COVER SHEET

AS091962 06

SEC Registration Number

SPLASH CORPORATION
AND SUBSIDIARIES

(Company's Full Name)

5F W-OFFICE BUILDING 11TH
AVENUE CORNER 28TH STREET
BONIFACIO GLOBAL CITY
TAGUIG CITY

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

Ms. VENERANDA M. TOMAS

(Contact Person)

(632) 491-7707

(Company Telephone Number)

12 31

Month *Day*

(Fiscal Year)

17-Q

(Form Type)

05 24

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, if applicable)

Dept. requiring this document

Total Amount of Borrowings

Total Number of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks : Use BLANK ink for scanning purposes

SEC Number: AS09196206
File Number: ____

SPLASH CORPORATION

(Company's Full Name)

5th Floor W-Office Building, 11th Avenue corner 28th Street, Bonifacio Global City, Taguig City

(Company Address)

(632) 491–7707

(Telephone Number)

June 30, 2013

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **June 30, 2013**

2. SEC Identification Number: **AS09196206** 3. BIR Tax Identification No.: **001-096-221 VAT**

4. Exact name of issuer as specified in its charter: **SPLASH CORPORATION**

5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. Industry Classification Code: [ ] SEC Use Only)

7. Address of principal office: **5th Floor W-Office Building, 11th Avenue corner 28th Street, Bonifacio Global City, Taguig City.** Postal Code: **1634**

8. Issuer's telephone number, including area code: **(632) 491-7707**

9. Former name, former address, and former fiscal year, if changed since last report:

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares, P1.00 Par value	**649,283,166 shares**

11. Are any or all of these securities listed on a Stock Exchange?

    Yes [x] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    PHILIPPINE STOCK EXCHANGE **Common Shares**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [x] No [ ]

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PART I – FINANCIAL INFORMATION

Splash Corporation
(A Subsidiary of Ang·Hortaleza Corporation) and Subsidiaries
Condensed Consolidated Interim Financial Statements
June 30, 2013 and 2012 (Unaudited)
and
December 31, 2012 (Audited)

SPLASH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Ang·Hortaleza Corporation)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱426,874,196	₱650,997,552
Receivables (Notes 5 and 10)	1,348,074,763	1,266,147,340
Inventories (Note 6)	676,252,118	562,236,923
Current portion of note receivable (Notes 10)	208,458,239	208,458,239
Other current assets (Note 7)	102,863,792	96,111,500
Total Current Assets	2,762,523,108	2,783,951,554
Noncurrent Assets		
Note receivable - net of current portion (Notes 10)	17,146,339	17,146,339
Property, plant and equipment (Note 8)	628,146,451	619,413,310
Intangible assets (Notes 9)	908,990,236	910,855,432
Available-for-sale investments	288,198,000	288,198,000
Land held for development	141,956,454	141,956,454
Deferred income tax assets-net	76,905,672	77,945,580
Other noncurrent assets	85,252,547	77,232,784
Other Noncurrent Assets	2,146,595,699	2,132,747,899
TOTAL ASSETS	4,909,118,807	₱4,916,699,453
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term bank loans (Note 11)	**₱208,492,140**	₱141,015,029
Accounts payable and accrued expenses	**816,317,813**	805,309,469
Current portion of:		
Floating rate notes payable - current portion (Note 11)	**285,706,985**	185,615,621
Obligations under finance lease	**6,423,737**	13,601,246
Provisions	**13,800,000**	13,800,000
Total Current Liabilities	**1,330,740,675**	1,159,341,365
Floating rate notes payable - net of current portion (Note 11)	**757,905,479**	918,483,213
Obligations under finance lease - net of current portion	**11,788,333**	11,706,851
Retirement benefits liabilities	**81,936,282**	69,689,928
Accrued rent-net of current portion	**3,089,028**	3,089,028
Deferred Income Tax Liability	**32,700,000**	32,700,000
Total Noncurrent Liabilities	**887,419,122**	1,035,669,020
Total Liabilities	**2,218,159,797**	2,195,010,385
Equity		
Attributable to equity holders of the Company:		
Capital stock	**746,160,357**	746,160,357
Additional paid-in capital	**1,635,776,027**	1,635,776,027
Unrealized valuation gain on available-for-sale investments	**65,696,100**	65,696,100
Cumulative translation adjustments	**(2,078,983)**	(1,986,394)
Retained earnings	**553,210,717**	569,790,977
Treasury stock	**(304,349,349)**	(304,349,349)
	2,694,414,869	2,711,087,718
Non-controlling interest	**(3,455,859)**	10,601,350
Total Equity	**2,690,959,010**	2,721,689,068
TOTAL LIABILITIES AND EQUITY	**₱4,909,118,807**	₱4,916,699,453

SPLASH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Ang·Hortaleza Corporation)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Six Months Ended June 30		For the Quarter Ended June 30	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
NET SALES				
Sale of goods	1,629,211,217	1,532,915,649	864,499,616	845,915,389
Sale of services	2,378,730	478,692	1,138,666	117,924
	1,631,589,947	1,533,394,341	865,638,282	846,033,313
COST OF GOODS SOLD AND SERVICES				
Cost of goods	(665,723,616)	(676,368,058)	(344,859,478)	(386,060,538)
Cost of services	(989,094)	(337,344)	(499,728)	(105,220)
	(666,712,710)	(676,705,402)	(345,359,206)	(386,165,758)
GROSS PROFIT	964,877,237	856,688,939	520,279,075	459,867,555
SELLING EXPENSES	(643,767,810)	(567,297,379)	(371,115,755)	(350,335,907)
GENERAL AND ADMINISTRATIVE EXPENSES	(286,852,594)	(270,444,437)	(143,946,080)	(102,328,581)
INTEREST INCOME	11,152,526	11,262,249	6,245,163	5,789,330
INTEREST EXPENSE	(34,806,416)	(19,437,131)	(17,431,244)	(7,899,637)
OTHER CHARGES	10,570,871	3,093,558	10,392,069	(3,209,665)
INCOME BEFORE INCOME TAX	21,173,814	13,865,799	4,423,227	1,883,095
PROVISION FOR INCOME TAX				
Current	7,984,952	7,526,083	4,003,360	6,308,725
Deferred	-	(4,725,508)	-	(4,725,508)
	7,984,952	2,800,575	4,003,360	1,583,217
NET INCOME FOR THE PERIOD	13,188,862	11,065,224	419,867	299,878
Net income attributable to:				
Equity holders of the Company	28,869,525	11,629,798	10,902,964	1,133,953
Non-controlling interest	(15,680,664)	(564,574)	(10,483,097)	(834,075)
	13,188,862	11,065,224	419,867	299,878
Basic/Diluted Earnings Per Share	0.04	0.018	0.017	0.0017
OTHER COMPREHENSIVE LOSS				
NET INCOME FOR THE PERIOD	13,188,862	11,065,224	419,867	299,878
Exchange differences on translation of foreign subsidiaries	(105,747)	366,488	341,072	1,339,041
TOTAL COMPREHENSIVE INCOME	13,083,115	11,431,712	760,939	1,638,919
Total comprehensive income attributable to:				
Equity holders of the Company	28,776,936	11,960,417	(17,623,560)	2,432,006
Non-controlling interest	(15,693,822)	(528,705)	5,195,638	(793,087)
	13,083,115	11,431,712	(12,427,922)	1,638,919

SPLASH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Ang·Hortaleza Corporation)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the six months ended June 30

