | 30000.000 | 208311.100 |
| Total assets | 30000.000 | 197644.400 |
| Operating costs . . . | 0.000 | 0.000 |
| Cost of finance . . . | 0.000 | 10666.730 |
| Repayment | 0.000 | 0.000 |
| Corporate tax | 0.000 | 0.000 |
| Dividends paid | 0.000 | 0.000 |
| Surplus (deficit) . | 0.000 | 0.000 |
| Cumulated cash balance | 0.000 | 0.000 |
| Inflow, local | 30000.000 | 66509.880 |
| Outflow, local | 30000.000 | 69708.160 |
| Surplus (deficit) : | 0.000 | -3198.289 |
| Inflow, foreign . . . | 0.000 | 141801.200 |
| Outflow, foreign . . . | 0.000 | 138602.900 |
| Surplus (deficit) . | 0.000 | 3198.297 |
| Net cashflow | -30000.000 | -197644.400 |
| Cumulated net cashflow | -30000.000 | -227644.400 |



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CONFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Cashflow tables, production in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|----------------------------------|-------------|-------------|------------|------------|-------------|------------|
| Total cash inflow | 61090.860 | 60961.730 | 83220.270 | 83220.270 | 83220.270 | 136661.400 |
| Financial resources | 285.537 | 156.412 | 0.000 | 0.000 | 0.000 | 0.000 |
| Sales, net of tax | 60805.320 | 60805.320 | 83220.270 | 83220.270 | 83220.270 | 136661.400 |
| Total cash outflow | 47084.110 | 45452.310 | 42081.420 | 39033.790 | 186537.300 | 68273.520 |
| Total assets | 784.357 | 323.251 | -0.000 | 0.000 | 133600.400 | -323.250 |
| Operating costs | 4572.816 | 6449.762 | 6449.758 | 6449.758 | 6449.758 | 4572.813 |
| Cost of finance | 21333.450 | 18285.810 | 15238.180 | 12190.540 | 9142.906 | 6095.271 |
| Repayment | 20393.490 | 20393.490 | 20393.490 | 20393.490 | 20393.490 | 20549.900 |
| Corporate tax | 0.000 | 0.000 | 8.000 | 0.000 | 16950.790 | 37378.780 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) | 14006.740 | 15509.410 | 41138.840 | 44186.480 | -103317.100 | 68387.910 |
| Cumulated cash balance | 14006.740 | 29516.160 | 70655.000 | 114841.500 | 11524.400 | 79912.300 |
| Inflow, local | 61090.860 | 60961.730 | 83220.270 | 83220.270 | 83220.270 | 136661.400 |
| Outflow, local | 25189.210 | 24952.380 | 22976.460 | 21323.790 | 36621.910 | 53353.450 |
| Surplus (deficit) | 35901.640 | 36009.340 | 60243.810 | 61896.480 | 46598.360 | 83307.980 |
| Inflow, foreign | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Outflow, foreign | 21894.900 | 20499.930 | 19104.970 | 17710.000 | 149915.400 | 14920.070 |
| Surplus (deficit) | -21894.900 | -20499.930 | -19104.970 | -17710.000 | -149915.400 | -14920.070 |
| Net cashflow | 55733.680 | 54188.710 | 76770.510 | 76770.510 | -73780.670 | 94876.660 |
| Cumulated net cashflow | -171910.700 | -117722.000 | -40951.460 | 35819.050 | -37961.630 | 56915.040 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990



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COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Cashflow tables, production in THOUSAND PESOS

| Year | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|------------------------|------------|------------|------------|-------------|------------|------------|
| Total cash inflow . . | 83220.270 | 83220.270 | 83220.270 | 83220.270 | 136661.400 | 83376.680 |
| Financial resources . | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 156.412 |
| Sales, net of tax . . | 83220.270 | 83220.270 | 83220.270 | 83220.270 | 136661.400 | 83220.270 |
| Total cash outflow . . | 47754.980 | 25380.540 | 25380.540 | 158981.000 | 44098.570 | 26937.430 |
| Total assets | -0.001 | 0.000 | 0.000 | 133600.400 | 0.001 | 323.250 |
| Operating costs . . . | 4572.820 | 4572.820 | 4572.820 | 4572.820 | 4572.813 | 6449.758 |
| Cost of finance . . . | 3047.636 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Repayment | 20393.480 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Corporate tax | 19741.050 | 20807.720 | 20807.720 | 20807.730 | 39525.750 | 20164.420 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 35465.280 | 57839.730 | 57839.730 | -75760.690 | 92562.860 | 56439.250 |
| Cumulated cash balance | 115377.600 | 173217.300 | 231057.000 | 155296.300 | 247859.200 | 304298.400 |
| Inflow, local | 83220.270 | 83220.270 | 83220.270 | 83220.270 | 136661.400 | 83376.680 |
| Outflow, local | 34229.890 | 25380.540 | 25380.540 | 25380.550 | 44098.570 | 26937.430 |
| Surplus (deficit) . | 48990.380 | 57839.730 | 57839.730 | 57839.710 | 92562.860 | 56439.250 |
| Inflow, foreign . . . | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Outflow, foreign . . . | 13525.100 | 0.000 | 0.000 | 133600.400 | 0.000 | 0.000 |
| Surplus (deficit) . | -13525.100 | 0.000 | 0.000 | -133600.400 | 0.000 | 0.000 |
| Net cashflow | 58906.390 | 57839.730 | 57839.730 | -75760.670 | 92562.860 | 56439.250 |
| Cumulated net cashflow | 115821.400 | 173661.200 | 231500.900 | 155740.200 | 248303.100 | 304742.300 |



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COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Cashflow tables, production in THOUSAND PESOS

| Year | 2004 | 2005 | 2006 |
|-------------------------|------------|------------|------------|
| Total cash inflow . . | 83220.270 | 83220.270 | 128849.300 |
| Financial resources . | 0.000 | 0.000 | 0.000 |
| Sales, net of tax . . | 83220.270 | 83220.270 | 128849.300 |
| Total cash outflow . . | 26614.180 | 26614.180 | 42584.380 |
| Total assets | 0.000 | 0.000 | 0.000 |
| Operating costs . . . | 6449.758 | 6449.758 | 6449.766 |
| Cost of finance . . . | 0.000 | 0.000 | 0.000 |
| Repayment | 0.000 | 0.000 | 0.000 |
| Corporate tax | 20164.420 | 20164.420 | 36134.610 |
| Dividends paid | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 56606.090 | 56606.090 | 86264.970 |
| Cumulated cash balance | 360904.500 | 417510.600 | 503775.600 |
| Inflow, local | 83220.270 | 83220.270 | 128849.300 |
| Outflow, local | 26614.180 | 26614.180 | 42584.380 |
| Surplus (deficit) . | 56606.090 | 56606.090 | 86264.970 |
| Inflow, foreign | 0.000 | 0.000 | 0.000 |
| Outflow, foreign . . . | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 0.000 | 0.000 | 0.000 |
| Net cashflow | 56606.090 | 56606.090 | 86264.970 |
| Cumulated net cashflow | 361348.400 | 417954.500 | 504219.500 |



