

Prime Orion Philippines, Inc. and Subsidiaries

**Consolidated Financial Statements
as at June 30, 2015 and 2014
and Years Ended June 30, 2015, 2014 and 2013**

and

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Prime Orion Philippines, Inc. and Subsidiaries
20/F LKG Tower
6801 Ayala Avenue, Makati City

We have audited the accompanying consolidated financial statements of Prime Orion Philippines, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three years ended June 30, 2015, 2014 and 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Prime Orion Philippines, Inc. and its subsidiaries as at June 30, 2015 and 2014, and their financial performance and their cash flows for the three years then ended June 30, 2015, 2014 and 2013, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

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October 9, 2015



PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Par Value and Number of Shares)

	June 30	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱151,763	₱371,534
Receivables (Note 5)	496,116	603,141
Inventories (Note 6)	12,006	18,474
Real estate held for sale and development (Note 7)	430,103	429,507
Amounts owed by related parties (Note 18)	9	22
Available-for-sale (AFS) financial assets (Note 8)	1,507,408	1,643,898
Financial assets at fair value through profit or loss (FVPL) (Note 9)	27,992	-
Other current assets (Note 10)	244,729	232,115
Total Current Assets	2,870,126	3,298,691
Noncurrent Assets		
Investments in an associate (Note 11)	2,571	2,564
Investment properties (Note 12)	1,329,022	737,488
Property, plant and equipment (Note 13)	46,328	672,083
Software costs (Note 14)	8,800	8,957
Other noncurrent assets (Note 15)	204,226	106,207
Total Noncurrent Assets	1,590,947	1,527,299
TOTAL ASSETS	₱4,461,073	₱4,825,990
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 16)	₱667,262	₱673,755
Current portion of rental and other deposits (Note 17)	148,230	166,655
Total Current Liabilities	815,492	840,010
Noncurrent Liabilities		
Rental and other deposits - net of current portion (Note 17)	85,331	48,088
Retirement benefits liability (Note 23)	96,975	99,185
Deferred rent income (Note 27)	792	735
Deferred income tax liabilities - net (Note 24)	234,565	241,561
Subscriptions payable (Note 19)	481,675	481,675
Total Noncurrent Liabilities	899,338	871,244
Total Liabilities	₱1,714,830	₱1,711,654



	June 30	
	2015	2014
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₦1 par value		
Authorized - 2,400,000,000 shares		
Issued and subscribed - 2,367,149,383 shares (net of subscriptions receivable of ₦297,237 and ₦300,792 as at June 30, 2015 and 2014)	₦2,069,912	₦2,066,357
Additional paid-in capital	829,904	829,904
Treasury shares	(21,916)	-
Revaluation increment on property, plant and equipment (Note 13)	244,622	252,233
Unrealized valuation gains (losses) on AFS financial assets (Note 8)	2,066	83,801
Loss on remeasurement of retirement benefits liability (Note 23)	(72,481)	(66,736)
Deficit	(378,204)	(123,362)
	2,673,903	3,042,197
Non-Controlling Interests	72,340	72,139
Total Equity	₦2,746,243	₦3,114,336
TOTAL LIABILITIES AND EQUITY	₦4,461,073	₦4,825,990

See accompanying Notes to Consolidated Financial Statements.



PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share)

	Years Ended June 30		
	2015	2014	2013
REVENUE			
Rental and other charges (Note 12)	P414,475	P402,520	P419,769
Insurance premiums and commissions – net	236,452	222,126	209,889
Interest income on AFS financial assets (Note 8)	11,753	7,803	21,979
Merchandise sales	8,611	22,070	255,390
Service fees	8,070	6,972	3,446
Gain on sale of AFS financial assets (Note 8)	8,846	159,189	147,303
Dividend income (Notes 8 and 9)	4,228	4,032	1,319
	692,435	824,712	1,059,095
COSTS AND EXPENSES			
Cost of goods sold and services (Note 20)	226,309	242,802	563,630
Operating expenses (Note 20)	357,414	386,673	405,950
Commission and other underwriting expenses	173,252	186,534	185,914
	756,975	816,009	1,155,494
OTHER INCOME (CHARGES)			
Impairment losses on AFS financial assets (Note 8)	(241,187)	(2,600)	(291,501)
Gain on sale of property, plant and equipment (Note 13)	15,344	196	1,206
Reversal of impairment losses on receivables	8,009	–	–
Interest expense and bank charges - net (Note 22)	1,825	(1,866)	(1,845)
Reversal of inventory losses (Note 6)	1,241	4,360	–
Unrealized gain on financial assets at FVPL (Note 9)	280	–	–
Rehabilitation expenses (Note 1)	(609)	(13,495)	(10,660)
Equity in net income (loss) of associates (Note 11)	7	(24)	32
Recovery from insurance (Note 1)	–	269,282	78,086
Loss on write off on investment properties (Note 12)	–	(288)	–
Reversal of probable losses (Note 16)	–	–	243,346
Gain on re-measurement to AFS financial assets (Note 8)	–	–	594,107
Gain on condonation of debt (Note 1)	–	–	199,282
Casualty loss (Notes 12 and 13)	–	–	(63,247)
Reversal of impairment losses on amounts owed by related parties (Note 18)	–	–	62,462
Others - net	28,958	23,585	11,934
	(186,132)	279,150	823,202
INCOME (LOSS) BEFORE INCOME TAX	(250,672)	287,853	726,803
PROVISION FOR INCOME TAX - Net (Note 24)	11,564	81,950	5,590
NET INCOME (LOSS)	(P262,236)	P205,903	P721,213
ATTRIBUTABLE TO:			
Equity holders of the Parent	(P262,453)	P210,618	P728,630
Non-controlling interests	217	(4,715)	(7,417)
	(P262,236)	P205,903	P721,213
EARNINGS (LOSS) PER SHARE (Note 25)			
Basic and diluted, for income for the year attributable to ordinary equity holders of the Parent	(P0.11)	P0.09	P0.31

See accompanying Notes to Consolidated Financial Statements.



PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended June 30		
	2015	2014	2013
NET INCOME (LOSS)	(₱262,236)	₱205,903	₱721,213
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized valuation gains on AFS financial assets (Note 8)	251	245,666	62,571
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Loss on remeasurement on retirement benefits liability net of tax (Note 23)	(5,745)	(8,592)	(23,619)
Effect of shortened corporate life of a subsidiary (Note 1)	-	5,026	-
Revaluation increment on property, plant and equipment, net of tax (Note 13)	-	-	(398)
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱267,730)	₱448,003	₱759,767
ATTRIBUTABLE TO:			
Equity holders of the Parent	(₱275,665)	₱454,024	₱760,937
Non-controlling interests	7,935	(6,021)	(1,170)
	(₱267,730)	₱448,003	₱759,767

See accompanying Notes to Consolidated Financial Statements.



PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Revaluation Increment on Property, Plant and Equipment (Note 13)	Gains (Losses) on AFPS Financial Assets (Note 8)	Unrealized Valuation Gains (Losses) on Retirement Benefits Plan (Note 23)	Non-Controlling Interests	Total
Balances at July 1, 2012, as restated	P2,066,357	P829,904	P-	P261,017	P63,035	(P51,709)	(P1,072,577)	P2,181,535
Net income, as previously stated	-	-	-	-	-	-	-	720,018
Effect of adoption of revised PAS 19, net of tax	-	-	-	-	-	-	727,435	(7,417)
Net income, as restated	-	-	-	-	-	-	728,630	(7,417)
Other comprehensive income (loss)	-	-	-	-	-	-	1,195	-
Unrealized valuation gain (loss) on AFPS financial assets	-	-	-	-	65,070	-	-	(2,499)
Revaluation increment in property, plant and equipment	-	-	-	(398)	-	-	-	(398)
Actuarial loss recognized in OCI	-	-	-	-	-	(23,619)	-	(23,619)
Total comprehensive income	-	-	-	(398)	65,070	(23,619)	728,630	(9,916)
Transfer of realized valuation increment on property, plant and equipment	-	-	-	(775)	-	-	775	-
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	-	(132,964)	-	-	(132,964)
Balances at July 1, 2013	P2,066,357	P829,904	-	P259,844	(P4,859)	(P5,328)	(P143,172)	P75,592
Net income	-	-	-	-	-	-	210,618	(4,715)
Other comprehensive income (loss)	-	-	-	-	-	-	-	205,903
Unrealized valuation gain (loss) on AFPS financial assets	-	-	-	247,849	-	-	(2,183)	245,666
Actuarial loss recognized in OCI	-	-	-	-	8,592	-	-	8,592
Total comprehensive income	-	-	-	247,849	8,592	210,618	(6,898)	460,161

(Forward)



	Capital Stock	Additional Paid-in Capital	Treasury Shares	Revaluation Increment on Property, Plant and Equipment (Note 13)	Unrealized Valuation Gains (Losses) on AFS Financial Assets (Note 8)	Remeasurement of Retirement Benefits Plan (Note 23)	Gains (Losses) on Non-controlling Interests	Total
Transfer of realized valuation increment on property, plant and equipment	P-	P-	-	(P7,611)	P-	P7,611	P-	P-
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	-	(159,189)	-	-	(159,189)
Effect of shortened corporate life of a subsidiary	-	-	-	-	-	1,581	3,445	5,026
Balances at June 30, 2014	2,066,357	829,904	-	252,233	83,801	(66,736)	(123,362)	72,139
Net income	-	-	-	-	-	(262,453)	217	(262,236)
Other comprehensive income (loss)								
Unrealized valuation gain (on AFS financial assets	-	-	-	267	-	-	(16)	251
Actuarial gain recognized in OCI	-	-	-	-	(5,745)	-	-	(5,745)
Total comprehensive income	-	-	-	267	(5,745)	(262,453)	201	(267,730)
Issuance of capital stock	3,555	-	-	-	-	-	-	3,555
Treasury shares	-	-	(21,916)	-	-	-	-	(21,916)
Transfer of realized valuation increment on property, plant and equipment	-	-	-	(7,611)	-	7,611	-	-
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	-	(82,002)	-	-	(82,002)
Balances at June 30, 2015	P2,069,912	P829,904	(P21,916)	P244,622	P2,066	(P72,481)	P72,340	P2,746,243

See accompanying Notes to Consolidated Financial Statements.



PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended June 30		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(₱250,672)	₱287,853	₱726,803
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 14 and 27)	79,747	81,675	85,107
Provision (Recovery of) for impairment losses on:			
AFS financial assets (Note 8)	241,187	2,600	291,501
Inventories (Note 6)	-	1,588	70,952
Receivables (Note 5)	(5,538)	(553)	20,536
Other current assets (Note 10)	76	61	193
Amounts owed by related parties (Note 18)	15	-	(62,462)
Retirement benefits expense (Note 23)	22,773	25,339	21,345
Interest income	(16,599)	(13,623)	(28,055)
Gain on sale of:			
Property, plant and equipment (Note 13)	(15,345)	(196)	(1,206)
AFS financial assets (Note 8)	(8,846)	(159,189)	(147,303)
Dividend income (Note 8)	(4,228)	(4,032)	(1,319)
Reversal for inventory losses (Note 6)	(1,241)	(4,360)	-
Interest expense and bank charges (Note 22)	523	1,569	812
Gain on valuation of fair value of FVPL	(130)	-	-
Equity in net loss (income) of associates (Note 11)	(7)	24	(32)
Recovery from insurance (Note 1)	-	(269,282)	(78,086)
Loss on write-off of investment property (Note 12)	-	288	-
Unrealized foreign exchange losses (gains) - net	-	4	65
Reversal of probable losses (Note 16)	-	-	(243,346)
Gain on re-measurement to AFS financial assets (Note 8)	-	-	(594,107)
Gain on condonation of debt (Note 1)	-	-	(199,282)
Casualty loss (Notes 12 and 13)	-	-	63,247
Operating income (loss) before working capital changes	41,715	(50,234)	(74,637)
Decrease (increase) in:			
Receivables	110,966	539,143	(305,431)
Inventories	7,709	14,744	92,970
Real estate held for sale and development	(596)	(149,328)	(1,059)
Amounts owed by related parties	(2)	-	-
Other current assets	(12,690)	(32,475)	(8,198)
Increase (decrease) in:			
Accounts payable and accrued expenses	(6,510)	(381,846)	364,346
Rental and other deposits	18,818	15,584	(7,162)
Net cash flows generated from (used in) operations	159,410	(44,412)	60,829
Interest received	18,196	14,466	28,055
Income tax paid	(19,712)	(11,589)	(7,057)
Interest paid	(523)	(1,569)	(812)
Net cash flows from (used in) operating activities	₱157,371	(₱43,104)	₱81,015

(Forward)



	Years Ended June 30		
	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Contributions paid	(P30,728)	(P55,881)	(P21,657)
Proceeds from sale of			
AFS financial assets (Note 8)	94,593	222,945	293,437
Property, plant and equipment	15,345	230	2,084
Acquisitions of:			
AFS financial assets (Note 8)	(271,177)	(383,204)	(178,101)
Investment properties (Note 12)	(34,197)	(15,477)	(58,486)
FVPL investments	(27,712)	—	—
Property, plant and equipment (Note 13)	(7,367)	(10,660)	(16,918)
Software cost (Note 14)	(3,805)	(4,183)	(3,095)
Decrease (increase) in:			
Other noncurrent assets	(98,019)	8,363	1,190
Amounts owed by related parties	—	3	(196)
HTM investments	—	2,000	—
Deferred rent income	74	423	684
Dividends received (Note 8)	4,228	4,032	1,319
Net cash flows from (used in) investing activities	(358,765)	(231,409)	20,261
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	(21,916)	—	—
Collection of subscription receivables	3,555	—	—
Decrease in minority interest	(16)	2,843	—
Decrease in amounts owed to related parties (Note 18)	—	(2,673)	—
Net cash flows from (used in) financing activities	(18,377)	170	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(219,771)	(274,343)	101,276
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	371,534	645,877	544,601
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P151,763	P371,534	P645,877

See accompanying Notes to Consolidated Financial Statements.



PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Corporate Information

Prime Orion Philippines, Inc. (POPI; the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 19, 1989. The Parent Company's primary purpose then was to acquire by purchase, exchange, assign, donate or otherwise, and to hold, own and use, for investment or otherwise and to sell, assign, transfer, exchange, lease, develop, mortgage, pledge, traffic, deal in and with, and otherwise operate, enjoy and dispose of any and all properties of every kind and description and wherever situated, as and to the extent permitted by law, including but not limited to, buildings, tenements, warehouses, factories, edifices and structures and other improvements, and bonds, debentures, promissory notes, shares of capital stock, or other securities and obligations, created, negotiated or issued by any corporation, association, or other entity, domestic or foreign. The Parent Company's registered office address is 20/F LKG Tower, 6801 Ayala Ave., Makati City.

Prime Orion Philippines, Inc. and its subsidiaries, collectively referred to as "the Group", have principal business interests in holding companies, real estate and property development, financial services and manufacturing and distribution (see Note 26).

Status of Operations

On December 23, 2011, Lepanto Ceramics, Inc. (LCI; a subsidiary) filed a Petition for Rehabilitation (PR) with the Regional Trial Court of Calamba (RTC-Calamba) under Republic Act (RA) No. 10142, otherwise known as the Financial Rehabilitation and Insolvency Act of 2010, to arrest LCI's continuing financial losses for the past several years and to enable it to eventually meet its financial obligations to its creditors. On January 13, 2012, RTC-Calamba, Branch 34 (the Court) issued a Commencement Order which stayed enforcement of all claims against LCI accruing prior to January 13, 2012. On March 26, 2012, the Court issued an Order, giving due course to the PR, appointing a Rehabilitation Receiver (RR) and directing him to submit an amended Rehabilitation Plan (RP) based on comments submitted by creditors.

However, the Revised and Restated RP, the Second Amended and Restated RP, and the Third Amended and Restated RP, all of which were crafted by the RR, were respectively voted upon and rejected by the creditors. On November 28, 2012, the RR submitted to the Court the Third Amended and Restated RP with the Recommendation to Confirm the Third Amended and Restated RP Pursuant to Section 63, of RA No. 10142.

On December 20, 2012, the Court issued an Order approving the Third Amended and Restated RP ("Approved RP") and ordering LCI to submit a Status Report on the implementation thereof every 90 days. On January 11, 2013, the RR issued a Notice to Creditors that the pay-out of claims would commence on January 21, 2013.

The following are the conditions provided in the Third Amended and Restated RP approved by the Court:

- a. Class 1 (Workers) shall be paid the full amount of their allowed claims within one (1) year from approval of the Third Amended and Restated RP;
- b. Class 2 (Local Government of Calamba) shall be paid the full amount of its allowed claim within one (1) year from approval of the Third Amended and Restated RP;



- c. Class 3 (Trade) Creditors will condone 85% of their allowed claims;
- d. Class 4 (Non-Trade Unsecured) Creditors will advance to LCI such amount necessary to pay 15% of the allowed claim of each Class 3 (Trade) Creditor;
- e. The post commencement advances of Class 4 (Non-Trade Unsecured) Creditors will be converted to voting common shares;
- f. The pre-commencement allowed claims of Class 4 (Non-Trade Unsecured) Creditors will be condoned;
- g. Class 5 (Secured) Creditors will condone its claims in excess of the market value of the Company's assets which serve as a security for LCI's liability to the Secured Creditor. All servicing of the remaining claims of Class 5 (Secured) Creditor will be made after the Class 3 (Trade) Creditors are settled; and
- h. The common shares held by the Class 5 (Secured Creditor) in LCI will be converted to preferred shares.

As a result of the approval by the Court of the Third Amended and Restated RP, LCI recognized a gain on condonation of debt from trade creditors and related parties amounting to nil and ₱1,499.78 million in 2015 and 2014, respectively (see Note 16). In 2013, the Group also recognize a gain on condonation of debt from trade creditors amounting to ₱199.3 million.

On August 12, 2013, LCI filed a Motion to Amend Rehabilitation Plan seeking the following amendments to the Third Amended and Restated RP:

- a. Inclusion of the Deposit for Future Subscription of Orion I Holdings Philippines, Inc. (OIHPI) in the amount of ₱373.62 million among the claims to be condoned; and
- b. Condonation of the claims of OIHPI to the extent of 60% of the market value of LCI's assets securing the Mortgage Trust Indenture (MTI) and Collateral Trust Indenture, or in the amount of ₱677.50 million and an adjustment on the excess market value of the collateral amounting to ₱451.66 million to attain solvency.
- c. Both RR and the affected creditor, OIHPI, filed their comment to the Motion to Amend, signifying their assent thereto. On March 3, 2014, the Court issued an Order granting the Motion to Amend.

On May 29, 2014, LCI filed a Motion for Termination of Rehabilitation Proceedings, stating that LCI has substantially accomplished the tasks and conditions provided in the Third Amended and Restated RP, as follows:

- a. Payment to claimants - LCI has already paid 50% of its obligation to Class 1 creditors amounting to ₱0.72 million. Class 2 creditor has already been paid in full. Meanwhile, Class 3 creditors have been paid ₱34.23 million or 86% of their claim. The unclaimed payments were deposited to Metropolitan Bank and Trust Company (MBTC) as "Unclaimed Claims Reserve Fund" (the Fund). A creditor or worker may obtain payment from the account upon presentation of sufficient proof of authority or identity within two (2) years from the opening of the account.



- b. Conversion of shares - LCI's Board of Directors (BOD) authorized the conversion of shares of stocks in accordance with the conditions in the Third Amended Plan. On April 30, 2013, the SEC approved the amendment of its Articles of Incorporation to reflect the said conversion.
- c. Condonation of debt - In a special meeting held on March 27, 2014, the BOD of OIHPI approved a resolution condoning the entire unsecured claim and a portion of its secured claim equivalent to 60% of the market value of LCI's collateral assets. Included in the debts condoned are loans listed in the books of LCI as Deposit for Future Subscription under "amounts owed to related parties" amounting to ₱373.62 million.

The rehabilitation expenses incurred by LCI amounted to ₱0.61 million and ₱13.49 million in 2015 and 2014, respectively.

As at June 30, 2015 and 2014, LCI has settled a portion of its liability to its creditors under the approved rehabilitation plan amounting to ₱0.14 million and ₱1.52 million, respectively.

With the total lifting of the import safeguards for ceramic tiles beginning 2010, LCI suspended its manufacturing operations in 2012 and started renting out its warehouses in July 2014. The amended articles of incorporation of LCI states that LCI may purchase, acquire, own, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation as one of its secondary purposes.

On September 4, 2012, certain property and equipment and investment properties of Tutuban Properties, Inc. (TPI; a subsidiary) were damaged by fire. Fixed assets which were completely destroyed were written off, while those partially damaged assets were provided with an allowance for impairment. These property losses, with a net book value of ₱63.25 million are recorded as "Casualty loss" in the 2013 consolidated statement of income.

FLT Prime Insurance Corporation (FPIC), the insurance policy provider and a related party, recognized the incident as a fire loss event. The insurance policy was substantially ceded by FPIC to third party reinsurers. In line with this, TPI recognized recovery from insurance amounting to nil and ₱269.28 million in the consolidated statement of income in 2015 and 2014, respectively.