	2013 (Unaudited)	2012 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Income/Loss before tax	**₱21,173,814**	₱13,865,799
Adjustments for:		
Depreciation and amortization	**61,889,114**	48,557,030
Interest income	**(11,152,526)**	(11,262,250)
Interest expense	**34,806,416**	19,437,132
Movement in net retirement benefits liabilities	**12,246,354**	11,754,357
Unrealized foreign exchange loss (gain) - net	**(8,882,622)**	1,382,294
Dividend income	**(51,000)**	-
Gain on sale of property and equipment, net of loss on write-off	**(282,846)**	(1,908,266)
Operating income before working capital changes	**109,746,704**	81,826,096
Decrease (increase) in:		
Receivables	**(72,387,350)**	41,531,396
Inventories	**(114,015,194)**	(119,725,042)
Other current assets	**(9,175,066)**	(33,151,477)
Increase (Decrease) in accounts payable and accrued expenses	**17,926,523**	(11,721,797)
Cash used in operations	**(37,904,384)**	(41,240,823)
Interest received	**10,336,722**	13,411,026
Income taxes paid	**(15,129,275)**	(14,034,131)
Net cash flows used in operating activities	**(72,696,937)**	(41,863,928)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	**(18,888,248)**	(23,773,627)
Additions to property and equipment	**(53,346,685)**	(99,188,521)
Collection of notes receivable from World Partners Finance	**-**	51,412,959
Proceeds from sale of property and equipment	**160,000**	6,727,764
Dividends received	**51,000**	-
Increase in other noncurrent assets	**1,547,334**	6,728,827
Net cash flows from (used in) investing activities	**(70,476,599)**	(58,092,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of:		
Long term loan	**-**	520,000,000
Bank loan	**392,944,704**	-
Payments of:		
Interest	**(34,595,154)**	(21,570,665)
Obligations under finance lease	**(5,487,250)**	(4.413,483)
Floating rate notes	**(63,157,895)**	-
Bank Loans	**(325,467,593)**	-
Debt Issue Cost	**-**	(1,100,000)
Dividends	**(45,449,822)**	(38,956,990)
Net cash flows (used in) generated from financing activities	**(81,213,009)**	453,958,862
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**263,199**	(477,990)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(224,123,355)**	353,524,347
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**650,997,551**	527,265,760
CASH AND CASH EQUIVALENTS AT END	**₱426,874,196**	₱ 880,790,107

Splash Corporation And Subsidiaries
Consolidated Statement of Changes in Equity
For the Six Months Ended June 30, 2013 and June 30, 2012(Unaudited)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock	APIC	Unrealized Valuation Gain (Loss) on AFS	Cumulative Translation Adjustment	Retained Earnings	Treasury Stock	Total	Non-Controlling Interest	Total
Balances at January 1, 2013	746,160,357	1,635,776,027	65,696,100	(1,986,394)	569,790,977	(304,349,349)	2,711,087,718	10,601,350	2,721,689,068
Net income (loss) for the period					28,869,562		28,869,562	(15,680,664)	13,188,899
Other comprehensive income(loss)				(92,589)			(92,589)	(13,158)	(105,747)
Non-controlling interest arising from a business combination							-	1,636,613	1,636,613
Total comprehensive income	-	-	-	(92,589)	28,869,562	-	28,776,974	(14,057,209)	14,719,765
Transactions with owners									
Dividend declaration/payment					(45,449,822)		(45,449,822)	0	(45,449,822)
Balances at June 30, 2013	746,160,357	1,635,776,027	65,696,100	(2,078,983)	553,210,718	(304,349,349)	2,694,414,870	(3,455,859)	2,690,959,011
Balances at January 1, 2012	746,160,357	1,635,475,119	52,838,100	(2,093,707)	504,492,627	(304,048,441)	2,632,824,055	2,339,522	2,635,163,577
Net income (loss) for the period					11,629,797		11,629,797	(564,573)	11,065,224
Other comprehensive income(loss)				330,619			330,619	35,869	366,488
Total comprehensive income	-	-	-	330,619	11,629,797	-	11,960,416	(528,704)	11,431,712
Transactions with owners									
Investment in new subsidiary	-						-	2,250,000	2,250,000
Dividend declaration/payment					(38,956,990)		(38,956,990)		(38,956,990)
Balances at June 30, 2012	746,160,357	1,635,475,119	52,838,100	(1,763,088)	477,165,434	(304,048,441)	2,605,827,481	4,060,818	2,609,888,299

1. General Information

Splash Corporation was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 30, 1991. On November 15, 2007, the Company's shares of stock were listed and traded in the Philippine Stock Exchange (PSE). Its registered address is 5th Floor W-Office Building, 11th Avenue corner 28th Street, Bonifacio Global City, Taguig City.

The Company is a subsidiary of Ang.Hortaleza Corporation (AHC), a Philippine corporation and the ultimate Parent Company.

2. Basis of preparation

The condensed consolidated interim financial statements for the six months ended June 30, 2013 has been prepared in accordance with PAS 34, *Interim Financial Reporting.* The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The preparation of the financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated interim financial statements and accompanying notes. The estimates and assumptions used in the accompanying condensed consolidated interim financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the condensed consolidated interim financial statements. Actual results could differ from such estimates.

The condensed consolidated interim financial statements include the accounts of the Parent Company and its wholly owned subsidiaries Prime Global Distribution Corporation (formerly Acceleron Distribution Corp.) , Splash Foods Corporation, P.T. Splash Cahaya (PTSC), Splash H&B Sdn. Bhd (SHSB), Splash H&B Limited (SHL) and Splash Global Pte. Ltd. (SGPL), and 80% owned Barrio Fiesta Manufacturing Corporation collectively referred to as "the Group". The Company also indirectly owns several subsidiaries(Prime Global GTD Corp. and Prime Global FLD Corp., Moondish Foods Corp., and Splash H&B(U) Ltd.) which were consolidated with their respective parent companies, PGDC, SFC and SGPL, respectively. The condensed consolidated interim financial statements are presented in Philippine Peso (Peso), which is the parent Company's functional and presentation currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

3. Changes in Accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements as of June 30, 2013 are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2012, except for the adoption of the following new and amended PFRS and Philippine Interpretations International Financial Reporting Interpretation Committee (IFRIC) interpretations and amendments to existing Philippine Accounting Standards (PAS).

Effective in 2015

PFRS 9, *Financial Instruments*, introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in *PAS 39, Financial Instruments: Recognition and Measurement.* The approach in this new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. It also requires *a single impairment method to be used, replacing th*e many different impairment methods in PAS 39.

The Group has made an evaluation of the impact of the adoption of this standard. The Group decided not to early adopt PFRS 9 for its 2012 reporting ahead of its effectivity date on January 1, 2015 and therefore the interim financial statements as of and for the period ended June 30, 2013 do not reflect the impact of the said standard.

Only financial assets and liabilities will be affected by the standard and based on this evaluation, loans and receivables (consisting of cash and cash equivalents, receivables, notes receivable, advances to related parties and refundable deposits) and other financial liabilities (consisting of accounts payable and accrued expenses, long-term debt and obligations under finance leases), which are carried at amortized cost will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at their amortized cost, thus, have no significant financial impact to the Group's financial position and performance. For its current available-for-sale investments which are composed of equity investments carried at fair value, the Group plans to classify these items at fair value through other comprehensive income and will continue to measure these investments at fair value to be presented in other comprehensive income, thus, has no significant financial impact to the Group's financial position and performance. The Group shall revisit this assessment in fiscal year 2013.

