

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

Ms. Carmelita G. Salgado
(Contact Person)

(02) 818-8711
(Company Telephone Number)

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<i>Month</i>	<i>Day</i>
(Calendar Year)	

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(Form Type)			

<i>Month</i>	<i>Day</i>
(Annual Meeting)	

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings			
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Domestic	Foreign		

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SGVMC304613

VISION INSURANCE CONSULTANTS, INC.

Financial Statements
December 31, 2004 and 2003

and

Report of Independent Auditors

SGVMC304613

Report of Independent Auditors

The Stockholders and the Board of Directors
Vision Insurance Consultants, Inc.
Chemphil Building
851 A. Arnaiz Avenue
Legaspi Village, Makati City

We have audited the accompanying balance sheets of Vision Insurance Consultants, Inc. as of December 31, 2004 and 2003, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vision Insurance Consultants, Inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Philippines.

Aldrin M. Cerrado
Partner
CPA Certificate No. 86735
SEC Accreditation No. 0113-A
Tax Identification No. 129-433-783
PTR No. 1195836, January 3, 2005, Makati City

April 4, 2005

Report of Independent Auditors

The Stockholders and the Board of Directors
Vision Insurance Consultants, Inc.

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April 4, 2005

*** SGVMC304613 ***

VISION INSURANCE CONSULTANTS, INC.
BALANCE SHEETS

	December 31	
	2004	2003 (As restated - Note 2)
ASSETS		
Current Assets		
Cash	₱116,928	₱1,454,842
Receivables - net (Note 3)	3,269,725	3,344,850
Due from related parties (Note 7)	13,220,284	13,538,834
Prepayments and other current assets (Note 4)	429,917	965,650
Total Current Assets	17,036,854	19,304,176
Noncurrent Assets		
Office furniture, fixtures and equipment - net (Note 5)	21,543	11,524
Deferred income tax asset (Note 10)	804,475	254,502
Due from related parties (Note 7)	14,010,785	13,567,443
Total Noncurrent Assets	14,836,803	13,833,469
TOTAL ASSETS	₱31,873,657	₱33,137,645
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Due to insurance companies	₱2,730,490	₱2,731,505
Accounts payable and accrued expenses (Note 6)	778,063	804,824
Income tax payable	-	205,188
Due to related parties (Note 7)	846,089	831,575
Total Current Liabilities	4,354,642	4,573,092
Stockholders' Equity		
Capital stock - ₱1 par value (Notes 8 and 11)		
Authorized - 2,000,000 shares		
Issued - 1,843,750 shares	1,843,750	1,843,750
Retained earnings		
Appropriated (Note 8)	24,655,250	24,655,250
Unappropriated	1,020,015	2,065,553
Total Stockholders' Equity	27,519,015	28,564,553
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱31,873,657	₱33,137,645

See accompanying Notes to Financial Statements.

*** SGVMC304613 ***

VISION INSURANCE CONSULTANTS, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2004	2003 (As restated - Note 2)
COMMISSION INCOME (Note 7)	₱3,290,839	₱3,304,805
OPERATING EXPENSES		
Provision for doubtful accounts	1,764,790	90,930
Personnel (Note 9)	1,321,831	1,209,928
Share in common services (Note 7)	1,172,185	1,629,400
Management fee (Note 7)	600,000	600,000
Rent (Note 7)	155,899	212,553
Directors' fee	144,000	148,000
Utilities	124,881	260,817
Professional fees	79,018	51,969
Insurance	62,152	64,058
Office supplies	42,815	41,428
Taxes and licenses	39,485	36,084
Transportation	10,571	50,164
Depreciation (Note 5)	4,708	4,825
Others	146,361	69,342
	5,668,696	4,469,498
LOSS FROM OPERATIONS	2,377,857	1,164,693
OTHER INCOME		
Interest income (Note 7)	404,536	1,318,859
Profit sharing commission	340,093	269,437
Other income – net	93,506	157,655
	838,135	1,745,951
INCOME (LOSS) BEFORE INCOME TAX	(1,539,722)	581,258
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 10)		
Current	55,789	205,188
Deferred	(549,973)	(20,423)
	(494,184)	184,765
NET INCOME (LOSS)	(₱1,045,538)	₱396,493

See accompanying Notes to Financial Statements.