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----- CONFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, construction in THOUSAND PESOS

| Year | 1990 | 1991 |
|-----------------------------------|-----------|------------|
| Total assets | 30000.000 | 238311.100 |
| Fixed assets, net of depreciation | 0.000 | 30000.000 |
| Construction in progress | 30000.000 | 208072.800 |
| Current assets | 0.000 | 238.260 |
| Cash, bank | 0.000 | 0.000 |
| Cash surplus, finance available | 0.000 | 0.000 |
| Loss carried forward | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 |
| | | |
| Total liabilities | 30000.000 | 238311.100 |
| Equity capital | 30000.000 | 95556.680 |
| Reserves, retained profit | 0.000 | 0.000 |
| Profit | 0.000 | 0.000 |
| Long and medium term debt | 0.000 | 142754.400 |
| Current liabilities | 0.000 | 0.000 |
| Bank overdraft, finance required | 0.000 | 0.000 |
| Total debt | 0.000 | 142754.400 |
| Equity, % of liabilities | 100.000 | 40.097 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990



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21 UNIDO

----- CONFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Total assets | 233905.400 | 230541.300 | 252483.300 | 277472.900 | 288559.500 |
| Fixed assets, net of depreciation | 218876.000 | 199679.200 | 180482.400 | 161285.600 | 142088.800 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 133600.400 |
| Current assets | 662.737 | 829.576 | 829.576 | 829.576 | 829.576 |
| Cash, bank | 359.880 | 516.292 | 516.292 | 516.292 | 516.292 |
| Cash surplus, finance available | 14006.750 | 29516.170 | 70655.000 | 114841.500 | 11524.470 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 233905.400 | 230541.300 | 252483.300 | 277472.900 | 288559.500 |
| Equity capital | 95556.690 | 95556.690 | 95556.690 | 95556.690 | 95556.690 |
| Reserves, retained profit | 0.000 | 15702.240 | 32575.170 | 74910.690 | 120293.800 |
| Profit | 15702.240 | 16872.930 | 42335.520 | 45383.150 | 31480.040 |
| Long and medium term debt | 122360.900 | 101967.400 | 81573.950 | 61180.460 | 40786.970 |
| Current liabilities | 285.537 | 441.949 | 441.949 | 441.949 | 441.949 |
| Bank overdraft, finance required | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total debt | 122646.500 | 102409.400 | 82015.890 | 61622.410 | 41228.920 |
| Equity, % of liabilities | 40.853 | 41.449 | 37.847 | 34.438 | 33.115 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990

----- CONFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 1997 | 1998 | 1999 | 2000 | 2001 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Total assets | 337427.300 | 353695.800 | 392338.700 | 430981.600 | 469624.600 |
| Fixed assets, net of depreciation | 256492.400 | 237295.600 | 218098.800 | 198902.000 | 179705.200 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 133600.400 |
| Current assets | 662.737 | 662.736 | 662.736 | 662.736 | 662.736 |
| Cash, bank | 359.880 | 359.880 | 359.880 | 359.880 | 359.880 |
| Cash surplus, finance available | 79912.340 | 115377.600 | 173217.300 | 231057.100 | 155296.400 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 337427.300 | 353695.800 | 392338.700 | 430981.600 | 469624.600 |
| Equity capital | 95556.690 | 95556.690 | 95556.690 | 95556.690 | 95556.690 |
| Reserves, retained profit | 151773.900 | 221191.600 | 257853.600 | 296496.500 | 335139.400 |
| Profit | 69417.730 | 36661.950 | 38642.910 | 38642.910 | 38642.930 |
| Long and medium term debt | 20393.480 | 0.005 | 0.005 | 0.005 | 0.005 |
| Current liabilities | 285.537 | 285.537 | 285.537 | 285.537 | 285.537 |
| Bank overdraft, finance required | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total debt | 20679.020 | 285.542 | 285.542 | 285.542 | 285.542 |
| Equity, % of liabilities | 28.319 | 27.017 | 24.356 | 22.172 | 20.347 |



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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total assets | 543029.600 | 580634.100 | 618082.400 | 655530.600 | 722637.700 |
| Fixed assets, net of depreciation | 294147.700 | 274989.800 | 255331.900 | 236674.100 | 217516.200 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Current assets | 662.737 | 829.576 | 829.576 | 829.576 | 829.576 |
| Cash, bank | 359.880 | 516.292 | 516.292 | 516.292 | 516.292 |
| Cash surplus, finance available . | 247859.300 | 304298.500 | 360904.600 | 417510.600 | 503775.600 |
| Loss carried forward | 0.000 | 0.600 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 543029.600 | 580634.100 | 618082.400 | 655530.600 | 722637.700 |
| Equity capital | 95556.690 | 95556.690 | 95556.690 | 95556.690 | 95556.690 |
| Reserves, retained profit | 373782.300 | 447187.300 | 484635.500 | 522083.800 | 559531.900 |
| Profit | 73404.970 | 37448.210 | 37448.210 | 37448.210 | 67107.130 |
| Long and medium term debt | 0.005 | 0.005 | 0.005 | 0.005 | 0.005 |
| Current liabilities | 285.537 | 441.949 | 441.949 | 441.949 | 441.949 |
| Bank overdraft, finance required. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total debt | 285.542 | 441.954 | 441.954 | 441.954 | 441.954 |
| Equity, % of liabilities | 17.597 | 16.457 | 15.460 | 14.577 | 13.223 |

----- SOFTWARE DEVELOPMENT CENTER --- APRIL 1990 -----

Financial Statements (Science Park)
With BOI Incentives



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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

SOFTWARE DEVELOPMENT CENTER
APRIL 1990
+++++

2 year(s) of construction, 15 years of production
currency conversion rates:
foreign currency 1 unit = 22.0000 units accounting currency
local currency 1 unit = 1.0000 units accounting currency
accounting currency: THOUSAND PESOS

Total initial investment during construction phase

| | | |
|-----------------|-----------|------------------|
| fixed assets: | 209881.90 | 66.039 % foreign |
| current assets: | 238.26 | 0.000 % foreign |
| total assets: | 210120.10 | 65.964 % foreign |

Source of funds during construction phase

| | | |
|------------------|-----------|------------------|
| equity & grants: | 84275.20 | 67.505 % foreign |
| foreign loans : | 84910.96 | |
| local loans : | 40933.98 | |
| total funds : | 210120.10 | 67.486 % foreign |

Cashflow from operations

| Year: | 2 | 3 | 5 |
|------------------|----------|----------|------------|
| operating costs: | 5995.93 | 5995.93 | 5995.93 |
| depreciation : | 19196.81 | 19196.81 | 19196.77 |
| interest : | 15387.05 | 12822.54 | 7693.52 |
| production costs | 40579.79 | 38015.28 | 32886.22 |
| thereof foreign | 60.16 % | 60.55 % | 61.51 % |
| total sales : | 53684.60 | 74443.05 | 74443.05 |
| gross income : | 13104.81 | 36427.77 | 41556.82 |
| net income : | 13104.81 | 36427.77 | 27011.94 |
| cash balance : | 14156.93 | 37646.73 | -105369.50 |
| net cashflow : | 47521.83 | 68447.12 | -79698.16 |

Net Present Value at: 20.00 % = 728.95
Internal Rate of Return: 20.11 %
Return on equity1: 31.58 %
Return on equity2: 21.86 %

Index of Schedules produced by COMFAR

| | |
|------------------------------------|----------------------|
| Total initial investment | Cashflow Tables |
| Total investment during production | Projected Balance |
| Total production costs | Net income statement |
| Working Capital requirements | Source of finance |