The Group shall conduct another impact evaluation in 2013 using the financial statements as of and for the year ended December 31, 2013. Given the amendments on PFRS 9, the Group at present, does not plan to early adopt in 2013 financial reporting.

4. Seasonality of Operations

Higher revenues and operating profits are usually expected towards the second quarter and fourth quarter of the year in relation to the number of holidays and events in these period

5. Receivables

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Trade (Note 10)	**₱1,399,878,735**	₱1,342,190,475
Non-trade:		
Advances to officers and employees	**18,398,031**	15,699,667
Due from related parties(Note 10)	**5,205,190**	5,215,374
Interest receivable	**1,022,296**	206,491
Other receivables	**32,165,745**	11,430,567
	56,791,262	32,552,099
	1,456,668,997	1,374,742,574
Less allowance for doubtful accounts	108,595,234	108,595,234
	₱1,348,074,763	₱1,266,147,340

Aging analysis of trade receivables as of June 30, 2013 is as follows:

	Amount on Php000s	**% to Total**
Philippine Operations		
0 days/current	532,585	46.0%
1-30 days	87,268	7.5%
Over 30 days	34,816	3.0%
Over 60 days	39,987	3.5%
Over 90 days	73,662	6.4%
Over 120 days	349,261	30.2%
Over 360 days	40,450	3.5%
Total Philippine Operations	**1,158,031**	100%
International		
0 days/current	49,069	20%
1-30 days	19,499	8%
Over 30 days	16,242	7%
Over 60 days	6,540	3%
Over 90 days	37,027	15%
Over 120 days	50,021	21%
Over 360 days	63,450	26%
Total International	**241,848**	100%

Aging analysis as of June 30, 2012 is as follows:

	Amount on Php000s	% to Total
Philippines		
0 days/current	366,336	47.5%
1-30 days	65,280	8.5%
Over 30 days	15,813	2.1%
Over 60 days	22,351	2.9%
Over 90 days	108,781	14.1%
Over 120 days	161,925	21.0%
Over 360 days	30,384	3.9%
Total Philippines	**770,870**	100%
Foreign		
0 days/current	38,902	22%
1-30 days	17,615	10%
Over 30 days	18,392	10%
Over 60 days	94	0%
Over 90 days	25,070	14%
Over 120 days	30,278	17%
Over 360 days	45,625	26%
Total Foreign	**175,975**	100%

All accounts over ninety days overdue were reviewed individually to assess its collectibility. The assessment showed all accounts which were not provided with allowance for doubtful accounts have payment plans and are therefore still collectible pending resolution of related issues or customer concerns. The management believes that the existing allowance for doubtful accounts in 2013 amounting to ₱108,595,234 is adequate to cover possible uncollected accounts in the future.

6. Inventories

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Finished goods	**₱313,610,689**	₱279,312,313
Work in process	**61,716,081**	16,836,119
Raw materials	**317,392,129**	300,092,676
	692,718,899	596,241,108
Less allowance for inventory obsolescence	**16,466,781**	34,004,185
	₱676,252,118	₱562,236,923

Decrease in allowance for inventory pertains to write off of expired finished goods inventory returned from trade.

7. Other Current Assets

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Advances to Suppliers	**₱21,747,644**	₱13,919,066
Creditable withholding taxes	**30,000,000**	31,945,068
Supplies inventory	**10,342,248**	10,246,226
Prepaid insurance	**6,000,566**	5,244,922
Prepaid maintenance fees	**4,206,097**	2,171,998
Prepaid rent	**4,698,000**	2,100,000
Prepaid taxes	**-**	1,444,485
Prepaid talent fees	**4,117,647**	-
Deferred input VAT	**5,298,563**	5,298,563
Input VAT	**5,125,899**	15,460,974
Other prepaid expenses	**11,327,127**	8,280,198
	₱102,863,792	₱96,111,500

Decrease in other current assets mainly came from deferred input VAT, and creditable withholding taxes .

8. Property, Plant and Equipment

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Beginning balance -Net	**619,413,310**	508,255,805
PPE of acquired subsidiary	**-**	3,175,441
Additions	**53,346,685**	177,254,918
Depreciation and amortization	**(41,135,669)**	(64,231,039)
Disposals and others	**(3,477,874)**	(5,041,815)
Ending Balances	**628,146,451**	619,413,310

Additions were mainly for expansion projects in Food Business, and enhancement of facilities, and other capacity expansion projects.

9. Goodwill and Intangible Assets

The Group's intangible assets consist of the following:

As of June 30, 2013 (Unaudited):

	Goodwill	Patents	Trademarks	Software Costs	Total
Cost					
Beginning balances	**435,569,002**	**300,328,000**	**212,973,214**	**72,747,623**	**1,021,617,839**
Additions	**17,321,532**	-	-	**1,566,716**	**18,888,248**
Ending balances	**452,890,534**	**300,328,000**	**212,973,214**	**74,314,339**	**1,040,506,087**
Accumulated Amortization					
Beginning balances	-	**70,000,000**	**10,319,196**	**30,443,211**	**110,762,407**
Amortization	-	**15,000,000**	**1,853,454**	**3,899,990**	**20,753,444**
Ending balances	-	**85,000,000**	**12,172,650**	**34,343,201**	**131,515,851**
Net Book Values	**452,890,534**	**215,328,000**	**200,800,564**	**39,971,137**	**908,990,236**

As of December 31, 2012 (Audited):

	Goodwill*	Patents	Trademarks	Software Costs	Total
Cost					
Beginning balances	₱401,919,255	₱300,000,000	₱212,973,214	₱48,592,750	₱963,485,219
Additions	33,649,747	328,000		24,154,873	58,132,620
Ending balances	435,569,002	300,328,000	212,973,214	72,747,623	1,021,617,839
Accumulated Amortization					
Beginning balances	–	40,000,000	6,723,214	25,083,552	71,806,766
Amortization	–	30,000,000	3,595,982	5,359,659	38,955,641
Ending balances	–	70,000,000	10,319,196	30,443,211	110,762,407
Net Book Values	₱435,569,002	₱230,328,000	₱202,654,018	₱42,304,412	₱910,855,432

** Includes provisional goodwill arising from MFC acquisition*

Goodwill

The 17.3M addition to Goodwill mainly pertains to additional acquisition of three (3) percent of outstanding Barrio Fiesta Manufacturing Corp. shares.

10. Related Party Transactions

The Group has the following transactions with related parties:

For the period ended June 30, 2013 (Unaudited):

	Sales	Service Income	Interest Income	Rent Expense	Donation
Ultimate Parent Company –AHC	₱–	₱–	₱2,649,611	₱–	₱–
Fellow subsidiaries through AHC:					
HBC, Inc.	36,517,294	2,378,730	–	1,625,198	–
PTSI	–	–	3,797,007	–	–
WPFC	–	–	2,995,078	–	–
WPB	–	–	253,255	–	–
Related company - Ang Hortaleza Foundation (AHF)	–	–	–	–	4,500,000
	₱36,517,294	₱2,378,730	₱9,694,951	₱1,625,198	₱4,500,000

For the year ended December 31, 2012 (Audited):

	Sales	Service Income	Interest Income	Advances	Rent Expense	Donation	Others* (Note 21)
Ultimate Parent Company - AHC	₱–	₱–	₱4,456,732	₱–	₱–	₱–	₱1,903,997
Fellow Subsidiaries through AHC							
HBC, Inc.	86,265,980	1,609,931	–	–	635,000	–	–
PTSI	–	–	8,213,446	–	–	–	–
WPFC	–	–	5,422,945	8,794	–	–	–
WPB	–	–	2,927,169	–	–	–	–
Related company Ang.Hortaleza Foundation (AHF)	–	–	–	–	–	6,710,800	–
Close Family Member Hantrade Phils.	9,548,164	–	–	–	–	–	–
	₱95,814,144	₱1,609,931	₱21,020,293	₱8,794	₱635,000	₱6,710,800	₱1,903,997