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VISION INSURANCE CONSULTANTS, INC.**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	Capital Stock (Note 11)	Retained Earnings		Total
		Appropriated (Note 8)	Unappropriated	
BALANCES AT DECEMBER 31, 2002				
AS PREVIOUSLY REPORTED	₱1,843,750	₱24,655,250	₱1,434,981	₱27,933,981
Effect of change in accounting for income taxes (Note 2)	–	–	234,079	234,079
BALANCES AT DECEMBER 31, 2002				
AS RESTATED	1,843,750	24,655,250	1,669,060	28,168,060
Net income for the year as previously reported	–	–	376,070	376,070
Effect of change in accounting for income taxes (Note 2)	–	–	20,423	20,423
Net income for the year as restated	–	–	396,493	396,493
BALANCES AT DECEMBER 31, 2003				
AS RESTATED	1,843,750	24,655,250	2,065,553	28,564,553
Net loss for the year	–	–	(1,045,538)	(1,045,538)
BALANCES AT DECEMBER 31, 2004	₱1,843,750	₱24,655,250	₱1,020,015	₱27,519,015

See accompanying Notes to Financial Statements.

* SGVMC304613 *

VISION INSURANCE CONSULTANTS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2004	2003 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(₱1,539,722)	₱581,258
Adjustments for:		
Provision for doubtful accounts	1,764,790	90,930
Interest income	(404,536)	(1,318,859)
Depreciation (Note 5)	4,708	4,825
Operating loss before working capital changes	(174,760)	(641,846)
Decrease (increase) in:		
Receivables	(1,689,665)	(447,600)
Amounts due from related parties	654,085	3,257,429
Prepayments and other current assets	318,549	(367,137)
Increase (decrease) in:		
Amounts due to insurance companies	(1,015)	(1,110,757)
Accounts payable and accrued expenses	(26,761)	492,078
Amounts due to related parties	14,514	119,778
Cash generated from (used in) operations	(905,053)	1,301,945
Income taxes paid	(260,977)	-
Interest received	4,605	3,868
Net cash from (used in) operating activities	(1,161,425)	1,305,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	281,580	161,690
Increase in amounts due from related parties	(443,342)	(20,423)
Additions to office furniture, fixtures and equipment (Note 5)	(14,727)	(11,396)
Net cash from (used in) investing activities	(176,489)	129,871
NET INCREASE (DECREASE) IN CASH	(1,337,914)	1,435,684
CASH AT BEGINNING OF YEAR	1,454,842	19,158
CASH AT END OF YEAR	₱116,928	₱1,454,842

See accompanying Notes to Financial Statements.

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VISION INSURANCE CONSULTANTS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Vision Insurance Consultants, Inc. (the Company) was incorporated in the Philippines to primarily engage in insurance brokerage. The Company had two employees in 2004 and 2003. The registered office address of the Company is Chemphil Building, 851 A. Arnaiz Avenue, Legaspi Village, Makati City.

The accompanying financial statements were authorized for issue by the Board of Directors through its Executive Committee on April 4, 2005.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements were prepared in conformity with accounting principles generally accepted in the Philippines under the historical cost basis.

Adoption of New Accounting Standards

Effective January 1, 2004, the Company adopted Statement of Financial Accounting Standard (SFAS) 12/International Accounting Standard (IAS) 12, *Income Taxes*, which prescribes the accounting treatment for income taxes. The standard requires the use of the balance sheet liability method in accounting for deferred income taxes. The standard was adopted on a retroactive basis and prior year's financial statements were restated. The restatement resulted in the recognition of deferred income tax assets of ₱804,475 in 2004 and ₱254,502 in 2003. Retained earnings as of December 31, 2002 and net income for the year ended December 31, 2003 increased by ₱234,079 and ₱20,423, respectively. In prior years, the Company opted not to adopt deferred income tax accounting.