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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Net Income Statement in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 |
|--|-----------|-----------|-----------|------------|------------|
| Total sales, incl. sales tax | 53684.600 | 53684.600 | 74443.050 | 74443.050 | 74443.050 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 53684.600 | 53684.600 | 74443.050 | 74443.050 | 74443.050 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 23315.800 | 25192.740 | 25192.740 | 25192.740 | 25192.700 |
| Operational margin | 30368.790 | 28491.860 | 49250.300 | 49250.300 | 49250.350 |
| As % of total sales | 56.569 | 53.073 | 66.158 | 66.158 | 66.158 |
| Cost of finance | 17951.560 | 15387.050 | 12622.540 | 10258.030 | 7693.524 |
| Gross profit | 12417.240 | 13104.810 | 36427.770 | 38992.270 | 41556.820 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Taxable profit | 12417.240 | 13104.810 | 36427.770 | 38992.270 | 41556.820 |
| Tax | 0.000 | 0.000 | 0.000 | 0.000 | 14544.890 |
| Net profit | 12417.240 | 13104.810 | 36427.770 | 38992.270 | 27011.940 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 12417.240 | 13104.810 | 36427.770 | 38992.270 | 27011.940 |
| Accumulated undistributed profit . . . | 12417.240 | 25522.050 | 61949.810 | 100942.100 | 127954.000 |
| Gross profit, % of total sales | 23.130 | 24.411 | 48.934 | 52.379 | 55.824 |
| Net profit, % of total sales | 23.130 | 24.411 | 48.934 | 52.379 | 36.285 |
| ROE, Net profit, % of equity | 14.734 | 15.550 | 43.225 | 46.268 | 32.052 |
| ROI, Net profit+interest, % of invest. | 15.064 | 14.121 | 24.409 | 24.409 | 10.348 |



COMFAR
UNIDO

COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Net Income Statement in THOUSAND PESOS

| Year | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|------------|------------|------------|------------|------------|
| Total sales, incl. sales tax | 127884.200 | 74443.050 | 74443.050 | 74443.050 | 74443.050 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 127884.200 | 74443.050 | 74443.050 | 74443.050 | 74443.050 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 23315.800 | 23315.800 | 23315.800 | 23315.800 | 23315.780 |
| Operational margin | 104568.400 | 51127.240 | 51127.240 | 51127.240 | 51127.270 |
| As % of total sales | 81.768 | 68.680 | 68.680 | 68.680 | 68.680 |
| Cost of finance | 5129.017 | 2564.508 | 0.000 | 0.000 | 0.000 |
| Gross profit | 99439.380 | 48562.730 | 51127.240 | 51127.240 | 51127.270 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Taxable profit | 99439.380 | 48562.730 | 51127.240 | 51127.240 | 51127.270 |
| Tax | 34803.790 | 16996.960 | 17894.540 | 17894.540 | 17894.540 |
| Net profit | 64635.600 | 31565.780 | 33232.710 | 33232.710 | 33232.720 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 64635.600 | 31565.780 | 33232.710 | 33232.710 | 33232.720 |
| Accumulated undistributed profit | 192589.600 | 224155.400 | 257388.100 | 290620.800 | 323853.500 |
| Gross profit, % of total sales | 77.757 | 65.235 | 68.680 | 68.680 | 68.680 |
| Net profit, % of total sales | 50.542 | 42.403 | 44.642 | 44.642 | 44.642 |
| RGE, Net profit, % of equity | 76.696 | 37.456 | 39.434 | 39.434 | 39.434 |
| ROI, Net profit+interest, % of invest. | 20.813 | 10.182 | 9.914 | 9.914 | 7.089 |



----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Net Income Statement in THOUSAND PESOS

| Year | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|------------|------------|------------|------------|------------|
| Total sales, incl. sales tax | 127884.200 | 74443.050 | 74443.050 | 74443.050 | 90072.130 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 127884.200 | 74443.050 | 74443.050 | 74443.050 | 90072.130 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 23276.870 | 25153.800 | 25153.800 | 25153.800 | 25153.780 |
| Operational margin | 104607.300 | 49289.240 | 49289.240 | 49289.240 | 64918.350 |
| As % of total sales | 81.798 | 66.211 | 66.211 | 66.211 | 72.074 |
| Cost of finance | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Gross profit | 104607.300 | 49289.240 | 49289.240 | 49289.240 | 64918.350 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Taxable profit | 104607.300 | 49289.240 | 49289.240 | 49289.240 | 64918.350 |
| Tax | 36612.570 | 17251.230 | 17251.230 | 17251.230 | 22721.420 |
| Net profit | 67994.770 | 32038.010 | 32038.010 | 32038.010 | 42196.930 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 67994.770 | 32038.010 | 32038.010 | 32038.010 | 42196.930 |
| Accumulated undistributed profit . . . | 391848.300 | 423886.300 | 455924.300 | 487962.300 | 530159.300 |
| Gross profit, % of total sales | 81.798 | 66.211 | 66.211 | 66.211 | 72.074 |
| Net profit, % of total sales | 53.169 | 43.037 | 43.037 | 43.037 | 46.848 |
| ROE, Net profit, % of equity | 80.682 | 38.016 | 38.016 | 38.016 | 50.070 |
| ROI, Net profit+interest, % of invest. | 14.504 | 6.832 | 6.832 | 6.832 | 8.998 |



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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow Discounting:

| | | | |
|---|----------|----|---------|
| a) Equity paid versus Net income flow: | | | |
| Net present value | 46816.05 | at | 20.00 % |
| Internal Rate of Return (IRRE1) .. | 31.58 % | | |
| b) Net Worth versus Net cash return: | | | |
| Net present value | 7836.13 | at | 20.00 % |
| Internal Rate of Return (IRRE2) .. | 21.86 % | | |
| c) Internal Rate of Return on total investment: | | | |
| Net present value | 728.95 | at | 20.00 % |
| Internal Rate of Return (IRR) .. | 20.11 % | | |
| Net Worth = Equity paid plus reserves | | | |

----- SOFTWARE DEVELOPMENT CENTER --- APRIL 1990 -----



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----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow Tables, construction in THOUSAND PESOS

| Year | 1990 | 1991 |
|--------------------------|-----------|-------------|
| Total cash inflow . . | 3500.000 | 206620.200 |
| Financial resources . | 3500.000 | 206620.200 |
| Sales, net of tax . . | 0.000 | 0.000 |
| Total cash outflow . . | 3500.000 | 206620.200 |
| Total assets | 3500.000 | 197644.400 |
| Operating costs . . . | 0.000 | 0.000 |
| Cost of finance . . . | 0.000 | 8975.778 |
| Repayment | 0.000 | 0.000 |
| Corporate tax | 0.000 | 0.000 |
| Dividends paid | 0.000 | 0.000 |
| Surplus (deficit) . . | 0.000 | 0.000 |
| Cumulated cash balance | 0.000 | 0.000 |
| Inflow, local | 3500.000 | 64818.930 |
| Outflow, local | 3500.000 | 68017.220 |
| Surplus (deficit) . . | 0.000 | -3198.289 |
| Inflow, foreign | 0.000 | 141801.200 |
| Outflow, foreign | 0.000 | 138602.900 |
| Surplus (deficit) . . | 0.000 | 3198.297 |
| Net cashflow | -3500.000 | -197644.400 |
| Cumulated net cashflow | -3500.000 | -201144.400 |