** under "Others" in "Costs of Goods Sold" and "Outside services" in "General and Administrative Expenses"*

The Group has the following account balances with related parties:

As of June 30, 2013 (Unaudited):

	Cash and Cash Equivalents	**Trade Receivables**	**Due from Related Parties**	**Interest Receivable**	**Notes Receivable**
Ultimate Parent Company AHC	**₱–**	**₱–**	**₱–**	**₱2,649,611**	**₱95,653,840**
Fellow Subsidiaries					
WPB	**159,780,724**	**–**	**–**	**916**	**–**
HBC, Inc.	**–**	**71,209,926**	**–**	**–**	**–**
HBC Global	**–**	**4,741,597**	**–**	**–**	**–**
PTSI	**–**	**4,190,172**	**1,732,619**	**3,797,007**	**137,902,455**
SII	**–**	**–**	**990,659**	**–**	**–**
WPFC	**–**	**–**	**2,481,912**	**–**	**–**
Total	**159,780,724**	**80,141,695**	**5,205,190**	**6,447,534**	**233,556,295**
Adjustment for discount effect of future cash flows	**–**	**–**	**–**	**–**	**(7,951,717)**
Net	**₱159,780,724**	**₱80,141,695**	**₱5,205,190**	**₱6,447,534**	**₱225,604,578**

As of December 31, 2012 (Audited):

	Cash and Cash Equivalents	Trade Receivables	Due from Related Parties	Interest Receivable	Notes Receivable
Ultimate Parent Company AHC	₱–	₱–	₱–	₱–	₱95,653,840
Fellow Subsidiaries					
WPB	204,867,463	–	–	13,627	–
HBC, Inc.	–	76,463,022	–	–	–
HBC Global	–	20,618,168	–	–	–
PTSI	–	7,888,402	1,732,619	–	137,902,455
SII	–	–	990,659	–	–
WPFC	–	–	2,492,096	–	–
Total	204,867,463	104,969,592	5,215,374	13,627	233,556,295
Adjustment for discount effect of future cash flows	–	–	–	–	(7,951,717)
Net	₱204,867,463	₱104,969,592	₱5,215,374	₱13,627	₱225,604,578

11. Short-term Bank Loans and Long-term Debt

Short-term Bank Loans

On various dates in semester of 2013, the Company obtained clean short-term loans from a local bank totaling ₱392,944,704. The loans are payable within three months from dates of availment and are subject to fixed interest rates of 4.65% and 6% per annum. Outstanding balances amounted to ₱208,492,140 as of June 30, 2013.

Long-term Debt

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Beginning balance	**1,120,000,000**	800,000,000
Additions	**-**	520,000,000
Payment	**(63,157,895)**	(200,000,000)
	1,056,842,105	1,120,000,000
Unamortized Debt issue Costs	**(13,229,641)**	(15,901,966)
	1,043,612,464	1,104,098,034

12. Equity

On April 12, 2013, the Board of Directors declared cash dividends of Php.07 per share, with record date of April 30, 2013, and payment date of May 15, 2013. Dividend payments made amounted to P 45,449,822.

13. Income Taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. The Group' provision for income tax-current amounting to ₱ 7,984,952 represents RCIT and MCIT as of June 30, 2013.

14. Segment Reporting

The Group's reportable segments are as follows:

Philippine Operations - sells and markets personal, health and beauty products through distributors located within the Philippines. These also include toll manufacturing services to a related party and payday sale operations.

International Operations - sells and markets personal, health and beauty products through foreign distributors located outside the Philippines and through local consolidators located within the Philippines. The foreign distributors include its foreign subsidiaries.

Direct Selling Business - is tasked to distribute the Group's product lines such as cosmetics and fragrances through networking groups and business partners.

Food Business - sells and markets food products under the brands Barrio Fiesta and Moondish.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on Net sales and Operating profit or loss. Operating profit is obtained only by deducting operating expenses from gross profit. Finance costs, finance income
and income taxes are managed at the Group level. Segment assets only include receivables and inventories. All other assets are not allocated to the segments as part of information provided to CODM. Segment liabilities are not reported to the CODM.

The Group's segment information is as follows (in thousands):

	For Six Months Ended June 30, 2013				
	Philippine Operations	**International Operations**	**Direct Selling Business**	**Food Business**	**Total**
Net sales of goods (Notes a and b)	**₱1,117,192**	**₱170,341**	**₱209,674**	**₱132,003**	**₱1,629,210**
Service income (Notes a and b)	**2,379**	**–**	**–**	**–**	**2,379**
Total	**1,119,571**	**170,341**	**209,674**	**132,003**	**1,631,589**
Costs of goods sold and services (Note b)	**476,490**	**42,853**	**62,213**	**85,157**	**666,713**
Gross profit	**643,081**	**127,488**	**147,461**	**46,846**	**964,876**
Operating expenses	**579,386**	**84,981**	**129,615**	**136,534**	**930,516**
Operating profit (loss) (Note c)	**₱63,695**	**₱42,507**	**₱17,846**	**(₱89,688)**	**₱34,360**
Segment Assets (Note d):					
Trade receivables (Notes a and b)	**₱671,256**	**₱218,034**	**₱424,196**	**₱86,393**	**₱1,399,879**
Inventories (Note e)	**339,557**	**111,729**	**121,878**	**119,555**	**692,719**
Total	**₱1,010,813**	**₱329,764**	**₱546,074**	**₱205,947**	**₱2,092,598**

	For Six Months Ended June 30, 2012				
	Philippine Operations	International Operations	Direct Selling Business	Food Business	Total
Net sales of goods (Notes a and b)	₱1,022,772	₱206,640	₱182,673	₱120,830	₱1,532,915
Service income (Notes a and b)	479	–	–	–	479
Total	1,023,251	206,640	182,673	120,830	1,533,394
Costs of goods sold and services (Note b)	471,824	73,044	55,062	76,775	676,705
Gross profit	551,427	133,596	127,611	44,055	856,689
Operating expenses	535,727	120,916	125,638	55,461	837,742
Operating profit (loss) (Note c)	₱15,700	₱12,680	₱1,973	(₱11,406)	₱18,947
Segment Assets (Note d):					
Trade receivables (Notes a and b)	₱505,549	₱180,739	₱236,453	₱24,104	₱946,845
Inventories (Note e)	382,614	86,422	108,014	44,887	621,937
Total	₱888,163	₱267,161	₱344,467	₱686,991	₱1,568,782

Notes:

a. Segment revenues and related receivables for the segments are recognized when the goods are delivered to distributors/local consolidators/dealers (for sale of goods) and by reference to the stage of completion (for service income) which are the same revenue recognition being followed and reflected in the consolidated financial statements. The trade receivables are presented at gross of allowance for doubtful accounts.
b. There are no inter-segment sales or transactions. Consequently, the sum of the Philippine operations, international operations, direct selling business and food business segment accounts agrees with the amounts reflected in the consolidated statements of income.
c. Operating profit (loss) is obtained only by deducting operating expenses from gross profit. Other revenue and expenses to arrive at net income such as finance costs, finance income and income taxes are managed at the Group level.

d. Total segment assets include receivables and inventories. All other assets such as cash and cash equivalents, other financial instruments and property, plant and equipment are not allocated to the segments.
e. Inventories are presented at cost; thus, allowance for inventory obsolescence is not deducted from the amounts reported.

