

(e) Strong Shareholder Support

The Company's principal shareholders are Ayala Corporation (AC) and Singapore Telecom (STI), both industry leaders in the country and in the region. Apart from providing financial support, this partnership has created various synergies and has enabled the sharing of best practices in the areas of purchasing, technical operations, and marketing, among others.

F. Suppliers

Globe works with both local and foreign suppliers and contractors. Equipment and technology required to render telecommunications services are mainly sourced from foreign countries. Its principal suppliers, among others, are as follows:

The Company's suppliers of mobile equipment include Nokia/Siemens (Finland); Ericsson Radio Systems AB (Sweden), Ericsson (Sweden), Alcatel (France), and Huawei Technologies Co., Ltd. (China). For the Company's network modernization program, Huawei was the selected partner given its technical expertise and strong track record of success. Huawei has likewise committed to establish a Joint Innovation Center (JIC) that would bring the latest technological developments and help address the Company's customization needs.

For fixed line and broadband, Globe's principal equipment suppliers include Fujitsu Ltd. (Japan), Lucent Technologies (USA), NEC (Japan), Alcatel (Italy), Motorola (USA), AT&T Global (US), British Telecom (UK), Huawei Technologies Co., Ltd. (China), Singapore Telecom (Singapore), Tellabs (USA/Singapore) and NERA (Norway).

G. Customers

Globe has a large subscriber base across the country. On the mobile front, the Company ended 2012 with 33.1 million mobile subscribers/SIMs, comprised of 1.7 million postpaid and approximately 31.4 million prepaid subscribers. Meanwhile, Globe has over 711,000 fixed line voice subscribers and around 1.7 million broadband customers.

No single customer and contract accounted for more than 20% of the Company's total sales in 2012.

H. Transactions with Related Parties

Globe Telecom and Innove, in their regular conduct of business, enter into transactions with their major stockholders, AC and STI, venturers and certain related parties. These transactions, which are accounted for at market prices normally charged to unaffiliated customers for similar goods and services, include the following:

Entities with joint control over Globe Group – AC and STI

- Globe Telecom has interconnection agreements with STI. The related net traffic settlements receivable (included in "Receivables" account in the consolidated statements of financial position) and the interconnection revenues earned (included in "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	2012	2011	2010
Traffic settlements receivable – net	₱126,277	₱36,994	₱124,319
Interconnection revenues – net	966,037	1,136,294	1,857,336

- Globe Telecom and STI have a technical assistance agreement whereby STI will provide consultancy and advisory services, including those with respect to the construction and operation of Globe Telecom's networks and communication services (see Note 25.6), equipment procurement and personnel services. In addition, Globe Telecom has software development, supply, license and support arrangements, lease of cable facilities, maintenance and restoration costs and other transactions with STI.

The details of fees (included in repairs and maintenance under the “General, selling and administrative expenses” account in the consolidated statements of comprehensive income) incurred under these agreements are as follows:

(In Thousand Pesos)	2012	2011	2010
Technical assistance fee	₱140,083	₱179,014	₱149,662
Maintenance and restoration costs and other transactions	64,835	53,996	86,901
Software development, supply, license and support	12,590	25,999	26,904

The outstanding balances due to STI (included in the “Accounts payable and accrued expenses” account in the consolidated statements of financial position) arising from these transactions are as follows:

(In Thousand Pesos)	2012	2011	2010
Technical assistance fee	₱45,326	₱54,873	₱48,870
Software development, supply, license and support	35,268	80,377	26,640
Maintenance and restoration costs and other transactions	32,372	23,103	28,818

- Globe Telecom earns subscriber revenues from AC. The outstanding subscribers receivable from AC (included in “Receivables” account in the consolidated statements of financial position) and the amount earned as service revenue (included in the “Service revenues” account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	2012	2011	2010
Subscriber receivables	₱2,143	₱1,718	₱3,152
Service revenues	14,720	12,640	13,214