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COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Cashflow tables, production in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|-------------------------|-------------|-------------|------------|------------|-------------|------------|
| Total cash inflow . . | 53932.320 | 53841.010 | 74443.050 | 74443.050 | 74443.050 | 127884.200 |
| Financial resources . | 247.718 | 156.412 | 0.000 | 0.000 | 0.000 | 0.000 |
| Sales, net of tax . . | 53684.600 | 53684.600 | 74443.050 | 74443.050 | 74443.050 | 127884.200 |
| Total cash outflow . . | 40754.590 | 39684.080 | 36796.320 | 34231.810 | 179812.600 | 61862.800 |
| Total assets | 706.198 | 323.251 | -0.000 | 0.000 | 133600.400 | -323.251 |
| Operating costs . . . | 4118.992 | 5995.930 | 5995.930 | 5995.930 | 5995.930 | 4118.984 |
| Cost of finance . . . | 17951.560 | 15387.050 | 12822.540 | 10258.030 | 7693.524 | 5129.017 |
| Repayment | 17977.850 | 17977.850 | 17977.850 | 17977.850 | 17977.850 | 18134.260 |
| Corporate tax | 0.000 | 0.000 | 0.000 | 0.000 | 14544.890 | 34803.790 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 13177.720 | 14156.930 | 37646.730 | 40211.230 | -105369.500 | 66021.410 |
| Cumulated cash balance | 13177.720 | 27334.650 | 64981.380 | 105192.600 | -176.922 | 65844.480 |
| Inflow, local | 53932.320 | 53841.010 | 74443.050 | 74443.050 | 74443.050 | 127884.200 |
| Outflow, local | 18859.700 | 19184.140 | 17691.350 | 16521.810 | 29897.160 | 46942.730 |
| Surplus (deficit) . | 35072.620 | 34656.860 | 56751.700 | 57921.230 | 44545.890 | 80941.480 |
| Inflow, foreign | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Outflow, foreign . . . | 21894.900 | 20499.930 | 19104.970 | 17710.000 | 149915.490 | 14920.070 |
| Surplus (deficit) . | -21894.900 | -20499.930 | -19104.970 | -17710.000 | -149915.400 | -14920.070 |
| Net cashflow | 49107.130 | 47521.800 | 68447.120 | 68447.120 | -79690.160 | 89128.270 |
| Cumulated net cashflow | -152037.300 | -104515.400 | -36068.300 | 32378.810 | -47319.350 | 41808.920 |



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COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Cashflow tables, production in THOUSAND PESOS

| Year | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|-------------------------|------------|------------|------------|-------------|------------|------------|
| Total cash inflow . . | 74443.050 | 74443.050 | 74443.050 | 74443.050 | 127884.200 | 74599.460 |
| Financial resources . | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 156.412 |
| Sales, net of tax . . | 74443.050 | 74443.050 | 74443.050 | 74443.050 | 127884.200 | 74443.050 |
| Total cash outflow . . | 41658.300 | 22013.530 | 22013.530 | 155613.900 | 40731.550 | 23570.410 |
| Total assets | 0.000 | 0.000 | 0.000 | 133600.400 | 0.000 | 323.251 |
| Operating costs . . . | 4118.992 | 4118.992 | 4118.992 | 4118.992 | 4118.984 | 5995.930 |
| Cost of finance . . . | 2564.508 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Repayment | 17977.840 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Corporate tax | 16996.960 | 17894.540 | 17894.540 | 17894.540 | 36612.570 | 17251.230 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 32784.750 | 52429.520 | 52429.520 | -81170.880 | 87152.660 | 51029.050 |
| Cumulated cash balance | 98629.230 | 151058.800 | 203488.300 | 122317.400 | 209470.000 | 260499.100 |
| Inflow, local | 74443.050 | 74443.050 | 74443.050 | 74443.050 | 127884.200 | 74599.460 |
| Outflow, local | 28133.200 | 22013.530 | 22013.530 | 22013.540 | 40731.550 | 23570.410 |
| Surplus (deficit) . | 46309.840 | 52429.520 | 52429.520 | -52429.510 | 87152.660 | 51029.050 |
| Inflow, foreign | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Outflow, foreign . . . | 13525.100 | 0.000 | 0.000 | 133600.400 | 0.000 | 0.000 |
| Surplus (deficit) . | -13525.100 | 0.000 | 0.000 | -133600.400 | 0.000 | 0.000 |
| Net cashflow | 53327.100 | 52429.520 | 52429.520 | -81170.880 | 87152.660 | 51029.040 |
| Cumulated net cashflow | 95136.020 | 147565.500 | 199995.000 | 118824.200 | 205976.800 | 257005.900 |



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COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Cashflow tables, production in THOUSAND PESOS

| Year | 2004 | 2005 | 2006 |
|--------------------------|------------|------------|------------|
| Total cash inflow . . | 74443.050 | 74443.050 | 90072.130 |
| Financial resources . | 0.000 | 0.000 | 0.000 |
| Sales, net of tax . . | 74443.050 | 74443.050 | 90072.130 |
| Total cash outflow . . | 23247.160 | 23247.160 | 28717.350 |
| Total assets | 0.000 | 0.000 | 0.000 |
| Operating costs | 5995.930 | 5995.930 | 5995.930 |
| Cost of finance | 0.000 | 0.000 | 0.000 |
| Repayment | 0.000 | 0.000 | 0.000 |
| Corporate tax | 17251.230 | 17251.230 | 22721.420 |
| Dividends paid | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . . | 51195.880 | 51195.880 | 61354.770 |
| Cumulated cash balance | 311695.000 | 362890.800 | 424245.600 |
| Inflow, local | 74443.050 | 74443.050 | 90072.130 |
| Outflow, local | 23247.160 | 23247.160 | 28717.350 |
| Surplus (deficit) . . | 51195.880 | 51195.880 | 61354.770 |
| Inflow, foreign | 0.000 | 0.000 | 0.000 |
| Outflow, foreign | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . . | 0.000 | 0.000 | 0.000 |
| Net cashflow | 51195.880 | 51195.880 | 61354.770 |
| Cumulated net cashflow | 308201.800 | 359397.600 | 420752.400 |



----- CONFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, construction in THOUSAND PESOS

| Year | 1990 | 1991 |
|------------------------------------|----------|------------|
| Total assets | 3500.000 | 210120.100 |
| Fixed assets, net of depreciation | 0.000 | 3500.000 |
| Construction in progress | 3500.000 | 206381.900 |
| Current assets | 0.000 | 238.260 |
| Cash, bank | 0.000 | 0.000 |
| Cash surplus, finance available . | 0.000 | 0.000 |
| Loss carried forward | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 |
| Total liabilities | 3500.000 | 210120.100 |
| Equity capital | 3500.000 | 84275.200 |
| Reserves, retained profit | 0.000 | 0.000 |
| Profit | 0.000 | 0.000 |
| Long and medium term debt | 0.000 | 125844.900 |
| Current liabilities | 0.000 | 0.000 |
| Bank overdraft, finance required. | 0.000 | 0.000 |
| Total debt | 0.000 | 125844.900 |
| Equity, % of liabilities | 100.000 | 40.108 |