15. Financial Risk Management

The Group's principal financial instruments comprise of cash and cash equivalents, notes receivable, advances to ultimate Parent Company, AFS investments and long-term debt. The main purpose of the Group's financial instruments is to fund its brand acquisition, domestic and international operations and capital expenditures. The Group has various other financial assets and liabilities such as trade and other receivables, accounts payable and accrued expenses which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and concentration risk, interest rate risk, equity price risk, foreign currency risk and liquidity risk.

Risk Management Structure
Board of Directors
The BOD is responsible for the overall risk management approach, and reviews and approves the policies for managing each of these risks. The BOD monitors the implementation of its risk management policies through the following:

Executive Management Committee
The Executive Management Committee approves credit risk limits for large exposures, except for directors, officers, stockholders and related interests loans which are approved by the BOD regardless of amount. It approves risk related policies, oversees limits to discretionary authority that the BOD delegates to management. It tackles and manages the different risks inherent in the Group.

Audit Committee
The Audit Committee reviews the Group's policies and practices with respect to risk assessment and risk management and conducts regular discussion with executive management as to the Group's major risk exposures and the steps that need to be taken to monitor and control such exposures.

Financial Risk
Credit Risk and Concentration Risk
Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. Credit risk arises from cash and cash equivalents which are deposited in financial institutions, as well as credit exposure to wholesale and retail customers and distributors.

The Group trades only with recognized, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures taking into account the customer's past experience and other factors. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Outstanding receivables are mostly from big retail store chains which the Group services directly. Credit lines of these accounts are reviewed on a semi-annual basis.

The credit risk on cash and cash equivalents and deposits with banks and financial institutions is limited because the transactions are with reputable local banks and a related party. The maximum exposure to credit risk is represented by the carrying amount of each loans and receivables in the consolidated balance sheets. The Group does not hold collateral as security on the Group's loans and receivables nor provides guaranty.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's notes receivable and long-term debt are exposed to cash flow interest rate risk . The repricing of these instruments is done on intervals of three months.

The Group regularly monitors interest rate movements and, on the basis of current and projected economic and monetary data, decides on the best alternative to take. The Group monitors the interest rate volatility to protect it from spiraling interest costs should interest rates go up.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

The Group has cash and cash equivalents with banks which are subject to prevailing bank interest rates. Changes in interest rates relating to cash equivalents are not expected to change significantly and the Group believes that the effect of the change is not material.

Equity Price Risk
Equity price risk is the risk that the fair value of equities will decrease as a result of changes in the levels of equity indices and value of individual stock. Management believes that the Group's exposure to equity price risk is not significant since the substantial portion of its investments in equity shares is unquoted.

Foreign Currency Risk
The Group has significant exposure to foreign currency exchange risk arising from its exposure to the U.S. dollar rate fluctuation on its trade receivables from export sales and cash and cash equivalents denominated in U.S. dollar. The Group is also exposed on the operations of PTSC (its foreign subsidiary) where transactions are denominated in IDR and NGN. The Group's exposure to other currencies from its other foreign subsidiaries is not yet significant.

It is not considered practical or cost effective at present to use financial instruments or derivatives to manage the Group's exposure to foreign exchange rate fluctuation. Instead, foreign exchange rates are reviewed and monitored periodically by the Group's BOD. The Group maintains U.S. dollar accounts to manage its foreign currency-denominated transactions.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to always maintain a certain level of cash of up to 14 days sales. Receivable monitoring is performed on a daily basis to ensure positive liquidity. Standby credit lines are available from overdraft facilities and omnibus lines provided by banks. Excess funds are deposited in high-interest yield placements with terms of between 7 to 30 days.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business, continue to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure that would reduce the cost of capital.

The Group regularly monitors its use of capital using leverage ratios, such as debt-to-equity ratio, and makes adjustments in the light of changes in economic conditions and its own financial position. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

There have been no changes in the risk management policies during the period and management believes that there are no significant changes in financial risk information that would materially affect the financial condition and results of operations of the Group. Hence, these should be read in conjunction with the group's annual consolidated financial statements as at December 31, 2012.

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments as of June 30, 2013 and December 31, 2012:

	As of June 2013		December 31, 2012	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Millions)		
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱426.87**	**₱426.87**	₱651.00	₱651.00
Trade receivables				
Distributors and other accounts	**1,319.74**	**1,319.74**	1,132.22	1,132.22
Related parties	**80.14**	**80.14**	104.97	104.97
Advances from officers and employees	**18.4**	**18.4**	21.95	21.95
Due from related parties	**5.21**	**5.21**	5.22	5.22
Receivable from insurance companies	–	–	–	–
Interest receivable	**1.02**	**1.02**	0.21	0.21
Non-trade receivables	**32.17**	**32.17**	7.84	7.84
Notes receivable	**225.60**	**225.60**	225.60	225.60
Advances to ultimate Parent Company	–	–	–	–
Refundable lease and utility deposits	**17.9**	**17.9**	14.00	13.24
	2,127.05	**2,127.05**	2,163.01	2,162.25
AFS investments:				
Unquoted	**250.00**	**250.00**	250.00	250.00
Quoted	**38.20**	**38.20**	38.20	38.20
	288.20	**288.20**	288.20	288.20
	₱2,415.25	**₱2,415.25**	₱2,451.21	₱2,450.45

Financial Liabilities				
Other financial liabilities:				
Accounts payable and accrued expenses:				
Trade payables to third parties	**₱592.51**	**₱592.51**	₱579.55	₱579.55
Trade payable to fellow subsidiary	**–**	**–**	–	–
Accrued expenses	**304.93**	**304.93**	155.38	155.38
Non-trade payables	**16.04**	**16.04**	28.69	28.69
Short-term bank loans	**208.49**	**208.49**	141.02	140.89
Long-term debt	**1,043.61**	**1,043.61**	1,104.10	1,104.10
Obligations under finance lease	**18.21**	**18.21**	25.30	25.59
	₱2,183.79	**₱2,183.79**	₱2,034.04	₱2,034.42

Cash and cash equivalents, receivables, short-term note receivable, advances to ultimate Parent Company and accounts payable and accrued expenses.
The carrying amounts of the aforementioned financial assets and liabilities approximate the fair values due to the short-term nature of these accounts or the interest that they carry approximates the interest rate for comparable instruments in the market.

Notes receivable
The carrying value of the long-term notes receivable approximates the fair value because of the quarterly repricing of interest rates based on market conditions.

AFS investments
The fair value of quoted equity investments was determined by reference to market bid quotation as of balance sheet date. The fair value of unquoted AFS investments was determined based on the recent sale transaction.

Refundable deposits
The fair value of refundable deposits is determined by discounting the future cash flows using the prevailing rate as of December 31, 2012.

Long-term debt
The carrying value approximates the fair value because of the quarterly repricing of interest rates based on market conditions.

Obligations under finance lease
The fair value of the obligations under finance lease is determined by discounting the future cash flows using the prevailing rate as of the reporting date.

Investment in Foreign Securities.
The Company has no investments in foreign securities

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have significant effect on the recorded fair

value that are not based on observable market data.

As of June 30, 2013:

	Level 1	Level 2	Level 3	Total
		(In Millions)		
AFS investments:				
Unquoted	₱–	₱250.00	₱–	₱250.00
Quoted	38.20	–	–	38.20
	₱38.20	₱250.00	₱–	₱288.20

As of December 31, 2012:

	Level 1	Level 2	Level 3	Total
		(In Millions)		
AFS investments:				
Unquoted	₱–	₱250.00	₱–	₱250.00
Quoted	38.20	–	–	38.20
	₱38.20	₱250.00	₱–	₱288.20

In 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Since valuation of fair value of AFS investments are done only at year end, there is no gain or loss recognized as of June 30, 2013.

