

LEOPOLDO G. HUANG

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The new and revised standards are effective for financial statements covering periods beginning on or after January 1, 2005. Accounting standards issued by the ASC were renamed to correspond better to the issuances of the IASB. PASs correspond to adopted IASs while Philippine Financial Reporting Standards (PFRS) correspond to IFRS.

In addition, the company qualifies as a "non-publicly accountable entity" under PAS 101 – Financial Reporting Standards for Non-Publicly Accountable Entities (NPAEs)." PAS 101 provides temporary relief to qualified small and medium entities in the application of new PASs and PFRSs which became effective in 2005. Under this standard, a qualifying entity need not apply in its general purpose financial statements the new PASs and PFRSs but may still choose to apply any or all of the new PFRSs that became effective in 2005. Accordingly, the company availed of the option not to apply some of the new PASs and PFRSs that became effective in 2005.

Accounting Period and Basis of Preparation

The company uses the calendar year accounting period and adopts the accrual basis of accounting. The financial statements have been prepared using the historical cost basis.

Reporting Currency

The financial statements are prepared in Philippine peso. Fractions of peso amounts are rounded off.

Revenue Recognition

Revenue is recognized and recorded to the extent that it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue can be measured reliably.

Service fees revenue is recognized and recorded upon performance of the related service. This revenue is earned through domestic passenger shipping and cargo operations of the company and is shown net of value-added taxes.

Cash and Cash Equivalent

Cash and cash equivalents in the statement of financial position consist of cash on hand and deposits held at call with the bank.

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Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by the company, including holding companies, subsidiaries and affiliated companies are related parties of the company.

Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Subsequent Events

Post-year-end events that provide additional information about the position of the business at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Management's Use of Judgments and Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the Philippines requires management to make estimates and assumptions that affect certain reported amounts and disclosures. In preparing the financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Accordingly, actual results could differ from those estimates, and such estimates will be adjusted accordingly.

3. RELATED PARTY TRANSACTIONS

The company obtains/gives periodic advances from/to its stockholders or officers that are non-interest bearing and with repayment periods of less than one year. These short-term advances from related parties, stockholders, or officers are presented in the statement of financial position as current liabilities under the title "Due to a related party."

The amount of advances of P56,950 as of December 31, 2006, and P35,450 as of December 31, 2005 were obtained from the president of the company and were for the purpose of payment of the company's organizational costs.

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4. STOCKHOLDERS' EQUITY

The corporation has authorized capital consisting of 5,000,000 shares with par value of P1 per share. Of this total, 2,500,000 shares or P2,500,000 were subscribed while P1,500,000 were paid on subscriptions. Subscriptions still collectible as of December 31, 2006 amounted to P1,000,000.

The company has accumulated deficit of P56,950 as of December 31, 2006 and P35,450 as of December 31, 2005 as a result of net losses incurred during the two non-revenue years.

5. ORGANIZATION EXPENSES

This account represents payments made for organizational expenses of the company at the time of its incorporation. The account also includes payments for the company's pre-operating costs. Amounts incurred are charged to operations for the respective periods.