- Globe Telecom reimburses AC for certain operating expenses. The net outstanding liabilities to (included in “Accounts payable and accrued expenses” account in the consolidated statement of financial position) and the amount of expenses incurred (included in the “General, selling and administrative expenses” account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	2012	2011	2010
General, selling and administrative expenses	₱9,145	₱7,878	₱26,847
Accounts payable and accrued expenses	–	234	–

Joint Ventures in which the Globe Group is a venturer

- Globe Telecom has preferred roaming service contract with Bridge Mobile Pte. Ltd. (BMPL). Under this contract, Globe Telecom will pay BMPL for services rendered by the latter which include, among others, coordination and facilitation of preferred roaming arrangement among JV partners, and procurement and maintenance of telecommunications equipment necessary for delivery of seamless roaming experience to customers. Globe Telecom also earns or incurs commission from BMPL for regional top-up service provided by the JV partners. The net outstanding liabilities to BMPL related to these transactions amounted to ₱2.21 million, ₱1.00 million and ₱2.89 million as of December 31, 2012, 2011 and 2010, respectively. Balances related to these transactions (included in “General, selling and administrative expenses” account in the consolidated statements of comprehensive income) amounted to ₱15.49 million, ₱12.24 million and ₱12.07 million, as of December 31, 2012, 2011 and 2010, respectively.
- In October 2009, the Globe Group entered into an agreement with BPI Globe BankKO for the pursuit of services that will expand the usage of GCash technology. As a result, the Globe Group recognized revenue amounting to ₱1.58 million and ₱2.86 million in 2012 and 2011,

respectively. The revenue earned in 2010 is immaterial. The related receivables amounted to ₱3.79 million, ₱2.01 million and ₱9.19 million in 2012, 2011 and 2010, respectively.

Transactions with the Globe Group retirement plan (GGRP)

- In 2008, Globe Telecom, Innove and GXI pooled its plan assets for single administration by the GGRP, which was created for the management of the retirement fund. The decisions of the GGRP are made through collective decision of the Board of Trustees.

The plan is funded by contributions as recommended by the independent actuary on the basis of reasonable actuarial assumptions. These assumptions and the funded status of the pension plan are disclosed in Note 18.2.

The funded status for the pension plan of Globe Group as of December 31, 2012, 2011 and 2010 amounted to ₱671.08 million, ₱872.10 million, and ₱950.52 million, respectively.

The fair value of plan assets by each class held by the retirement fund, on a pooled basis, as of December 31, 2012 follows (in thousands):

Cash and cash equivalents	₱ 28,333
Investment in fixed income securities	1,032,279
Investment in equity securities	1,515,993
Loans and receivables	1,010,980
Liabilities	(995,067)
Balance at end of year	₱ 2,592,518

All equity and debt instruments held, except for investment in preferred shares of HALO Group, debt securities issued by private corporations and long-term negotiable certificates of deposit, have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

Loans and receivables consist of interest and dividend receivables, receivable on securities sold to brokers and loan granted by the plan to BHI.

Liabilities pertain to interest and trust fee payables, accrued professional fees and loan granted to the plan by Globe Telecom.

The plan assets have diverse investments and do not have any concentration risk.

As of December 31, 2012, the pension plan assets of the retirement plan include shares of stock of Globe Telecom with total fair value of ₱13.02 million, and shares of stock of other related parties with total fair value of ₱71.96 million. Gains/losses arising from these investments amounted to ₱10.97 million in 2012.

- In 2008, the Globe Group granted a short-term loan to the GGRP amounting to ₱800.00 million with interest at 6.20%. Upon maturity in 2009, the loan was rolled over until September 2014 with interest at 7.75%. Further, in 2009, the Globe Group granted an additional loan to the retirement fund amounting to ₱168.00 million which bears interest at 7.75% and is due also in September 2014.

The retirement plan utilized the loan to fund its investments in BHI, a domestic corporation organized to invest in media ventures. BHI has controlling interest in Altimax Broadcasting Co., Inc. (Altimax) and Broadcast Enterprises and Affiliated Media Inc. (BEAM), respectively.