----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 |
|------------------------------------|------------|------------|------------|------------|------------|
| Total assets | 204807.300 | 200090.600 | 218540.500 | 239555.000 | 248765.000 |
| Fixed assets, net of depreciation | 190685.100 | 171488.300 | 152291.400 | 133094.600 | 113897.900 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 133600.400 |
| Current assets | 622.397 | 789.236 | 789.235 | 789.235 | 789.235 |
| Cash, bank | 322.061 | 478.473 | 478.473 | 478.473 | 478.473 |
| Cash surplus, finance available . | 13177.730 | 27334.670 | 64981.390 | 105192.600 | 0.000 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 204807.300 | 200090.600 | 218540.500 | 239555.000 | 248766.000 |
| Equity capital | 84275.200 | 84275.200 | 84275.200 | 84275.200 | 84275.200 |
| Reserves, retained profit | 0.000 | 12417.240 | 25522.050 | 61949.810 | 100942.100 |
| Profit | 12417.240 | 13104.810 | 36427.770 | 39992.270 | 27011.940 |
| Long and medium term debt | 107867.100 | 89889.240 | 71911.390 | 53933.550 | 35955.700 |
| Current liabilities | 247.718 | 404.130 | 404.130 | 404.130 | 404.130 |
| Bank overdraft, finance required. | 0.000 | 0.000 | 0.000 | 0.000 | 176.906 |
| Total debt | 108114.800 | 90293.380 | 72315.520 | 54337.680 | 36536.730 |
| Equity, % of liabilities | 41.149 | 42.119 | 38.563 | 35.180 | 33.877 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990

----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 1997 | 1998 | 1999 | 2000 | 2001 |
|------------------------------------|------------|------------|------------|------------|------------|
| Total assets | 295090.400 | 308678.300 | 341911.100 | 375143.800 | 408376.400 |
| Fixed assets, net of depreciation | 228301.400 | 209104.600 | 189907.800 | 170711.000 | 151514.200 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 133600.400 |
| Current assets | 622.396 | 622.396 | 622.396 | 622.396 | 622.396 |
| Cash, bank | 322.061 | 322.061 | 322.061 | 322.061 | 322.061 |
| Cash surplus, finance available . | 65844.480 | 98629.230 | 151058.800 | 203488.300 | 122317.400 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 295090.400 | 308678.300 | 341911.100 | 375143.800 | 408376.400 |
| Equity capital | 84275.200 | 84275.200 | 84275.200 | 84275.200 | 84275.200 |
| Reserves, retained profit | 127954.000 | 192589.600 | 224155.400 | 257388.100 | 290620.800 |
| Profit | 64635.600 | 31565.780 | 33232.710 | 33232.710 | 33232.720 |
| Long and medium term debt | 17977.850 | 0.006 | 0.006 | 0.006 | 0.006 |
| Current liabilities | 247.718 | 247.718 | 247.718 | 247.718 | 247.718 |
| Bank overdraft, finance required. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total debt | 18225.570 | 247.725 | 247.725 | 247.725 | 247.725 |
| Equity, % of liabilities | 28.559 | 27.302 | 24.648 | 22.465 | 20.637 |



COMFAR
21 UNIDO

----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total assets | 476371.200 | 508565.600 | 540603.600 | 572641.600 | 614838.600 |
| Fixed assets, net of depreciation | 265956.700 | 246798.800 | 227641.000 | 208483.100 | 189325.300 |
| Construction in progress | 0.000 | 0.900 | 0.000 | 0.000 | 0.000 |
| Current assets | 622.396 | 789.235 | 789.235 | 789.235 | 789.235 |
| Cash, bank | 322.061 | 478.473 | 478.473 | 478.473 | 478.473 |
| Cash surplus, finance available . | 209470.000 | 269499.100 | 311694.900 | 362890.800 | 424245.600 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 476371.200 | 508565.600 | 540603.600 | 572641.600 | 614838.600 |
| Equity capital | 84275.200 | 84275.200 | 84275.200 | 84275.200 | 84275.200 |
| Reserves, retained profit | 323853.500 | 391848.300 | 423886.300 | 455924.300 | 487962.300 |
| Profit | 67994.770 | 32038.010 | 32038.010 | 32038.010 | 42196.930 |
| Long and medium term debt | 0.006 | 0.006 | 0.006 | 0.006 | 0.006 |
| Current liabilities | 247.718 | 404.130 | 404.130 | 404.130 | 404.130 |
| Bank overdraft, finance required. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total debt | 247.725 | 404.136 | 404.136 | 404.136 | 404.136 |
| Equity, % of liabilities | 17.691 | 16.571 | 15.589 | 14.717 | 13.707 |



COMFAR
2.1 UNIDG

Financial Statements (Grant)
With BOI Incentives

COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

SOFTWARE DEVELOPMENT CENTER
APRIL 1990
+++++

2 year(s) of construction, 15 years of production

currency conversion rates:

foreign currency 1 unit = 22.0000 units accounting currency

local currency 1 unit = 1.0000 units accounting currency

accounting currency: THOUSAND PESOS

Total initial investment during construction phase

| | | |
|-----------------|-----------|------------------|
| fixed assets: | 136934.60 | 50.656 % foreign |
| current assets: | 238.26 | 0.000 % foreign |
| total assets: | 137172.80 | 50.568 % foreign |

Source of funds during construction phase

| | | |
|------------------|-----------|------------------|
| equity & grants: | 55812.61 | 53.819 % foreign |
| foreign loans : | 42526.22 | |
| local loans : | 38833.98 | |
| total funds : | 137172.80 | 52.900 % foreign |

Cashflow from operations

| Year: | 2 | 3 | 5 |
|------------------|----------|----------|-----------|
| operating costs: | 5995.93 | 5995.93 | 5995.93 |
| depreciation : | 11180.78 | 11180.78 | 11180.76 |
| interest : | 10849.13 | 9040.94 | 5424.56 |
| production costs | 28025.84 | 26217.65 | 22601.25 |
| thereof foreign | 43.60 % | 43.94 % | 44.79 % |
| total sales : | 37808.60 | 51511.05 | 51511.05 |
| gross income : | 9782.76 | 25293.40 | 28909.79 |
| net income : | 9782.76 | 25293.40 | 18791.37 |
| cash balance : | 9173.82 | 24851.29 | -48450.97 |
| net cashflow : | 31645.83 | 45515.12 | -31403.52 |

Net Present Value at: 20.00 % = 4543.20
Internal Rate of Return: 21.06 %
Return on equity1: 31.25 %
Return on equity2: 22.46 %

Index of Schedules produced by COMFAR

| | |
|------------------------------------|----------------------|
| Total initial investment | Cashflow Tables |
| Total investment during production | Projected Balance |
| Total production costs | Net income statement |
| Working Capital requirements | Source of finance |



CONFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA ---

Net Income Statement in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 |
|--|-----------|-----------|-----------|-----------|-----------|
| Total sales, incl. sales tax | 37808.600 | 37808.600 | 51511.050 | 51511.050 | 51511.050 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 37808.600 | 37808.600 | 51511.050 | 51511.050 | 51511.050 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 15299.770 | 17176.710 | 17176.710 | 17176.710 | 17176.690 |
| Operational margin | 22508.830 | 20631.890 | 34334.340 | 34334.340 | 34334.360 |
| As % of total sales | 59.534 | 54.569 | 66.654 | 66.654 | 66.654 |
| Cost of finance | 12657.310 | 10849.130 | 9040.938 | 7232.750 | 5424.563 |
| Gross profit | 9851.514 | 9782.762 | 25293.400 | 27101.590 | 28909.790 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Taxable profit | 9851.514 | 9782.762 | 25293.400 | 27101.590 | 28909.790 |
| Tax | 0.000 | 0.000 | 0.000 | 0.000 | 10118.430 |
| Net profit | 9851.514 | 9782.762 | 25293.400 | 27101.590 | 18791.370 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 9851.514 | 9782.762 | 25293.400 | 27101.590 | 18791.370 |
| Accumulated undistributed profit . . . | 9851.514 | 19634.240 | 44927.670 | 72029.260 | 90820.630 |
| Gross profit, % of total sales | 26.056 | 25.874 | 49.103 | 52.613 | 56.123 |
| Net profit, % of total sales | 26.056 | 25.874 | 49.103 | 52.613 | 36.480 |
| ROE, Net profit, % of equity | 17.651 | 17.528 | 45.318 | 48.558 | 33.669 |
| ROI, Net profit+interest, % of invest. | 17.143 | 15.693 | 26.116 | 26.116 | 12.214 |



COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA

Net Income Statement in THOUSAND PESOS

| Year | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|------------|------------|------------|------------|------------|
| Total sales, incl. sales tax | 51511.050 | 51511.050 | 51511.050 | 51511.050 | 51511.050 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 51511.050 | 51511.050 | 51511.050 | 51511.050 | 51511.050 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 15299.770 | 15299.770 | 15299.770 | 15299.770 | 15299.770 |
| Operational margin | 36211.270 | 36211.270 | 36211.270 | 36211.270 | 36211.270 |
| As % of total sales | 70.298 | 70.298 | 70.298 | 70.298 | 70.298 |
| Cost of finance | 3616.376 | 1808.188 | 0.000 | 0.000 | 0.000 |
| Gross profit | 32594.900 | 34403.090 | 36211.270 | 36211.270 | 36211.270 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Taxable profit | 32594.900 | 34403.090 | 36211.270 | 36211.270 | 36211.270 |
| Tax | 11408.210 | 12041.080 | 12673.950 | 12673.950 | 12673.950 |
| Net profit | 21186.680 | 22362.010 | 23537.330 | 23537.330 | 23537.330 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 21186.680 | 22362.010 | 23537.330 | 23537.330 | 23537.330 |
| Accumulated undistributed profit | 112007.300 | 134369.300 | 157906.600 | 181444.000 | 204981.300 |
| Gross profit, % of total sales | 63.277 | 66.788 | 70.298 | 70.298 | 70.298 |
| Net profit, % of total sales | 41.130 | 43.412 | 45.694 | 45.694 | 45.694 |
| ROE, Net profit, % of equity | 37.960 | 40.066 | 42.172 | 42.172 | 42.172 |
| ROI, Net profit+interest, % of invest. | 12.520 | 12.201 | 11.881 | 11.881 | 8.885 |



----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Net Income Statement in THOUSAND PESOS

| Year | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|------------|------------|------------|------------|------------|
| Total sales, incl. sales tax | 51511.050 | 51511.050 | 51511.050 | 51511.050 | 67140.130 |
| Less: variable costs, incl. sales tax. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Variable margin | 51511.050 | 51511.050 | 51511.050 | 51511.050 | 67140.130 |
| As % of total sales | 100.000 | 100.000 | 100.000 | 100.000 | 100.000 |
| Non-variable costs, incl. depreciation | 15260.830 | 17137.770 | 17137.770 | 17137.770 | 17137.770 |
| Operational margin | 36250.210 | 34373.270 | 34373.270 | 34373.270 | 50002.360 |
| As % of total sales | 70.374 | 66.730 | 66.730 | 66.730 | 74.475 |
| Cost of finance | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Gross profit | 36250.210 | 34373.270 | 34373.270 | 34373.270 | 50002.360 |
| Allowances | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Taxable profit | 36250.210 | 34373.270 | 34373.270 | 34373.270 | 50002.360 |
| Tax | 12687.570 | 12030.650 | 12030.650 | 12030.650 | 17500.820 |
| Net profit | 23562.640 | 22342.630 | 22342.630 | 22342.630 | 32501.530 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Undistributed profit | 23562.640 | 22342.630 | 22342.630 | 22342.630 | 32501.530 |
| Accumulated undistributed profit . . . | 228543.900 | 250886.600 | 273229.200 | 295571.800 | 328073.300 |
| Gross profit, % of total sales | 70.374 | 66.730 | 66.730 | 66.730 | 74.475 |
| Net profit, % of total sales | 45.743 | 43.374 | 43.374 | 43.374 | 48.409 |
| ROE, Net profit, % of equity | 42.217 | 40.032 | 40.032 | 40.032 | 58.233 |
| ROI, Net profit+interest, % of invest. | 8.895 | 8.429 | 8.429 | 8.429 | 12.261 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990



Cashflow Discounting:

| | | |
|---|----------|------------|
| a) Equity paid versus Net income flow: | | |
| Net present value | 27698.33 | at 20.00 % |
| Internal Rate of Return (IRRE1) .. | 31.25 % | |
| b) Net Worth versus Net cash return: | | |
| Net present value | 6574.95 | at 20.00 % |
| Internal Rate of Return (IRRE2) .. | 22.46 % | |
| c) Internal Rate of Return on total investment: | | |
| Net present value | 4543.20 | at 20.00 % |
| Internal Rate of Return (IRR) .. | 21.06 % | |
| Net Worth = Equity paid plus reserves | | |



----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow Tables, construction in THOUSAND PESOS

| Year | 1990 | 1991 |
|------------------------|-------|-------------|
| Total cash inflow . . | 0.000 | 137172.800 |
| Financial resources . | 0.000 | 137172.800 |
| Sales, net of tax . . | 0.000 | 0.000 |
| Total cash outflow . . | 0.000 | 137172.800 |
| Total assets | 0.000 | 130844.200 |
| Operating costs . . . | 0.000 | 0.000 |
| Cost of finance . . . | 0.000 | 6328.656 |
| Repayment | 0.000 | 0.000 |
| Corporate tax | 0.000 | 0.000 |
| Dividends paid | 0.000 | 0.000 |
| Surplus (deficit) . | 0.000 | 0.000 |
| Cumulated cash balance | 0.000 | 0.000 |
| Inflow, local | 0.000 | 64608.920 |
| Outflow, local | 0.000 | 67807.220 |
| Surplus (deficit) . | 0.000 | -3198.301 |
| Inflow, foreign . . . | 0.000 | 72563.900 |
| Outflow, foreign . . . | 0.000 | 69365.600 |
| Surplus (deficit) . | 0.000 | 3198.297 |
| Net cashflow | 0.000 | -130844.200 |
| Cumulated net cashflow | 0.000 | -130844.200 |