Financial Assets and Financial Liabilities

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Initial recognition and classification of financial instruments

All financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset), or received (in case of a liability). Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. The Group also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of June 30, 2013 and 2012, the Group has no financial instruments classified as at FVPL and HTM investments.

Determination of fair value
The fair value of financial instruments that are actively traded in organized financial market is determined by reference to quoted market bid prices (bid prices for long positions and asking prices for short positions without any deduction for transaction cost) at the close of business at the balance sheet date. When the current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For investments and all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include the use of recent market transactions between knowledgeable and willing parties in an arm's length transactions, net present value techniques, comparison to similar instrument for which market observable prices exist and other relevant valuation models.

16. Other Explanatory Notes

Unusual Items - During the current interim period, there are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

Changes in estimates or amounts reported in prior periods - There are no changes in estimates or amounts reported in prior interim periods or prior financial years that would have a material effect in the current interim period

Material events - Material events, if any, subsequent to the end of the prior interim period are reflected in the financial statements for the current interim period.

Changes in composition of Company – In February 15, 2013, the Company's Board of Directors approved the acquisition of three (3) percent outstanding shares of Barrio Fiesta Manufacturing Corporation.

Earnings per Share (EPS) - EPS is determined by dividing net income by the weighted average number of shares issued and outstanding, after giving retroactive adjustments for any stock split and stock dividends or reverse stock splits during the year. The Company does not have dilutive potential common shares.

	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
Net income (loss)	**₱28,869,525**	**₱11,629,797**
Weighted average number of shares	**649,283,166**	**649,283,166**
Earnings per share	**₱.04**	**₱0.018**

17. **Other events subsequent to June 30, 2013**

From June 30, 2013 to date, there were no significant events requiring disclosure.

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PART I – FINANCIAL INFORMATION

Splash Corporation
(A Subsidiary of Ang·Hortaleza Corporation) and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations
June 30, 2013

Item 2. Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations

The MD&A should be read in conjunction with our unaudited financial statements and the accompanying notes. All financial information is reported in Philippine Pesos (₱) unless otherwise stated.

Additional information about the Company can be found on our corporate website www.splash.com.ph.

FINANCIAL CONDITION

As of June 30, 2013, the Group's total assets decreased by 1.5% compared to December 31, 2012 mainly due to decrease in cash and cash equivalents by 34.4%, slightly offset by increase in inventory by 20.1%. Meanwhile, total liabilities also increased by 4.4% mainly due to increase in payables by 9.4%.

The current ratio as of June 30, 2013 at 2.08 and the debt to equity ratio at 0.82 continued to be better than the requirements set in our new Loan Facility Agreement which mandates a current ratio of at least 1.0 and debt-to-equity ratio of not more than 2.0 until the Notes are fully settled. The agreement also required the maintenance of a debt service coverage ratio of at least 1.75 based on the latest audited financial statements (FS). The latest audited FS showed a debt service coverage ratio of 1.84.

The new Loan Facility Agreement has been fully disclosed in our 2012 Audited Financial Statements.

KEY PERFORMANCE INDICATORS (KPI)

The Group uses the following key performance indicators to track performance and achievement of standards set year on year.

KPI	CALCULATION	PERFORMANCE ACHIEVEMENT (in millions)	
		Q2 2013	Q2 2012
CONSOLIDATED NET SALES	Includes sales of the Company and its subsidiaries net of applicable discounts and valid returns from customers.	**1,632**	1,533
NEW PRODUCT SALES	Sales of new products launched during the period under review.	**119**	471
EBITDA	Computed as Operating Income plus Amortization and Depreciation in order to provide an immediate indication of the Company's ability to generate cash flows from operations, incur and service debt, finance capital expenditures (CAPEX) and working capital changes.	**96**	35
NET INCOME AFTER TAX	Income before tax minus provision for Income Tax	**13**	11
MARKET SHARES OF CORE BRANDS	Market share of the Company's Core brands (from which about 80% of sales are generated). It is based on the Retail Audit of AC Nielsen at specific cut-off dates. Provides indication of the relative market strength of the Company's core brands vis-a vis competition. Please refer to discussion on Market Shares of Core brands.		

The following are key performance indicators (KPI's) of the parent company and its majority-owned local subsidiaries:

KPI	SPLASH CORPORATION		PRIME GLOBAL		BARRIO FIESTA	
	Q2 2013	Q2 2012	Q2 2013	Q2 2012	Q2 2013	Q2 2012
NET SALES	1,514.4	1,396.6	24,71	18.6	119.0	120.8
EBITDA	132.4	93.9	(6.5)	1.3	(54.9)	1.8
NET INCOME AFTER TAX	109.2	42.0	(8.1)	1.6	(62.2)	(2.0)

The KPI's of other subsidiaries(P.T. Splash Cahaya, Splash H&B SDN BHD in Malaysia, Splash H&B Limited, Splash Global PTE. LTD.), are not yet significant and already formed part of the consolidated KPI's.

NET SALES

Net Sales in the quarter ending June 30 amounted to 1.632 billion pesos which is 6.4% higher than last year mainly coming from the increased sales of the Personal Care, Foods and Direct Sales businesses.

NEW PRODUCT SALES

New products introduced during the period are as follows:

- No Boil Lechon Kawali Marinade
- Pork and Chicken Barbeque Marinade
- Tubasuk Hot and Spicy
- Tubasuk Sweet and Spicy
- Hauz Pro Dishwashing Liquid
- Hauz Pro Detergent Powder
- Tricks Exfoliant Soap
- Tricks Facial Scrub Whitening
- Tricks Exfoliant
- Tricks Deo Body Spray
- Tricks Facial Cleanser
- Skinwhite Whitening Soap Classic
- Extract Herbal Papaya Calamansi Soap
- Maxi-Peel Bath Soap

MARKET SHARES OF CORE BRANDS

Presented below is the market share of our top product category:

Product Category	Total Philippines – Volume % Share
Exfoliant	Maxi-Peel continues to be the dominant brand in the Exfoliant category as its solution remains the number 1 exfoliant solution while its soap continues to be the leading brand in the exfoliant soap segment.
Whitening	Skin White lotion remains stable despite the absence of above-the-line advertising. Its planned efforts to win in store through its nationwide merchandising contest and in-store bundling allowed for improved shelf space and continued off-take. Splash Corporation's strategic brand, Flawlessly U-Extract meanwhile has made significant gains in its targeted area, Mindanao, as soap shares almost doubled from period to period and lotion shares improved, albeit very slightly.
Hair	For Splash Corporation hair brands, Vitress remains stable and the dominant leader in the hair cuticle coat category. Kolours Hair Dye also remains the top hair dye brand, however, shedding several share points primarily from its super premium brand, Luster. The decrease in share points was due to aggressive in store activities of large, multi-national brands and on-going raffle promos of other competitors that also affected Splash Corporation's Shades powder hair dye.