TPI received insurance proceeds from FPIC amounting to ₱134.43 million and ₱174.71 million in 2015 and 2014, respectively.

In January 2015, TPI opened Orion Café adjacent to Orion Hotel, which is also located at the third level of the Tutuban Primeblock Building. The café offers a comfortable area where guests can relax and enjoy gourmet coffee, refreshing drinks and delicious meals and snacks.

On April 1, 2015, TPI signed a Memorandum of Understanding with the Department of Transportation and Communication (DOTC) and Philippine National Railways (PNR) in connection with the finalization and implementation of plans to North-South Railway Project (NSRP) of DOTC. The NSRP involves construction of the North Line (Bulacan to Tutuban) and South Line (Tutuban to Albay) with the transfer station located at Tutuban Center.

The consolidated financial statements of the Group as at June 30, 2015 and 2014 and for years ended June 30, 2015, 2014 and 2013 were approved and authorized for issuance by the BOD on October 9, 2015.



2. Basis of Preparation, Statement of Compliance, Basis of Consolidation and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets, land, land improvements, building and building improvements (included under "Property, plant and equipment") and financial assets at fair value through profit or loss (FVPL) that are carried at fair values. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency under Philippines Financial Reporting Standards (PFRS). All values are rounded off to the nearest thousand (₱1,000) except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with PFRS.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at June 30, 2015 and 2014:

Subsidiaries	Nature of Business	Effective Percentage of Ownership	
		2015	2014
Real Estate, Property Development and Others:			
Orion Land, Inc. (OLI) and Subsidiaries: OLI	Real Estate and Investment Holding Company	100.00%	100.00%
TPI and Subsidiaries: TPI	Real Estate, Mall Operations	100.00%	100.00%
TPI Holdings Corporation (TPIHC)	Investment Holding Company	100.00%	100.00%
Orion Property Development, Inc. (OPDI) and Subsidiaries: OPDI	Real Estate Development	100.00%	100.00%
Orion Beverage, Inc. (OBI) *	Manufacturing	100.00%	100.00%
Luck Hock Venture Holdings, Inc.	Other Business Activities	60.00%	60.00%
Manufacturing and Distribution:			
OIHPI and Subsidiaries: OIHPI	Financial Holding Company	100.00%	100.00%
LCI	Manufacture of Ceramic Floor and Wall Tiles	100.00%	100.00%

(Forward)



Subsidiaries	Nature of Business	Effective Percentage of Ownership	
Financial Services and Others:			
OE Holdings, Inc. (OEHI) and Subsidiaries:			
OEHI	Wholesale and Trading	100.00%	100.00%
Orion Maxis Inc. (OMI)	Marketing and Administrative Services	100.00%	100.00%
ZHI Holdings, Inc. (ZHI)	Financial Holding Company	100.00%	100.00%
FPIC	Non-Life Insurance Company	100.00%	100.00%
Orion Solutions, Inc. (OSI)	Management Information Technology Consultancy Services	100.00%	100.00%

* *Inactive*

All of the companies are incorporated and based in the Philippines.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared for the same accounting period as the Parent Company using uniform accounting policies. All significant intercompany transactions and balances between and among the Group, including intercompany profits and unrealized profits, have been eliminated in the consolidation.

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the parent.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at July 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The Group is presenting its financial assets and financial liabilities at gross amounts in the consolidated statement of financial position.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement* on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of amendments has no effect on the Group's financial position or performance.



- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The Group expects that this amendment will have no effect in consolidated financial statements, as the Group has no derivatives during the current or prior period.
- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at FVPL. It is not expected that this amendment would be relevant to the Group since the Group would not qualify to be an investment entity under PFRS 10.
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The Group does not expect that IFRIC 21 will have material financial effect in future consolidated financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010-2012 annual improvements cycle, seven (7) amendments to six (6) standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no effect on the Group's consolidated financial statements.

Annual Improvements to PFRSs (2011-2013 cycle)

In the 2011-2013 annual improvements cycle, four (4) amendments to four (4) standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no effect on the Group as it is not a first-time PFRS adopter.

Standards and Interpretations Issued but not yet Effective

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant effect on its consolidated financial statements.



Effective Date to be Determined:

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version) PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no effect on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectiveness of this interpretation until the final revenue standard is issued by the International Accounting Standards Boards (IASB) and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any effect on the Group's consolidated financial statements.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval of the BOA.

Effective January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments) PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an



entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since they have no defined benefit contribution plan with contributions from employees and third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material effect to the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition.
 - A performance target must be met while the counterparty is rendering service.
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
 - A performance condition may be a market or non-market condition.
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The amendment does not apply to the Group as it has no share-based payment.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.



- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material effect to the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 or (PFRS 9, as applicable).
- PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016:

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.



- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any effect on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments will not have any effect on the Group's consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group.



- **PFRS 14, Regulatory Deferral Accounts**

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and statement of other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material effect to the Group. They include:

- **PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal**

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- **PFRS 7, Financial Instruments: Disclosures - Servicing Contracts**

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- **PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements**

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- **PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate**

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.



- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018:

- PFRS 9, *Financial Instruments - Hedge Accounting* and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant effect on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments* (2014 or Final Version)

In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and methodology for financial assets, but will have no effect on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the effect of adopting this standard.



The following new standard issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the financial statements in the year of adoption, if applicable.

Summary of Significant Accounting and Financial Reporting Policies

Presentation of Financial Statements

The Group has elected to present two statements, a consolidated statement of income and a consolidated statement of comprehensive income, rather than a single consolidated statement of comprehensive income containing the two elements.

Financial Instruments - Initial Recognition

Financial instruments within the scope of PAS 39 are classified as financial assets and liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial instruments at initial recognition.

All financial instruments are recognized initially at fair value plus transaction costs, except in the case of financial instruments recorded at FVPL.

As at June 30, 2015 and 2014, the Group's financial assets are in the nature of loans and receivables, financial assets at FVPL and AFS financial assets. The Group has no financial assets classified as HTM investments as at June 30, 2015 and 2014.

Purchases or sales of financial instruments that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, as derivatives designated as hedging instruments in an effective hedge, or as other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.



As at June 30, 2015 and 2014, the Group's financial liabilities are in the nature of other financial liabilities. As at June 30, 2015 and 2014, the Group has no financial liabilities classified as at FVPL and derivatives designated as hedging instruments in an effective hedge.

Financial Instruments - Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are impaired or derecognized. Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets. The Group's loans and receivables include cash and cash equivalents, receivables, amounts owed by related parties and refundable deposits (included under "Other noncurrent assets"; see Notes 4, 5, 15 and 18).

AFS Financial Assets

AFS financial assets include equity and debt securities. AFS financial assets consist of investment in equity securities which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

AFS financial assets are included in current assets if it is expected to be realized or disposed of within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

After initial recognition, AFS financial assets are subsequently measured at fair value with unrealized gains and losses recognized under OCI in the "Unrealized valuation gains (losses) on AFS financial assets" in the consolidated statement of changes in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or the investment is determined to be impaired, when the cumulative loss is reclassified from equity to the consolidated statement of income as finance costs. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the EIR. Dividends earned on holding AFS financial assets are recognized in the consolidated statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

The Group's listed and nonlisted equity securities and quoted and unquoted debt securities are classified under this category (see Note 8).



Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of income.

The Company evaluated its financial assets at FVPL (held for trading) whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, AFS financial assets or HTM investments depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation.

The Company's redeemable preference shares are classified under this category (see Note 9).

Other Financial Liabilities

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

The Group's financial liabilities include accounts payable and accrued expenses and rental and other deposits (see Notes 16 and 17).

Fair Value of Financial Instruments

The Group measures financial instruments, such as financial assets at FVPL, at fair value at each end of the reporting period. Also, fair values of financial instruments measured are disclosed in Note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined the classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Impairment of Financial Assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. Interest income continues to be recognized based in the original EIR. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets Carried at Fair Values

For AFS financial assets, the Company assesses at each end of the reporting period whether there is objective evidence that an investment is impaired. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

AFS financial assets are included in current assets if it is expected to be realized or disposed of within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

After initial recognition, AFS financial assets are subsequently measured at fair value with unrealized gains and losses recognized as other comprehensive income in the "Unrealized valuation gains (losses) on AFS financial assets" in the consolidated statement of changes in equity until the financial asset is derecognized, at which time the cumulative gain or loss is recognized in consolidated statement of income, or the investment is determined to be impaired, when the cumulative loss is reclassified from equity to the consolidated statement of income in finance costs.



Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the EIR. Dividends earned on holding AFS financial assets are recognized in the consolidated statement of income when the right of payment has been established. The losses arising from impairment of such financial assets are recognized in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. The interest income is recorded in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained all the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.



Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the consolidated statement of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle, on a net basis, or to realize the asset and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location are accounted for as follows:

- Finished goods - direct materials, labor, and proportion of manufacturing overhead based on normal operating capacity but excluding borrowing costs.
- Factory supplies and spare parts - purchase cost on a moving-average method;

The NRV of finished goods is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of factory supplies and spare parts is the current replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

Real Estate Held for Sale and Development

Real estate held for sale and development is carried at the lower of cost and NRV. NRV is the selling price in the ordinary course of business less the costs of completion, marketing and distribution. Cost includes acquisition cost of the land plus development and improvement costs. Borrowing costs incurred on loans obtained to finance the improvements and developments of real estate held for sale and development are capitalized while development is in progress.

Other Current Assets

Other current assets consists creditable withholding taxes (CWTs), input value added tax (VAT) and prepayments.

CWTs

CWTs represent taxes withheld by the Group's customer on sale of goods and services which are claimed against income tax due. The excess over tax payable is carried over in the succeeding period for the same purpose.

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers for the purchase of domestic goods and/or services as required by Philippine taxation laws and regulations. Input VAT is presented as current asset.



Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepaid expenses are apportioned to expense over the period covered by the payment and charged to the appropriate expense accounts when incurred.

Investment in an Associate

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investments in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount in the "Equity on net income of an associate" in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

In the Parent Company's separate financial statements, investment in an associate is accounted for at cost less impairment losses.

Investment in an associate pertains to the 20% percentage of ownership in investment in BIB Aurora Insurance Brokers, Inc. (BAIBI).

As discussed in Note 8, the SEC approved the debt to equity conversion of Cyber Bay resulting to a change in percentage ownership of POPI from 22.28% to 10.46%. As a result of the change in ownership interest and loss of significant influence, the investment in Cyber Bay has been classified as AFS financial asset starting November 13, 2012.



Investment Properties

The Group's investment properties include properties utilized in its mall operations, condominium unit, commercial building and certain land which are held for rentals while the rest of the land is held for capital appreciation.

Investment properties utilized in its mall operations are stated at their revalued amount as deemed cost as allowed under PFRS less accumulated depreciation and amortization and any accumulated impairment losses. Condominium unit and commercial building are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated at cost less any impairment in value.

The initial cost of investment properties include the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Leasehold improvements under investment properties (including buildings and structures) on the leased land are carried at cost less accumulated amortization and any impairment in value.

Investment properties are derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leasehold improvements and investment properties are amortized on a straight-line basis over the estimated useful lives or the term of the lease, whichever is shorter.

The lease contract on a land where investment property is located is for twenty five (25) years, which is also the amortization period of the investment property. In December 2009, the lease contract on a land where the Group's primary investment property is located was renewed (see Note 27). As a result of the lease renewal, and the review of the estimated useful life and amortization period of the said investment property, management came to a conclusion that there has been a significant change in the expected pattern of economic benefits from the said property of the Group. As a result, the Group prospectively revised the remaining amortization period of this property from an average of twenty five (25) years (which is the shorter of the lease term and the estimated useful life) to thirty five (35) years effective September 5, 2014. The change has been accounted for as a change in accounting estimates.

Property, Plant and Equipment

Land and Improvements and Buildings and Improvements at Revalued Amount

Land and buildings together with their improvements stated at appraised values were determined by an independent firm of appraisers. The excess of appraised values over the acquisition costs of the properties is shown under the "Revaluation increment in property, plant and equipment" account in the consolidated statement of financial position and in the consolidated statement of changes in equity. An amount corresponding to the difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost is transferred annually from "Revaluation increment on property, plant and equipment" to "Deficit" account in the consolidated statement of financial position.



Leasehold Improvements, Machinery and Equipment, Transportation Equipment, Furniture, Fixtures and Equipment, Condominium Units and Improvements, and Hotel Equipment at Cost

Property, plant and equipment are carried at cost, less accumulated depreciation, amortization and any impairment in value. The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year 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 benefit expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the property, plant and equipment as follows:

	Useful life in years
Land and improvements	30
Buildings and improvements	30
Machinery and equipment	5-10
Transportation equipment	5
Furniture, fixtures and equipment	3-5
Condominium units and improvements	25
Hotel equipment	5

Leasehold improvements are amortized on a straight-line basis over three (3) to five (5) years or the term of the lease, whichever is shorter.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The residual values, useful lives and depreciation and amortization methods are reviewed and adjusted if appropriate, at each end of the reporting period.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are sold or retired, the cost and the related accumulated depreciation and amortization and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Software Costs

Acquired software license is capitalized on the basis of costs incurred to acquire and bring to use the specific software. Software license is amortized on a straight-line basis over its estimated useful life of three (3) to four (4) years. Costs associated with the development or maintenance of computer software programs are recognized as expense when incurred in the consolidated statement of income.



An item of software license is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of income in the year the items is derecognized.

The Group's capitalized software and development costs includes purchase price payments for new software and other directly related costs necessary to bring the asset to use.

Other Noncurrent Assets

Other noncurrent assets consist of advance rental, deferred acquisition cost, deferred reinsurance premiums, refundable deposits, deferred input VAT, spareparts and supplies, unclaimed claims reserve fund and other prepayments that will be consume after twelve (12) months of the reporting period.

Deferred Acquisition Costs

Commission and other acquisition costs incurred during the financial reporting period that are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized using the twenty-fourth (24th) method except for marine cargo where the deferred acquisition costs pertain to the commissions for the last two (2) months of the year. Amortization is charged to the consolidated statement of income. The unamortized acquisition costs are shown as deferred acquisition cost under "other noncurrent assets".