----- SOFTWARE DEVELOPMENT CENTER --- APRIL 1991 -----



----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow tables, production in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|-------------------------|------------|------------|------------|-----------|------------|-----------|
| Total cash inflow . . | 38056.320 | 37965.010 | 51511.050 | 51511.050 | 51511.050 | 51511.050 |
| Financial resources . | 247.718 | 156.412 | 0.000 | 0.000 | 0.000 | 0.000 |
| Sales, net of tax . . | 37808.600 | 37808.600 | 51511.050 | 51511.050 | 51511.050 | 51511.050 |
| Total cash outflow . . | 29105.390 | 28791.190 | 26659.750 | 24851.570 | 99962.010 | 30599.630 |
| Total assets | 706.198 | 323.251 | 0.000 | 0.000 | 66800.200 | -323.251 |
| Operating costs . . . | 4118.992 | 5995.930 | 5995.930 | 5995.930 | 5995.930 | 4118.992 |
| Cost of finance . . . | 12657.310 | 10849.130 | 9040.938 | 7232.750 | 5424.563 | 3616.376 |
| Repayment | 11622.890 | 11622.890 | 11622.890 | 11622.890 | 11622.890 | 11779.300 |
| Corporate tax | 0.000 | 0.000 | 0.000 | 0.000 | 10118.430 | 11408.210 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 8950.928 | 9173.816 | 24851.290 | 26659.480 | -48450.960 | 20911.420 |
| Cumulated cash balance | 8950.928 | 18124.740 | 42976.040 | 69635.520 | 21184.550 | 42095.970 |
| Inflow, local | 38056.320 | 37965.010 | 51511.050 | 51511.050 | 51511.050 | 51511.050 |
| Outflow, local | 18133.700 | 18524.150 | 17091.350 | 15981.810 | 24990.700 | 23127.170 |
| Surplus (deficit) . | 19916.620 | 19440.860 | 34419.700 | 35529.230 | 26520.350 | 28383.880 |
| Inflow, foreign | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Outflow, foreign . . . | 10965.690 | 10267.040 | 9568.399 | 8869.754 | 74971.310 | 7472.464 |
| Surplus (deficit) . | -10965.690 | -10267.040 | -9568.399 | -8869.754 | -74971.310 | -7472.464 |
| Net cashflow | 33231.130 | 31645.830 | 45515.120 | 45515.120 | -31403.510 | 35150.680 |
| Cumulated net cashflow | -97613.040 | -65967.210 | -20452.090 | 25063.020 | -6240.490 | 29810.190 |

----- SOFTWARE DEVELOPMENT CENTER --- APRIL 1990 -----



----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow tables, production in THOUSAND PESOS

| Year | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|-----------|-----------|------------|------------|------------|------------|
| Total cash inflow . . | 51511.050 | 51511.050 | 51511.050 | 51511.050 | 51511.050 | 51667.460 |
| Financial resources . | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 156.412 |
| Sales, net of tax . . | 51511.050 | 51511.050 | 51511.050 | 51511.050 | 51511.050 | 51511.050 |
| Total cash outflow . . | 29591.150 | 16792.940 | 16792.940 | 83593.140 | 16806.570 | 18349.830 |
| Total assets | 0.000 | 0.000 | 0.000 | 66800.200 | 0.000 | 323.251 |
| Operating costs | 4118.992 | 4118.992 | 4118.992 | 4118.992 | 4118.992 | 5995.930 |
| Cost of finance | 1808.188 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Repayment | 11622.890 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Corporate tax | 12041.080 | 12673.950 | 12673.950 | 12673.950 | 12687.570 | 12030.650 |
| Dividends paid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . . | 21919.900 | 34718.110 | 34718.110 | -32082.090 | 34704.480 | 33317.639 |
| Cumulated cash balance | 64015.880 | 98733.980 | 133452.100 | 101370.000 | 136074.500 | 169392.100 |
| Inflow, local | 51511.050 | 51511.050 | 51511.050 | 51511.050 | 51511.050 | 51667.460 |
| Outflow, local | 22817.330 | 16792.940 | 16792.940 | 16792.940 | 16806.570 | 18349.830 |
| Surplus (deficit) . . | 28693.710 | 34718.110 | 34718.110 | 34718.110 | 34704.480 | 33317.630 |
| Inflow, foreign | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Outflow, foreign | 6773.817 | 0.000 | 0.000 | 66800.200 | 0.000 | 0.000 |
| Surplus (deficit) . . | -6773.817 | 0.000 | 0.000 | -66800.200 | 0.000 | 0.000 |
| Net cashflow | 35350.980 | 34718.110 | 34718.110 | -32082.090 | 34704.480 | 33317.630 |
| Cumulated net cashflow | 65161.160 | 99879.270 | 134597.400 | 102515.300 | 137219.800 | 170537.400 |

----- SOFTWARE DEVELOPMENT CENTER --- APRIL 199



----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Cashflow tables, production in THOUSAND PESOS

| Year | 2004 | 2005 | 2006 |
|--------------------------|------------|------------|------------|
| Total cash inflow . . | 51511.050 | 51511.050 | 67140.130 |
| Financial resources . | 0.000 | 0.000 | 0.000 |
| Sales, net of tax . . | 51511.050 | 51511.050 | 67140.130 |
| Total cash outflow . . | 18026.580 | 18026.580 | 23496.750 |
| Total assets | 0.000 | 0.000 | -0.000 |
| Operating costs . . . | 5995.930 | 5995.930 | 5995.930 |
| Cost of finance . . . | 0.000 | 0.000 | 0.000 |
| Repayment | 0.000 | 0.000 | 0.000 |
| Corporate tax | 12030.650 | 12030.650 | 17500.820 |
| Dividends paid | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 33484.470 | 33484.470 | 43643.370 |
| Cumulated cash balance | 202076.600 | 236361.000 | 280004.400 |
| Inflow, local | 51511.050 | 51511.050 | 67140.130 |
| Outflow, local | 18026.580 | 18026.580 | 23496.750 |
| Surplus (deficit) . | 33484.470 | 33484.470 | 43643.370 |
| Inflow, foreign | 0.000 | 0.000 | 0.000 |
| Outflow, foreign | 0.000 | 0.000 | 0.000 |
| Surplus (deficit) . | 0.000 | 0.000 | 0.000 |
| Net cashflow | 33484.470 | 33484.470 | 43643.370 |
| Cumulated net cashflow | 204021.900 | 237506.300 | 281149.700 |



Projected Balance Sheets, construction in THOUSAND PESOS

| Year | 1990 | 1991 |
|-----------------------------------|-------|------------|
| Total assets | 0.000 | 137172.800 |
| Fixed assets, net of depreciation | 0.000 | 0.000 |
| Construction in progress | 0.000 | 136934.600 |
| Current assets | 0.000 | 238.260 |
| Cash, bank | 0.000 | 0.000 |
| Cash surplus, finance available . | 0.000 | 0.000 |
| Loss carried forward | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 |
| Total liabilities | 0.000 | 137172.800 |
| Equity capital | 0.000 | 55812.610 |
| Reserves, retained profit | 0.000 | 0.000 |
| Profit | 0.000 | 0.000 |
| Long and medium term debt | 0.000 | 81360.200 |
| Current liabilities | 0.000 | 0.000 |
| Bank overdraft, finance required. | 0.000 | 0.016 |
| Total debt | 0.000 | 81360.220 |
| Equity, % of liabilities | 0.000 | 40.688 |

----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 1992 | 1993 | 1994 | 1995 | 1996 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total assets | 135649.200 | 133965.400 | 147636.000 | 163114.700 | 170203.100 |
| Fixed assets, net of depreciation | 125753.000 | 114573.000 | 103392.200 | 92211.440 | 81030.680 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 66800.200 |
| Current assets | 622.397 | 789.236 | 789.236 | 789.236 | 789.236 |
| Cash, bank | 322.061 | 478.473 | 478.473 | 478.473 | 478.473 |
| Cash surplus, finance available | 8950.914 | 18124.730 | 42976.030 | 69635.520 | 21184.560 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 135649.200 | 133965.400 | 147636.000 | 163114.700 | 170203.100 |
| Equity capital | 55812.610 | 55812.610 | 55812.610 | 55812.610 | 55812.610 |
| Reserves, retained profit | 0.000 | 9851.514 | 19634.280 | 44927.670 | 72029.260 |
| Profit | 9851.514 | 9782.762 | 25293.400 | 27101.590 | 18791.370 |
| Long and medium term debt | 69737.310 | 58114.430 | 46491.550 | 34860.660 | 23245.780 |
| Current liabilities | 247.718 | 404.130 | 404.130 | 404.130 | 404.130 |
| Bank overdraft, finance required. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total debt | 69985.030 | 58518.560 | 46895.680 | 35272.790 | 23649.910 |
| Equity, % of liabilities | 41.145 | 41.662 | 37.804 | 34.217 | 32.776 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990

----- COMFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 1997 | 1998 | 1999 | 2000 | 2001 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total assets | 179690.500 | 190429.600 | 213967.000 | 237504.300 | 261041.600 |
| Fixed assets, net of depreciation | 136650.100 | 125469.300 | 114288.500 | 103107.800 | 91926.970 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 66800.200 |
| Current assets | 622.397 | 622.397 | 622.397 | 622.397 | 622.397 |
| Cash, bank | 322.061 | 322.061 | 322.061 | 322.061 | 322.061 |
| Cash surplus, finance available | 42095.980 | 64015.870 | 98733.980 | 133452.100 | 101370.000 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 179690.500 | 190429.600 | 213967.000 | 237504.300 | 261041.600 |
| Equity capital | 55812.610 | 55812.610 | 55812.610 | 55812.610 | 55812.610 |
| Reserves, retained profit | 90820.630 | 112097.300 | 134369.300 | 157906.600 | 181444.000 |
| Profit | 21186.680 | 22362.010 | 23537.330 | 23537.330 | 23537.330 |
| Long and medium term debt | 11622.890 | 0.003 | 0.003 | 0.003 | 0.003 |
| Current liabilities | 247.718 | 247.718 | 247.718 | 247.718 | 247.718 |
| Bank overdraft, finance required. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total debt | 11870.610 | 247.722 | 247.722 | 247.722 | 247.722 |
| Equity, % of liabilities | 31.060 | 29.309 | 26.085 | 23.500 | 21.381 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990



----- CONFAR 2.1 - SYCIP, GORRES, VELAYO & CO., MANILA -----

Projected Balance Sheets, Production in THOUSAND PESOS

| Year | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total assets | 284604.300 | 307103.300 | 329445.900 | 351788.600 | 384290.100 |
| Fixed assets, net of depreciation | 147565.300 | 136443.500 | 125301.600 | 114159.800 | 103018.000 |
| Construction in progress | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Current assets | 622.397 | 789.236 | 789.236 | 789.236 | 789.235 |
| Cash, bank | 322.061 | 478.473 | 478.473 | 478.473 | 478.473 |
| Cash surplus, finance available | 136074.500 | 169392.100 | 202876.600 | 236361.100 | 280004.400 |
| Loss carried forward | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loss | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total liabilities | 284604.300 | 307103.300 | 329445.900 | 351788.600 | 384290.100 |
| Equity capital | 55812.610 | 55812.610 | 55812.610 | 55812.610 | 55812.610 |
| Reserves, retained profit | 204981.300 | 228543.900 | 250886.600 | 273229.200 | 295571.800 |
| Profit | 23562.640 | 22342.630 | • 22342.636 | 22342.630 | 32501.530 |
| Long and medium term debt | 0.003 | 0.003 | 0.003 | 0.003 | 0.003 |
| Current liabilities | 247.718 | 404.130 | 404.130 | 404.130 | 404.130 |
| Bank overdraft, finance required | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total debt | 247.722 | 404.134 | 404.134 | 404.134 | 404.134 |
| Equity, % of liabilities | 19.611 | 18.174 | 16.941 | 15.865 | 14.524 |

SOFTWARE DEVELOPMENT CENTER --- APRIL 1990

Formula Used for the Computation of Tax Credits
for Local Equipment

$$dv = SP/1.1$$

$$CIF = \frac{dv}{R(1+r) + r + 1.22}$$

$$DV = \frac{dv - [(.20 (dv)) + r (CIF)]}{1 + R(1 + r)}$$

$$\text{Amount of Duty} = R (DV)$$

$$\text{Amount of Tax} = r (CIF + \text{Amount of Duty})$$

$$\text{Tax Credit} = \text{Amount of Duty} + \text{Amount of Tax}$$

Where:

CIF - Cost, Insurance, & freight
DV - Dutiable value
dv - Domestic value
R - duty rate
r - Tax rate (VAT)
SP - Selling price

Source: Board of Investments.

MAINTENANCE SCHEDULE
(in Pesos)

A. 3090 15S Mainframe, MVS/XA Environment

| MACHINE TYPE | MODEL/ FEATURE | QTY | DESCRIPTION | WARRANTY PERIOD | MIN. MONTHLY CHARGES |
|---------------|----------------|-----|---------------------------|-----------------|----------------------|
| 3090 | 15S | 1 | Uni Processor | 1 Year | 69,904.80 |
| 3092 | 001 | 1 | Processor Controller | 1 Year | 43,789.80 |
| 3206 | 100 | 2 | 3090 Console | 1 Year | 8,132.24 * |
| 3097 | 001 | 1 | Coolant Distribution Unit | 1 Year | 6,095.25 |
| 3089 | 003 | 1 | Power Unit | 3 Months | 2,454.51 |
| MONTHLY TOTAL | | | | | 122,253.36 |
| YEARLY TOTAL | | | | | 8,132.24 |

B. Minicomputers

IBM AS/400 B45

| | | | | | |
|---------------|------|---|-------------------------------|--------|------------|
| 9406 | B45 | 1 | Processor-8MB | 1 Year | 6,210.00 |
| | 6040 | 1 | Twinax Wkstn. Ctlr. | 1 Year | - |
| | 6110 | 1 | Magnetic Storage Device Ctlr. | 1 Year | - |
| 9331 | 001 | 1 | 8" Diskette Unit | 1 Year | 513.23 |
| 9335 | A01 | 1 | Device Function Ctlr. | 1 Year | 490.90 |
| 9335 | B01 | 2 | 850MB Disk Unit | 1 Year | 2,727.22 |
| 9347 | 001 | 1 | Magnetic Tape Drive | 1 Year | 2,127.24 |
| 9309 | 002 | 1 | Rack Enclosure 1.6M | 1 Year | 109.08 |
| 4234 | 012 | 1 | Dot Band Printer | 1 Year | 2,483.00 |
| 3196 | A1Y | 1 | Display Station | 1 Year | 1,499.97 * |
| MONTHLY TOTAL | | | | | 15,660.67 |
| YEARLY TOTAL | | | | | 1,499.97 |

DEC MICROVAX II

| | |
|--------------|-----------|
| 1 Year | 63,800.00 |
| YEARLY TOTAL | 63,800.00 |

* Annual Lease

COST OF MAINTENANCE
(in Pesos)

| YEAR | MACHINE | MONTHLY | YEARLY | TOTAL FEES |
|--------|-----------------|--------------|-----------|--------------|
| 2 | IBM 3090-15S | 22,090.59 | 0.00 | 22,090.59 |
| | IBM AS/400 B45 | 0.00 | 0.00 | 0.00 |
| | DEC MICROVAX II | 0.00 | 0.00 | 0.00 |
| | | | | 22,090.59 |
| | | | ADD VAT | 2,209.06 |
| | | | | 24,299.65 |
| 3 - 15 | IBM 3090-15S | 1,467,040.32 | 8,132.24 | 1,475,172.56 |
| | IBM AS/400 B45 | 187,928.04 | 1,499.97 | 189,428.01 |
| | DEC MICROVAX II | 0 | 63,800.00 | 63,800.00 |
| | | | | 1,728,400.57 |
| | | | ADD VAT | 172,840.06 |
| | | | | 1,901,240.63 |