RESULTS OF OPERATIONS

	For Quarter Ended June 30			Cost to Sales Ratio	
	2013	2012	**% Change**	**2013 YTD**	2012 YTD
Net Sales	**1,631,589,947**	1,533,394,341	6.4%	100.0%	100.0%
Cost of goods sold	**(666,712,710)**	(676,705,402)	-1.5%	-40.9%	-44.1%
Gross profit	**964,877,237**	856,688,939	12.6%	140.9%	144.1%
Operating expenses	**(930,620,404)**	(837,741,816)	11.1%	-57.0%	-54.6%
Operating Income	**34,256,833**	18,947,123	80.8%	2.1%	1.2%
Interest income	**11,152,526**	11,262,249	-1.0%	0.7%	0.7%
Interest expense	**(34,806,416)**	(19,437,131)	79.1%	-2.1%	-1.3%
Other income (charges)	**10,570,871**	3,093,558	241.7%	0.6%	0.2%
Net income before tax	**21,173,814**	13,865,799	52.7%	1.3%	0.9%
Income tax	**(7,984,952)**	(2,800,575)	185.1%	-0.5%	-0.2%
Net income after tax	**13,188,862**	11,065,224	19.2%	0.8%	0.7%
Earnings per share	**0.04**	0.09	-55.6%	0.0%	0.0%

Explanation for variances of 5% (+ or -):
The increase in Net sales mainly came from increase in personal care, direct sales and the Foods businesses.

The Operating expenses increased by 11% mainly due to increase in general and administrative expenses in Food Business and marketing and selling expenses of personal care, Direct Sales and Foods businesses.

Interest income declined due to decrease in funds investible in short term investments after capital expenditures on facilities expansion and improvements.

Interest expense increased due to additional long term loans and increase in interest rates paid.

EBITDA

	JUNE 2013 YTD	JUNE 2012 YTD	Increase/(Decrease) Amount	%
Net Operating Income	**34,256,832**	18,947,122	15,309,710	81%
Depreciation and Amortization	**61,889,114**	48,557,030	13,332,084	27%
EBITDA	**96,145,946**	67,504,152	28,641,794	42%

Changes in net operating income and depreciation are also discussed below.

NET INCOME AFTER TAX

Net income after tax of P13.2 million was higher than last year's P11.0 million mainly due to increase in sales as previously explained.

Non-cash operating expenses consist of:

	JUNE 2013 YTD	JUNE 2012 YTD	Increase/(Decrease) Amount	%
Depreciation and Amortization	**61,889,114**	48,557,030	13,332,084	27%

Depreciation and amortization increased by 27% mainly due to the amortization of intangible assets.

Financial Ratios

	June 2013	December 2012
Current ratio	**2.08**	2.40
Debt to Equity ratio	**0.82**	0.81
Asset to Equity Ratio	**1.82**	1.81
Return on Sales	**.8%**	2.59%
Return on Equity	**0.5%**	3.38%
Solvency Ratio (1)	**3.38**	8.87
Debt Service Coverage Ratio (2)	**1.84**	1.84
Interest Rate Coverage Ratio (3)	**3.16**	4.71

(1) Solvency Ratio = (Net income after tax plus depreciation and amortization)/Total Liabilities
(2) Debt Service Coverage Ratio = (Beginning cash plus net cash from operating activities)/(Interest expense plus current portion of long-term debt)(based on latest audited FS)
(3) Interest Rate Coverage Ratio = (Net income before tax plus depreciation and amortization plus interest expense)/Interest expense

FINANCIAL CONDITION

COMPARATIVE BALANCE SHEETS

	As of June 30 2013	2012	% Change	% of Total Assets / Liabs & Equity As of 6/30/13	As of 6/30/12
ASSETS					
Current Assets					
Cash and cash equivalents	426,874,196	880,790,107	-51.5%	9%	19%
Receivables - net	1,348,074,763	905,943,720	48.8%	27%	19%
Inventories - net	676,252,118	573,843,896	17.8%	14%	12%
Current portion of notes receivable	208,458,239	179,308,524	16.3%	4%	4%
Advances to Ultimate Parent	-	1,764,727	-100.0%	0%	0%
Prepaid expenses and other current assets	102,863,792	150,906,997	-31.8%	2%	3%
Total Current Assets	**2,762,523,108**	2,692,557,971	2.6%	56%	57%
Non-Current Assets					
Property, plant and equipment - net	628,146,451	577,034,390	8.9%	13%	12%
Notes receivable - net of current portion	17,146,339	48,266,534	-64.5%	0%	1%
Available for sale investments	288,198,000	276,960,000	4.1%	6%	6%
Land for development	141,956,454	141,956,454	0.0%	3%	3%
Intangible assets	908,990,236	845,095,156	0.0%	19%	18%
Deferred income tax assets	76,905,672	58,035,923	32.5%	2%	1%
Other non-current assets	85,252,547	86,041,257	-0.9%	2%	2%
Total Non-Current Assets	**2,146,595,699**	2,033,389,714	5.6%	44%	43%
TOTAL ASSSETS	**4,909,118,807**	4,725,947,685	**3.9%**	**100%**	**100%**
LIABILITIES AND EQUITY					
Current Liabilities					
Short-term bank loans	208,492,140	-	0.0%	4%	0%
Accounts payable and accrued expenses	816,317,813	708,318,902	15.2%	17%	15%
Current portion of:					
floating rate notes payable - net of current portion	285,706,985	197,778,271	44.5%	6%	4%
obligations under finance lease	6,423,737	5,189,979	23.8%	0%	0%
provisions	13,800,000	13,800,000	0.0%	0%	0%
Total Current Liabilities	**1,330,740,675**	925,087,152	43.9%	27%	20%
Non-current liabilities					
Floating rate notes payable - net	757,905,479	1,107,567,715	-31.6%	15%	23%
obligations under finance lease - net of current portion	11,788,333	9,640,084	22.3%	0%	0%
Retirement benefits liability	81,936,282	70,675,407	0.0%	2%	1%
Accrued rent	3,089,028	3,089,029	0.0%	0%	0%
Deferred Income Tax Liability	32,700,000	-	0.0%	0%	0%
Total Non-Current Liabilities	**887,419,122**	1,190,972,235	-25.5%	18%	25%
Total Liabilities	**2,218,159,797**	2,116,059,387	4.8%	45%	45%
Equity					
Attributable to equity holders of the Company:					
Capital Stock	746,160,357	746,160,357	0.0%	15%	16%
Additional paid-in capital	1,635,776,027	1,635,475,119	0.0%	33%	35%
Unrealized valuation gain (loss) on available-for-sale financial assets	65,696,100	52,838,100	24.3%	1%	1%
Cumulative translation adjustment	(2,078,983)	(1,763,088)	17.9%	0%	0%
Treasury stock	(304,349,349)	(304,048,441)	0.1%	-6%	-6%
Retained earnings	553,210,717	477,165,434	15.9%	11%	10%
	2,694,414,869	2,605,827,481	3.4%	55%	55%
Non-controlling interest	(3,455,859)	4,060,817	0.0%	0%	0%
Total Equity	**2,690,959,010**	2,609,888,298	3.1%	55%	55%
TOTAL LIABILITIES AND EQUITY	**4,909,118,807**	4,725,947,685	**3.9%**	**100%**	**100%**

Explanation of accounts with 5% (+ or -) variance:

Cash and cash equivalents decreased by 51% due to lower cash flow from operating activities, capital expenditures for plant, and intangible assets.

Accounts receivables increased by 48.8% mainly due to the increase in sales of our personal care, direct selling and foods businesses.

Prepaid expenses and other current assets decreased by 31.8% mainly due to advances to suppliers on soap noodles and machines in 2012.

Notes receivables variances were due to reclassification from noncurrent to current of that portion which is maturing in 2013.

Property, plant and equipment increased by 8.9% due to the plant and IT improvements.