New Accounting Standards Effective in 2005

The Accounting Standards Council (ASC) approved the issuance of new and revised accounting standards, which are based on the revised IAS and new International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The ASC has renamed the standards that it issues to correspond better with the issuances of the IASB. Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRS) correspond to adopted IAS and IFRS, respectively. The new and revised standards are effective for annual periods beginning on or after January 1, 2005.

The Company will adopt PAS 19, *Employee Benefits*, which requires the use of projected unit credit method in measuring retirement benefit expense and a change in the manner of computing benefit expense relating to the past service cost and actuarial gains and losses. It requires the Company to determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date. The Company will avail of the services of a qualified actuary to perform an actuarial valuation of the Company's retirement benefit obligations in accordance with PAS 19, and to determine the amount of transitional liability or asset that will be adjusted against retained earnings upon adoption of this standard.

The Company will also adopt in 2005 the following revised standards:

- PAS 1, *Presentation of Financial Statements*, provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying liabilities as current or noncurrent; prohibits the presentation of income from operating activities and extraordinary items as separate line items in the statement of income; and specifies the disclosures about key sources of estimation, uncertainty and judgments management has made in the process of applying the entity's accounting policies.
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omission or misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting error.
- PAS 10, *Events After the Balance Sheet Date*, provides a limited clarification of the accounting for dividends declared after the balance sheet date.
- PAS 16, *Property, Plant and Equipment*, provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
- PAS 17, *Leases*, provides a limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of the lessors.
- PAS 24, *Related Party Disclosures*, provides additional guidance and clarity in the scope of the standards, the definitions and disclosures for related parties. It also requires disclosure of the compensation of key management personnel by benefit type.

The Company does not expect any significant changes in the accounting policies when it adopts the above new and revised standards in 2005.

Cash

Cash consists of cash on hand and in bank.

Receivables

Receivables are stated at face value less an allowance for any uncollectible amount.

Office Furniture, Fixtures and Equipment

Office furniture, fixtures and equipment is stated at cost less accumulated depreciation and any impairment in value. The initial cost of office furniture, fixtures and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operations, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of office furniture, fixtures and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of office furniture, fixtures and equipment.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets ranging from two to five years.

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of office furniture, fixtures and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is reflected in the statements of income.

The carrying value of office furniture, fixtures and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to its recoverable amount. Any impairment losses are recognized in the statements of income.

Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to taxable income in the period in which those temporary differences are expected to be recovered or settled.

Retirement Benefits Cost

Retirement benefits cost is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. The unfunded past service liability, subsequent past service costs, experience adjustments, and the effects of the changes in the actuarial assumptions are amortized over the expected remaining working lives of the employees.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

Subsequent Events

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

3. **Receivables**

	2004	2003
Premiums	₱2,893,639	₱3,358,015
Commissions	345,758	327,903
Others	861,378	420,727
	4,100,775	4,106,645
Less allowance for doubtful accounts	831,050	761,795
	₱3,269,725	₱3,344,850

4. **Prepayments and Other Current Assets**

	2004	2003
Prepaid taxes	₱308,468	₱748,617
Input taxes	45,611	123,840
Other deposits	48,630	48,630
Others	27,208	44,563
	₱429,917	₱965,650

5. Office Furniture, Fixtures and Equipment

	2004	2003
Cost		
Beginning balance	₱485,756	₱474,360
Additions	14,727	11,396
Ending balance	500,483	485,756
Accumulated Depreciation		
Beginning balance	474,232	469,407
Depreciation	4,708	4,825
Ending balance	478,940	474,232
Net Book Value	₱21,543	₱11,524