Impairment of Nonfinancial Assets

Inventories

The Group recognizes provision for inventory losses when the net realizable values of inventory items become lower than the costs due to obsolescence or other causes. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods, when identified, are written down to their net realizable values.

Investment in an Associate

The Group assesses at each end of the reporting period whether there is any indication that the investments in an associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the investments and the acquisition cost and recognizes the amount in the consolidated statement of income.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the investment is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of income.



Real Estate Held for Sale and Development, Investment Properties, Property, Plant and Equipment and Software Costs

The Group assesses at each end of the reporting period whether there is an indication that real estate for sale and development, investment properties, property, plant and equipment and software costs may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Nonfinancial Other Current and Noncurrent Assets

The Group provides allowance for impairment losses on nonfinancial other current and noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other current and noncurrent assets.

Product Classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract, there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Group defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.



Recognition and Measurement

a) Premium Revenue

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for premiums arising from marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relates to the unexpired periods of the policies at financial reporting dates is accounted for as "Reserve for unearned premiums" and shown as part of "Accounts payable and accrued expenses" in the Liabilities section of the consolidated statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at financial reporting dates are accounted for as "Deferred reinsurance premiums" and shown under "Other noncurrent assets" in the Assets section of the consolidated statement of financial positions. The net changes in these accounts between financial reporting dates are charged to or credited against income for the period.

b) Insurance Contract Liabilities

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Provision for Unearned Premiums

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods is deferred as provision for unearned premiums using the 24th method, except for the marine cargo's last two months of the year. The change in the provision for unearned premiums is taken to the consolidated statement of income in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims Provision and Incurred but not Reported (IBNR) losses

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the financial reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money and includes IBNR losses. No provision for equalization or catastrophic reserves is recognized. The liability is derecognized when the contract expires, is discharged or is cancelled.

Liability Adequacy Test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Any inadequacy is immediately charged to the consolidated statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests.

c) Reinsurance Assets

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for ceded insurance liabilities. Recoverable amounts are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contract.



An impairment review is performed on all reinsurance assets when an indication of impairment arises during the financial reporting period. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized as income and expense in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Rental and Other Deposits

Customer rental and other deposits represent payment from tenants on leased properties which are refundable at the end of the lease contract.

Subscriptions Payable

Subscriptions payable pertains to the Group's unpaid subscription of shares of stock of other entities. These are recognized and carried in the books at the original subscription price in exchange of which, the shares of stock will be issued.

Capital Stock

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to "Additional paid-in capital".

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized:

Rent and other charges

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature. Other charges pertain to rebilled utility charges to tenants in relation to the operating lease on properties.



Insurance Premiums and Commissions - net

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for premiums arising from marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relates to the unexpired periods of the policies at financial reporting dates is accounted for as "Reserve for unearned premiums" and shown as part of "Insurance contract liabilities" in the Liabilities section of the consolidated statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at financial reporting dates are accounted for as "Deferred reinsurance premiums" and shown under "Reinsurance assets" in the Assets section of the statement of consolidated financial positions. The net changes in these accounts between financial reporting dates are charged to or credited against income for the period.

Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo where the deferred reinsurance commission pertains to the premiums for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the financial reporting date is accounted for as "Deferred reinsurance commissions" in the Liabilities section of the consolidated statement of financial position.

Gain on Sale of AFS Financial Assets

Gain on sale of AFS financial assets is recognized when the Group sold its AFS financial assets higher than its fair market value at the time of sale.

Merchandise Sales and sale of assets

Revenue from sale of merchandise and assets are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as AFS financial assets, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Service Fees

Service fees are recognized based on agreed rates upon completion of the service.

Dividend Income

Dividend income is recognized when the Group's right to receive the payment is established.

Cost and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or incurrence of liabilities that result in decrease in equity. Expenses are recognized in the consolidated statement of income in the period these are incurred. Cost and expenses are generally recognized when services or goods used or the expense arises in the appropriate financial reporting period.



Operating Expenses

Operating expenses consist of all expenses associated with the development and execution of marketing and promotional activities and expenses incurred in the direction and general administration of day-to-day operations of the Group. These are generally recognized when the service is incurred or the expense arises.

Cost of Goods Sold and Services

Cost of sales and services are incurred in the normal course of the business and are recognized when incurred. These comprise cost of goods sold, services, merchandise and handling services.

Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred income tax assets are recognized for all deductible temporary differences, carry-forward benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carry forward of unused NOLCO and MCIT can be utilized, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the income tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates (and income tax laws) that have been enacted or substantively enacted at each end of the reporting period.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered. Subsidiaries operating in the Philippines file income tax returns on an individual basis. Thus, the deferred tax assets and deferred tax liabilities are offset on a per entity basis.

Retirement Benefits Costs

The Group has a funded, non-contributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as "Retirement benefits costs" under personnel costs in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as "Interest income (expense)" in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of comprehensive income in subsequent periods. Remeasurements recognized in OCI after the initial adoption of the Revised PAS 19 are retained in OCI which is included in 'Loss on remeasurement of retirement benefits plan' under equity.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.



Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. A reassessment is made after the inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Operating Lease Commitments - Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rent income from operating leases are recognized as income on a straight-line basis over the lease term or based on the terms of the lease, as applicable. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Operating Lease Commitments - Group as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease payments under non-cancellable operating leases are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in Philippine peso based on the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.



Claims

The liabilities for unpaid claim costs (including incurred but not reported losses) and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves is continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense for the period in which the estimates are changed or payments are made. Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvaged recoverables and deducted from the liability for unpaid claims. The unpaid claim costs are accounted as Claims payable under "Accounts payable and accrued expenses" account in the consolidated statement of financial position.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingencies

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

Segment Reporting

The Group's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.



3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and contingent liabilities, at the end of the reporting period. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency

Based on the economic substance of underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the Group.

Determining Classification of Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

Determining Loss of Significant Influence

The Group assesses whether lack of significant influence over an associate is evident. Aside from the presumption that holding of less than 20.0% of the voting power does not give rise to significant influence, the management also considers other circumstances that may lead them to believe that the Group cannot exercise significant influence over its associate. Such circumstances include inability to obtain timely financial information or cannot obtain more information than investors with significant influence, the Group's views and economic decisions are not considered in the operations of the investee, and other investors are opposing the Group's attempt to exercise significant influence. In 2013, the ownership interest of the Group over its investment in Cyber Bay has decreased from 22.28% to 10.46% (see Note 8) and management assessed that the Group has lost its significant influence over its investment in Cyber Bay. The Group therefore reclassified its investment in Cyber Bay as AFS financial asset from investment in associates.

Determining Classification of Investment Properties

The Group classifies its buildings and improvements and land and improvements either as investment property or owner-occupied property based on its current intentions where it will be used. When buildings and improvements as well as land and improvements are held for capital appreciation or when management is still undecided as to its future use, it is classified as investment property. Buildings and improvements and land and improvements which are held for rent are classified as investment properties.



Assessment Whether an Agreement is a Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance lease or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased item. Based on the management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for such lease as operating lease.

Assessing Operating Lease Commitments - Group as Lessor

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Assessing Operating Lease Commitments - Group as Lessee

The Group has entered into a lease agreement for the corporate office space and a subsidiary's mall operations. The Group has determined that it does not obtain all the significant risks and rewards of ownership of the assets under operating lease arrangements.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes in circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimating Casualty Loss

As a result of the fire which occurred on September 4, 2012, the Group, in its own initiative, made an assessment of the extent of the damages sustained on its individual assets, including receivables, investment properties and property, plant and equipment. The reassessment was conducted with the joint coordination of the Group's engineering and operations group and other technical consultants, taking into consideration various factors such as assets' net book values, restoration costs and usability as of the reassessment date. Judgment by management was particularly employed when deciding whether an asset should be provided with full or partial allowance for losses.

These property losses, with a net book value of ₦63.25 million are recorded as "Casualty loss" in the consolidated statement of income.

Estimating Recovery from Insurance

Management estimates that the recorded amount of the recovery from insurance is virtually certain after an exhaustive review of its existing insurance coverage against the casualty loss incurred and the discussions with and inspections conducted by the insurance company, adjusters, and technical consultants. In 2015 and 2014, the Group recorded recovery from insurance amounting to nil and ₦269.28 million, respectively (see Note 1).



Estimating Allowance for Impairment Losses on Receivables and Amounts Owed by Related Parties

The Group reviews its receivables and amounts owed by related parties at each end of the reporting period to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations and considers cumulative assessment for the risk of the collectability of past due accounts. Facts, such as the Group's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered to ascertain the amount of allowance that will be provided. The allowances are evaluated and adjusted as additional information is received.

For the amounts owed by related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing allowance against the recorded receivable amounts.

Provision for impairment losses on receivables amounted to P2.46 million, P0.73 million and P20.94 million in 2015, 2014 and 2013, respectively. Recovery on impairment losses on receivables amounted to P8.01 million, P1.29 million and P0.40 million in 2015, 2014 and 2013, respectively. The Group wrote-off allowance for impairment losses on receivables amounted to P1.32 million, P6.97 million and P0.08 million in 2015, 2014 and 2013, respectively. Receivables amounted to P496.12 million and P603.14 million as at June 30, 2015 and 2014, respectively, net of allowance for impairment losses amounting to P301.89 million and P308.76 million as at June 30, 2015 and 2014, respectively (see Note 5).

Provision for impairment loss on amounts owed by related parties amounted to P0.02 million in 2015 and nil 2014 and 2013. Reversal of impairment losses on amounts owed by related parties amounted to nil, nil and P62.46 million in 2015, 2014 and 2013, respectively. The Group wrote-off allowance for impairment losses on amounts owed by related parties amounted to nil in 2015 and 2014 and P0.26 million in 2013. Amounts owed by related parties amounted to P0.01 million and P0.02 million as at June 30, 2015 and 2014, respectively, net of allowance for impairment losses amounting to P1.63 million and P1.61 million as at June 30, 2015 and 2014, respectively (see Note 18).

Estimating Allowance for Inventory Losses

The Group maintains an allowance for inventory losses. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the inventory. These factors include, but are not limited to, the physical condition and location of inventories on hand, the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period, and the purpose for which the inventory item is held.



Provision for inventory losses amounted to nil, ₦1.81 million and ₦70.95 million in 2015, 2014 and 2013, respectively. Reversal of allowance for impairment on inventory losses amounted to ₦1,241 million, ₦4.36 million and nil in 2015, 2014 and 2013, respectively. The Group wrote-off allowance for impairment losses on inventories amounted to ₦8.81 million, ₦13.11 million and ₦6.58 million in 2015, 2014 and 2013, respectively. Carrying values of inventories amounted to ₦12.01 million and ₦18.47 million as at June 30, 2015 and 2014, respectively, net of allowance for inventory losses amounting to ₦71.61 million and ₦82.02 million as at June 30, 2015 and 2014, respectively (see Note 6).

Estimating Allowance for Impairment Losses on Real Estate Held for Sale and Development

The Group maintains an allowance for real estate held for sale and development losses. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the real estate for sale and development. These factors include, but are not limited to, the physical condition and location of real estate for sale and development, the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period, and the purpose for which the real estate for sale and development item is held.

There was no impairment losses on real estate held for sale and development recognized in 2015, 2014 and 2013. Real estate held for sale and development amounted to ₦430.10 million and ₦429.51 million as at June 30, 2015 and 2014, respectively (see Note 7).

Estimating Allowances for Impairment Losses of on AFS Financial Assets and Financial Assets at FVPL

The Group recognizes impairment losses on AFS financial assets and financial assets at FVPL when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. For equity instruments, when determining whether the decline in value is significant, the Group considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period). For debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on the AFS financial assets previously recognized in the consolidated statement of income.

Provision for impairment losses on AFS financial assets amounted to ₦241.19 million, ₦2.60 million and ₦291.50 million in 2015, 2014 and 2013, respectively. The fair values of AFS financial assets amounted to ₦1,507.41 million and ₦1,643.90 million as at June 30, 2015 and 2014, respectively, net of allowance for impairment losses amounting to ₦535.29 million and ₦294.10 million as at June 30, 2015 and 2014, respectively (see Note 8).

There was no provision for impairment losses on financial assets at FVPL recognized in 2015 and 2014. As at June 30, 2015 and 2014, the fair values of the financial assets at FVPL amounted to ₦27.99 million and nil, respectively (see Note 9).



Estimating Allowance for Impairment Losses on Investment in an Associate and Investment Properties

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of investment properties which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that this asset may not be recoverable. Any resulting impairment loss could have a material adverse impact on financial condition and results of operations of the Group.

There was no provision for impairment loss on investment in an associate recognized in 2015, 2014 and 2013. Investment in an associate amounted to ₦2.57 million and ₦2.56 million as at June 30, 2015 and 2014, respectively (see Note 11).

Provision for impairment losses on investment properties amounted to nil, nil and ₦6.62 million in 2015, 2014 and 2013, respectively. In 2013, the Group recorded the provision for impairment loss amounting to ₦6.62 million as part of casualty loss in relation to the fire. The carrying value of investment properties amounted to ₦1,329.02 million and ₦737.49 million as at June 30, 2015 and 2014, respectively, net of allowance for impairment losses amounting to ₦12.83 million (see Note 12).

Estimating Useful Lives of Investment Properties, Property, Plant and Equipment and Software and Development Costs

The estimated useful lives used as bases for depreciating and amortizing the Group's investment properties, property, plant and equipment and software and development costs were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group's assets. The Group estimates the useful lives of its investment properties, property, plant and equipment and software and development costs based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties, property, plant and equipment and software and development costs are reviewed, at least, annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of these assets increases depreciation and amortization and decrease in the corresponding investment properties, property, plant and equipment and software and development costs.

There were no changes in the estimated useful lives of investment properties. The carrying values of investment properties amounted to ₦1,329.02 million and ₦737.49 million as at June 30, 2015 and 2014, respectively, net of accumulated depreciation and amortization amounting to ₦2.04 million and ₦1.56 million as at June 30, 2015 and 2014, respectively, net of allowance for impairment losses on investment properties amounting to ₦ 12.83 million (see Note 12).