- On August 13 and December 21, 2009, the Globe Group granted five-year loans amounting to ₱250.00 million and ₱45.00 million, respectively, to BHI at 8.275% interest. The ₱250.00 million loan is covered by a pledge agreement whereby in the event of default, the Globe Group shall be entitled to offset whatever amount is due to BHI from any unpaid fees to BEAM from the Globe Group. The ₱45.00 million loan is fully secured by a chattel mortgage agreement dated December 21, 2009 between Globe Group and BEAM.

- On February 1, 2009, the Globe Group entered into a memorandum of agreement (MOA) with BEAM for the latter to render mobile television broadcast service to Globe subscribers using the mobile TV service. As a result, the Globe Group recognized an expense (included in “Professional and other contracted services”) amounting to ₱194.00 million in 2012 and ₱250.00 million in 2011 and 2010.
- On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group’s co-use of specific frequencies of Altimax’s for the rollout of broadband wireless access to the Globe Group’s subscribers. As a result, the Globe Group recognized an expense (included in “General, selling and administrative expenses” account in the consolidated statements of comprehensive income) amounting to ₱90.00 million in 2012, 2011 and 2010.

Transactions with other related parties

Globe Telecom has money market placements and bank balances, and subscriber receivables (included in “Cash and cash equivalents” and “Receivables” accounts in the consolidated statements of financial position, respectively) and earns service revenues (included in the “Service revenues” account in the consolidated statements of comprehensive income) from its other related parties namely, Ayala Land Inc., Ayala Property Management Corporation, Bank of the Philippine Islands, Manila Water Company, Inc., Integrated Microelectronics, Inc., Stream Global Services, Inc., HR Mall Inc., Honda Cars, Inc., Isuzu Automotive Dealership, Inc., Accendo Commercial Corp., Affinity Express Philippines, Inc., Alveo Land Corp., Asian I-Office Properties, Inc., Avida Land Corp., Avida Sales Corporation, Ayala Hotels, Inc., Ayala Plans, Inc., Ayala Systems Technology, Inc., Cebu Holdings, Inc., Makati Development Corp., myAyala.com, Inc., North Triangle Depot Commercial Corp., PSI Technologies, Inc., Roxas Land Corp, Serendra, Inc., Station Square East Commercial Corp., Ten Knots Development, KHI ALI Manila, Inc., Lagoon Development Corp., Subic Bay Town Center, Inc., Ayala Aviation Corporation, Laguna AAA Water Corp., Liveit Solution, Inc., Liveit Investments, Ltd., Integreon, Inc., Arvo Commercial Corp., Amaia Land Corp., Michigan Power, Philippine Intergrated Energy Solutions, Inc., Southcrest Hotel Ventures, Inc., Bonifacio Hotels and Crestview E-Office.

The balances with other related parties are recorded under the following accounts:

(In Thousand Pesos)	2012	2011	2010
Cash and cash equivalents	₱199,392	₱1,098,168	₱694,277
Service revenues	344,206	306,846	243,346
General, selling and administrative expenses	345,004	288,351	270,819
Property and equipment	71,272	137,209	78,321
Subscriber receivables (included in “Receivables” account)	102,454	65,694	150,403
Accounts payable and accrued expenses	50,008	32,750	21,496

The balances under “General, selling and administrative expenses” and “Property and equipment” accounts consist of expenses incurred on rent, utilities, customer contract services, other miscellaneous services and purchase of vehicles, respectively.

These related parties are either controlled or significantly influenced by AC.

Transactions with key management personnel of the Globe Group

The Globe Group’s compensation of key management personnel by benefit type are as follows:

(In Thousand Pesos)	2012	2011	2010
Short-term employee benefits	₱123,700	₱75,343	₱92,631
Share-based payments	11,502	49,338	104,788
Post-employment benefits	12,822	1,736	6,035
	₱148,024	₱126,417	₱203,454

There are no agreements between the Globe Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Globe Group's retirement plans.

The Globe Group granted short-term loans to its key management personnel amounting to ₱0.05 million, ₱0.32 million and ₱0.27 million in 2012, 2011 and 2010, respectively, included in the "Prepayments and other current assets" in the consolidated statements of financial position.