6. Accounts Payable and Accrued Expenses

	2004	2003
Accounts payable	₱642,433	₱668,110
Accrued expenses (Note 9)	135,630	116,544
Others	-	20,170
	₱778,063	₱804,824

7. Related Party Transactions

In the normal course of business, the Company had the following transactions with related parties (related parties refer to Chemical Industries of the Philippines, Inc. and its subsidiaries and associates):

- a. Insurance underwriting services rendered by the Company to related parties. Commission earned from these transactions amounted to ₱2,985,115 in 2004 and ₱2,941,196 in 2003.
- b. Extension of noninterest and interest-bearing (interest rate ranging from 7.5% to 9.1% in 2004 and 6% to 9.5% in 2003) cash advances. Interest income earned amounted to ₱399,931 in 2004 and ₱1,314,991 in 2003.
- c. Outstanding receivables from related parties are as follows:

	Premiums Receivable		Advances				Interest		2004 Total	2003 Total
			Noninterest-bearing		Interest-bearing		2004	2003		
	2004	2003	2004	2003	2004	2003	2004	2003		
Current:										
LMG Chemical Corp. (LMG)	₱1,649,275	₱2,035,482	₱2,869,151	₱2,554,232	₱681,580	₱2,369,444	₱655,607	₱642,891	₱5,855,613	₱7,602,049
Chemical Industries of the Philippines, Inc. (CIP)	375,393	413,466	2,520,324	2,510,879	1,311,804	1,311,804	834,425	737,014	5,041,946	4,973,163
CAWC, Inc. (CAWC)	1,829,774	293,458	18,526	-	-	-	-	-	1,848,300	293,458
Kemwater Phil. Corp (KPC)	445,277	356,388	-	-	-	-	-	-	445,277	356,388
Perfumeria Espanola Corp. (PEC)	29,148	4,951	-	-	-	-	-	-	29,148	4,951

(Forward)

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	Premiums Receivable		Advances				Interest		2004 Total	2003 Total
	2004	2003	Noninterest-bearing		Interest-bearing		2004	2003		
			2004	2003	2004	2003	2004	2003		
Current:										
Petrochemicals Corporation of Asia-Pacific (Petrocorp)	P-	P308,825	P-	P-	P-	P-	P-	P-	P-	P308,825
	P4,328,867	P3,412,570	P5,399,777	P5,065,111	P1,993,384	P3,681,248	P1,498,256	P1,379,905	P13,220,284	P13,538,834
									Premiums Receivable	
									2004	2003
Noncurrent:										
LMG									P12,251,079	P11,115,597
CIP									1,630,637	1,217,171
CAWC									88,215	88,215
KPC									40,854	25,681
Petrocorp									-	1,089,732
PEC									-	31,047
									P14,010,785	P13,567,443

- d. Service agreement with CIP for the Company's management support activities. The service fee consists of the management fee and the shared services fee. Management fee amounting to P600,000, in 2004 and 2003, represents the Company's share in the general corporate overhead incurred by CIP. The shared services fee is billed based on activity-based costing, under which services rendered are based on man-hours spent or number of items processed or output produced as applicable. Share in common services charged to operations amounted to P1,325,556 in 2004 and P1,629,400 in 2003.
- e. Rental agreement with CIP for the lease of the Company's office space for one year, renewable at the option of both parties. Rental expense charged to operations amounted to P155,899 in 2004 and P212,553 in 2003.
- f. In 2004, risk management services were provided to related parties. The amount billed is based on actual time charges. Risk management fees, amounting to P153,371, are shown as deductions from "Share in common services".
- g. Outstanding payables to related parties are as follows:

	2004	2003
CIP	P610,703	P584,114
LMG	200,838	200,838
KPC	21,367	20,911
CAWC	-	20,251
PEC	13,181	5,461
	P846,089	P831,575

8. Stockholders' Equity

On June 15, 2004, the Company's Board Executive Committee (Board Excom) passed a written memorandum where they resolved to increase the Company's authorized capital stock from P2,000,000 at P1 par value per share to P22,000,000 at the same par value per share. It further resolved to declare stock dividends amounting to P16,593,750 or nine shares for every share of stock outstanding as of December 31, 2003. The Board Excom has not yet convened to approve and ratify the foregoing resolutions. The Company has previously appropriated retained earnings amounting to P24,655,250 for such purpose.