The significant movements in liabilities include short term loans, increase in retirement benefits due to additional accruals of pension cost and re-classification entries in floating rate notes payable from noncurrent to current status.

As a percent to total assets or total liabilities the significant changes were as follows:

For the same reasons stated above, cash and cash equivalents ,accounts receivables, short-term loans, and notes payable accounts increased or decreased by more than two basis points .

As already mentioned, short-term loans increased by P 208 million or 4% of total liabilities in the second quarter of 2013 while receivables balance increase is due to increase in sales.

OTHER MATTERS

Any known trends, demands, commitments, events or uncertainties that will have a material effect on the issuer's liquidity increasing or decreasing in any material way

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

Event(s) that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation

The Corporate Notes Facility Agreement, provides among other terms and conditions, that for as long as the Note is outstanding, the Company is subject to negative covenants requiring prior written approval of the Note Holders for specific acts, such as:

- Materially changing the nature of its business;

- Changing majority ownership, voting control, or entering into Management Contracts or similar arrangements, which will materially and adversely affect the Company's ability to perform its obligations;
- Entering into merger or consolidation except when the Company is the surviving corporation;
- Granting of loans of advances to or investment in/with its directors, officers, stockholders and their related persons except those made in the ordinary course of business;
- Creation of a lien with respect to any of its properties;
- Sale, lease, transfer of all or substantially all of its assets;
- Purchase or guarantee indebtedness;
- Prepayment or repurchase of any long term indebtedness (other than the notes) pursuant to a provision on acceleration of payment;
- Declaration of Dividends when any sum due to the Note Holders is in arrears or if the Company is in default;
- Incurring additional loans with maturity exceeding one year;
- Purchase, redeem, retire or otherwise acquire for value any of its capital stock;
- Declare management bonuses or profit sharing over and above existing employee benefits;
- Enter into related party transactions that are not at arms' length;
- Permit ownership in subsidiaries to fall below 50%, or permit loss of management control;
- Acquire, undertake or invest in non-allied business;

The new loan facility also requires the Company to maintain the following financial ratios:

CURRENT RATIO	AT LEAST 1.0X
DEBT TO EQUITY RATIO	NOT MORE THAN 2.0X
DEBT SERVICE COVERAGE RATIO	AT LEAST 1.75X

As of June 30, 2013, the Group continues to be compliant with the above requirements.

Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company within consolidated entities or other persons created during the reporting period

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and or other relationships of the Company within consolidated entities or other persons created during the reporting period.

Material commitments for capital expenditures, the general purpose of such commitment and the expected sources of funds for such expenditures

For 2013, the CAPEX budget is ₱66 million, allocated as follows:

Splash Corporation	₱23.0
Splash Foods Corporation	35.2
Prime Global	7.4
TOTAL	**65.6**

The expected source of funds for such expenditures will come from borrowings.

Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/ revenues/income from continuing operations

The company produces and markets fast-moving consumer goods so that the most significant risk that it faces is inflation. Food items comprise about half of the basket of goods, with personal care items accounting for roughly 40% at most. With inflation, consumption will skew to the more essential items, with consumers postponing or even foregoing the purchase of non-essentials including personal care products.

In addition, inflation exerts upward pressures on product inputs as well as on operating costs. As prices are not normally automatically adjusted in line with production and operating costs, profit margins may decline.

Significant elements of income or loss that did not arise from the issuer's continuing operations

All of the Company's income/earnings are from its continuing operations.

Causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.

Significant changes in the Company's financial statements are explained or disclosed in previous sections of this report and likewise in the accompanying notes to financial statements.

Seasonal aspects that had a material effect on the financial condition or results of operations

Sales in the early months of the year, particularly January, tend to be lower due to the December inventory build-up at the trade and distributor levels (for the high consumer demand during the holiday season.) However, sales begin to increase in February and peaks in May when traditional summer events (fiestas and festivals) occur. Demand normally declines during the third quarter as a result of the wet/typhoon season. This lower demand is more evident in rural or agricultural areas where farmers wait for harvest. Demand then rises in the 4th quarter with harvest and the holiday season.

splash
corporation
Look, feel, live better.

PART II – OTHER INFORMATION

Splash Corporation
(A Subsidiary of Ang·Hortaleza Corporation) and Subsidiaries

Legal, Regulatory and Corporate Developments
June 30, 2013

MAJOR STOCKHOLDERS

As of June 30, 2013, there are 81 holders of common shares. The top twenty (20) stockholders and the number and percentage of total shares outstanding held by each are as follows:

LIST OF TOP 20 STOCKHOLDERS AS OF JUNE 30, 2013

Rank	Name	Number of Shares Held	Percent to Total Outstanding
1	Ang.Hortaleza Corporation	435,888,888	67.13%
2	PCD Nominee Corp. (Fil)	207,965,019	32.03%
3	PCD Nominee Corp. (Non-Fil.)	2,232,133	00.34%
4	Benito N. Chua Co Kiong	600,000	00.09%
5	BNC Ingredients Corporation	600,000	00.09%
6	Alfredo M. Yao	599,000	00.09%
7	William T. Enrile	320,000	00.05%
8	Benjamin S. Geli	200,000	00.03%
9	Joy O. Go	180,000	00.03%
10	Paul L. Gotianse	100,000	00.02%
11	Annika Sherryn Yao	50,000	00.01%
12	David Limqueco Kho	50,000	00.01%
13	Apollo Y. Chua	50,000	00.01%
14	Melanie Dianne T. Chua	50,000	00.01%
15	Alfonso Iñigo A. Hortaleza	40,000	00.01%
16	Benjamin L. Angel	29,021	00.00%
17	Dela Paz Alexander D. &/or Rosanna C. Raba	25,000	00.00%
18	Quality Investments & Securities Corporation	25,000	00.00%
19	Benjamin Luzod Angel	24,000	00.00%
20	Anna Karenina E. Reyes	23,000	00.00%

BOARD OF DIRECTORS AS OF JUNE 30, 2013

As of June 30, 2013, the members of the Board of Directors of Splash Corporation are as follows:

Name	Position
Rolando B. Hortaleza, M.D.	Chairman, President & Chief Executive Officer
Jimmy T. Yaokasin, Jr..	Vice-Chairman
Maurice P. Ligot	Director
Rafael C. Lopa	Independent Director
Bonifacio D. De Jesus	Independent Director
Emily A. Abrera	Independent Director
Ricardo R. Blanco	Director
Fe Marie R. Cabantac	Director
Cayetano W. Paderanga, Jr.	Director

EXECUTIVE OFFICERS AS OF JUNE 30, 2013

As of June 30, 2013, the executive officers of Splash Corporation are as follows:

Name	Position
Rolando B. Hortaleza, M.D.	Chief Executive Officer
Veneranda M. Tomas	EVP, Chief Finance Officer and Compliance Officer
Weena Roja N. Pineda	SVP and Chief of Staff
Ace Vincent V. Villareal	VP and GM, International Operations Division
Glenda D. Pingol	VP and GM, Direct Sales Division
Ma. Chantelle C. Batac	VP, Human Resources and Administration
Joseph C. Bautista	VP, Comptrollership
Lynneth P. Malabanan	VP, Corporate Quality and Technology Development
Fernando M. Manotok	VP for Management Finance and Business Development
Jasmine U. Tan	Corporate Secretary
Ceasar C. Buenagua	Assistant Corporate Secretary

SIGNATURE

Pursuant to the requirements of the Securities and Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **SPLASH CORPORATION**

VMTomas

By: **VENERANDA M. TOMAS**
Chief Finance Officer

Date: August 14, 2013