The summary of balances arising from related party transactions for the relevant financial year (in thousands) are presented in the next pages:

2012

	Amount/Volume				Outstanding Balance			Terms	Conditions
	Revenues	Cost and Expenses	Property and Equipment (Note 7)	Cash (Note 30)	Amounts Owed by Related Parties	Other Current Assets	Amounts Owed to Related Parties		
Entities with joint control over Globe Group									
AC	₱14,720	₱9,145	₱-	₱-	₱2,143	₱-	₱-	Interest-free, settlement in cash	Unsecured, no impairment
STI	966,037	217,508	-	-	126,277	-	112,966	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities									
		-							
BMPL	-	15,491	-	-	-	-	2,208	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BankO	1,584	-	-	-	3,792	-	-	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties									
GGRP	-	-	-	-	968,000	-	-	5 years, 7.75%	Unsecured, no impairment
BHI	-	-	-	-	295,000	-	-	5 years, 8.275%	The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.
BEAM	-	194,000	-	-	-	-	-	-	-
Altimax	-	90,000	-	-	-	-	-	-	-
Key management personnel	-	-	-	-	53	-	-	Interest-free, settlement in cash	Unsecured, no impairment
Others	344,206	345,004	71,272	199,392	102,454	6,281	50,008	Interest-free, settlement in cash	Unsecured, no impairment
Total	₱1,326,547	₱871,148	₱71,272	₱199,392	₱1,497,719	₱6,281	₱165,182		

2011

	Amount/Volume			Outstanding Balance			Terms	Conditions	
	Revenues	Cost and Expenses	Property and Equipment (Note 7)	Cash (Note 30)	Amounts Owed by Related Parties	Other Current Assets			Amounts Owed to Related Parties
Entities with joint control over Globe Group									
AC	₱12,640	₱7,878	₱-	₱-	₱1,718	₱-	₱234	Interest-free, settlement in cash	Unsecured, no impairment
STI	1,136,294	259,009	-	-	36,994	-	158,353	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities									
		-							
BMPL	-	12,237	-	-	-	-	966	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BankO	2,860	-	-	-	2,007	-	-	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties									
GGRP	-	-	-	-	968,000	-	-	5 years, 7.75%	Unsecured, no impairment
BHI	-	-	-	-	295,000	-	-	5 years, 8.275%	The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.
BEAM	-	250,000	-	-	-	-	-	-	-
Altimax	-	90,000	-	-	-	-	-	-	-
Key management personnel	-	-	-	-	318	-	-	Interest-free, settlement in cash	Unsecured, no impairment
Others	306,846	288,351	137,209	1,098,168	65,694	3,312	32,750	Interest-free, settlement in cash	Unsecured, no impairment
Total	₱1,458,640	₱907,475	₱137,209	₱1,098,168	₱1,369,731	₱3,312	₱192,303		

2010

	Amount/Volume				Outstanding Balance			Terms	Conditions
	Revenues	Cost and Expenses	Property and Equipment (Note 7)	Cash (Note 30)	Amounts Owed by Related Parties	Other Current Assets	Amounts Owed to Related Parties		
Entities with joint control over Globe Group									
AC	₱13,214	₱26,847	₱-	₱-	₱3,152	₱-	₱-	Interest-free, settlement in cash	Unsecured, no impairment
STI	1,857,336	263,467	-	-	124,319	-	104,328	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities									
		-							
BMPL	-	12,070	-	-	-	-	2,895	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BankO	-	-	-	-	9,187	-	-	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties									
GGRP	-	-	-	-	968,000	-	-	5 years, 7.75%	Unsecured, no impairment
BHI	-	-	-	-	295,000	-	-	5 years, 8.275%	The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.
BEAM	-	250,000	-	-	-	-	-	-	-
Altimax	-	90,000	-	-	-	-	-	-	-
Key management personnel	-	-	-	-	271	-	-	Interest-free, settlement in cash	Unsecured, no impairment
Others	243,346	270,819	78,321	694,277	150,403	5,461	21,496	Interest-free, settlement in cash	Unsecured, no impairment
Total	₱2,113,896	₱913,203	₱78,321	₱694,277	₱1,550,332	₱5,461	₱128,719		