9. Retirement Benefits Cost

The Company, together with its affiliates, is a participant in a multi-employer funded and noncontributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on years of service and latest monthly compensation. Total retirement benefits cost charged to operations amounted to ₱20,931 in 2004 and ₱17,240 in 2003.

As of June 30, 2004, the latest actuarial valuation, the actuarial present value of retirement benefits cost amounted to ₱261,270. The actuarial fund assets amounted to ₱909,603. The excess of plan assets over the actuarial present value of retirement benefits amounted to ₱648,333. The principal actuarial assumptions used to determine retirement benefits were a salary increase of 6% and return on plan assets of 8%. Actuarial valuation is made at least every three years. The Company's contribution to the retirement plan consists of a payment covering the current service cost for the year.

10. Income Taxes

a) The components of the Company's deferred income tax assets are as follows:

	2004	2003
Income tax effects of:		
NOLCO	₱476,212	₱-
Provision for doubtful accounts	265,936	243,775
Accrued retirement benefit	4,556	-
Unamortized past service liability	1,982	10,727
MCIT	55,789	-
	₱804,475	₱254,502

The Company's NOLCO and MCIT can be offset against future taxable income and regular corporation income tax due until 2007.

b) The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the statements of income follows:

	2004	2003
Provision for (benefit from) income tax computed at statutory income tax rate	(₱492,711)	₱186,003
Less interest income already subjected to final tax	1,473	1,238
Provision for (benefit from) income tax	(₱494,184)	₱184,765

11. Other Matters

Approximately 20% of the outstanding shares of stock of the Company are the subject of a pending issue on ownership filed with the Securities and Exchange Commission. Management believes that the ultimate outcome of the pending issue has no material effect on the financial statements.

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- c. Insurance underwriting services rendered by the Company to related parties. Outstanding premiums receivable from related parties are as follows:

	2004	2003
Chemphil Albright & Wilson Corp. (CAWC)	₱1,834,987	₱110,778
LMG Chemical Corp. (LMG)	1,785,393	2,035,482
Kemwater Phil. Corp. (KPC)	445,277	356,388
Chemical Industries of the Philippines, Inc. (CIP)	375,393	413,466
Perfumeria Espanola Corp. (PEC)	29,148	4,951
Petrochemicals Corporation of Asia-Pacific	–	308,825
	₱4,470,198	₱3,229,890

- d. Extension of noninterest and interest-bearing (interest rate ranging from 7.5% to 9.1% in 2004 and 6% to 9.5% in 2003) cash advances. Interest income earned amounted to ₱399,931 in 2004 and ₱1,314,991 in 2003. Outstanding advances and interest receivable from related parties are as follows:

	2004	2003
Advances:		
LMG	₱3,550,731	₱4,923,676
CIP	3,823,904	3,822,683
CAWC	18,526	–
	7,393,161	8,746,359
Interest receivable:		
CIP	842,649	737,014
LMG	655,607	642,891
	1,498,256	1,379,905
	₱8,891,417	₱10,126,264

- c. Premiums receivable reclassified to noncurrent in 2004 are as follows:

	2004	2003
LMG	₱12,251,079	₱11,115,597
CIP	1,630,637	1,217,171
CAWC	108,467	270,895
KPC	40,854	25,681
Petrochemicals Corporation of Asia-Pacific	–	1,089,732
PEC	–	31,047
	₱14,031,037	₱13,750,123