There were no changes in the estimated useful lives of property and equipment. The carrying values of property, plant and equipment amounted to ₦46.33 million and ₦672.08 million as at June 30, 2015 and 2014, respectively, net of accumulated depreciation and amortization amounting to ₦2.21 million and ₦2.19 million as at June 30, 2015 and 2014, respectively (see Note 13).



There were no changes in the estimated useful lives of software costs. The carrying values of software amounted to ₦8.80 million and ₦8.96 million as at June 30, 2015 and 2014, respectively, net of accumulated amortization amounting to ₦27.14 million and ₦23.18 million as at June 30, 2015 and 2014, respectively (see Note 14).

Estimating Allowance for Impairment Losses of Property, Plant and Equipment, and Software Costs

The Group assesses impairment of property, plant and equipment, and software costs whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the risk-free rate of interest for a term consistent with the period of expected cash flows.

The carrying values of property, plant and equipment amounted to ₦46.33 million and ₦672.08 million as at June 30, 2015 and 2014, respectively, net of accumulated depreciation and amortization amounting to ₦2.21 million and ₦2.19 million as at June 30, 2015 and 2014, respectively (see Note 13).

The carrying values of software amounted to ₦8.80 million and ₦8.96 million as at June 30, 2015 and 2014, respectively, net of accumulated amortization amounting to ₦27.14 million and ₦23.18 million as at June 30, 2015 and 2014, respectively (see Note 14).

Estimating Allowance for Impairment Losses on Nonfinancial Other Current and Noncurrent Assets

The Group provides allowance for losses on prepayments non-financial other current and noncurrent assets whenever they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for losses would increase recorded expenses and decrease non-financial other current and noncurrent assets.



Provisions for impairment losses on nonfinancial other current assets amounted to ₦0.08 million, ₦0.06 million and ₦0.19 million in 2015, 2014 and 2013, respectively. The Group wrote-off allowance for impairment losses on nonfinancial other current assets amounted to nil, ₦0.21 million and ₦3.46 million in 2015, 2014 and 2013, respectively. As at June 30, 2015 and 2014, the carrying values of nonfinancial other current assets amounted to ₦244.73 million and ₦232.12 million, respectively, net of allowance for impairment losses amounting to ₦2.90 million and ₦2.82 million as at June 30, 2015 and 2014, respectively (see Note 10).

There was no provision for impairment losses on nonfinancial other noncurrent assets recognized in 2015, 2014 and 2013. As at June 30, 2015 and 2014, the carrying values of nonfinancial other noncurrent assets amounted to ₦184.59 million and ₦100.62 million, respectively (see Note 15).

Claims Liability Arising from Insurance Contracts

Estimates have to be made both for the expected ultimate cost of claims reported at the financial reporting period and for the expected ultimate cost of the IBNR claims as at financial reporting period. It can take a significant period of time before the ultimate claim costs can be established with certainty. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends. At each financial reporting period, prior year claims estimates are assessed for adequacy and changes made are charged to current year provision.

The carrying values of claims payable amounted to ₦230.61 million and ₦266.95 million as at June 30, 2015 and 2014, respectively (see Note 16).

Determining Retirement Benefits Liability

The cost of defined retirement obligation as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period.

Retirement benefit costs amounted to ₦22.77 million, ₦25.34 million and ₦21.35 million in 2015, 2014 and 2013, respectively. As at June 30, 2015 and 2014, the retirement benefits liability of the Group amounted to ₦96.98 million and ₦99.19 million, respectively (see Note 23).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Further details about the assumptions used are provided in Note 23.

Assessing Realizability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces it to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Significant judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. However, there is no assurance that the Group will generate sufficient future taxable profits to allow all or part of its deferred income tax assets to be utilized.



Deferred income tax assets recognized in the books amounted to ₦69.65 million and ₦62.62 million as at June 30, 2015 and 2014, respectively (see Note 24).

Temporary differences for which no deferred income tax assets were recognized as the management has assessed that it is not probable that sufficient future taxable income will be available for which the benefit of the deferred income tax assets can be utilized amounted to ₦4,643.24 million and ₦1,236.64 million as at June 30, 2015 and 2014, respectively (see Note 24).

Estimating Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with inside and outside legal counsel handling the defense in these matters and is based upon the analysis of potential results. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings.

Estimating Fair Values of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Any change in the fair value of these financial instruments would directly affect the consolidated statement of income and consolidated statement of changes in equity.

Fair values of financial assets as at June 30, 2015 and 2014 amounted to ₦3,021.73 million and ₦3,243.29 million, respectively, while the fair values of financial liabilities as at June 30, 2015 and 2014 amounted to ₦1,363.04 million and ₦876.42 million, respectively (see Note 31).

4. Cash and Cash Equivalents

	2015	2014
(In Thousands)		
Cash on hand and in banks	₦56,304	₦91,528
Short-term investments	95,459	280,006
	₦151,763	₦371,534

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

Interest earned from cash in banks amounted to ₦0.26 million, ₦0.98 million and ₦0.32 million in 2015, 2014 and 2013, respectively. Interest earned from short-term investments amounted to ₦1.42 million, ₦4.77 million and ₦5.54 million in 2015, 2014 and 2013, respectively (see Note 22).



5. Receivables

	2015	2014
	(In Thousands)	
Trade debtors	₱140,907	₱141,187
Insurance receivables	416,290	506,857
Others	240,804	263,855
	798,001	911,899
Less allowance for impairment losses	301,885	308,758
	₱496,116	₱603,141

Trade debtors are both interest and non-interest bearing and are generally collectible on thirty (30) days' term. The interest rates used ranges from 5% to 10% per annum.

Insurance receivables consist of premiums receivable, due from ceding companies, reinsurance recoverable on paid and unpaid losses - facultative, funds held by ceding companies and reinsurance accounts receivables and are generally on (sixty) 60 to (one hundred eighty) 180 days' term.

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱160.45 million and ₱167.81 million as at June 30, 2015 and 2014, respectively. These receivables are collateralized by the shares of stock of Cyber Bay owned by CLC. The receivables from CLC are fully provided with allowance.

Advances to suppliers and contractors, advances to officers and employees and interest receivables also form part of other receivables. These are noninterest-bearing and are generally collectible on demand.

In 2014, the Parent Company has written-off portion of its advances to service providers and other receivables amounting to ₱6.97 million. While in 2015, LCI and OMI has written-off portion of its trade receivables amounting to ₱0.84 million and ₱0.48 million, respectively.

Allowance for impairment losses pertains to specific and collective assessments. The movements of allowance for impairment losses on receivables are as follows:

	Trade debtors	Insurance receivables	Others	Total
	(In Thousands)			
At July 1, 2012	₱70,081	₱7,576	₱194,499	₱272,156
Provisions (Note 20)	20,759	179	-	20,938
Write-off	-	-	(77)	(77)
Recovery	(402)	-	-	(402)
Reclassification (Note 18)	-	-	23,666	23,666
At June 30, 2013	₱90,438	₱7,755	₱218,088	₱316,281
Provisions (Note 20)	₱146	₱586	₱-	₱732
Write-off	(2)	-	(6,968)	(6,970)
Recovery	(1,285)	-	-	(1,285)
At June 30, 2014	₱89,297	8,341	211,120	308,758
Provisions (Note 20)	545	418	1,493	2,456
Write-off	(1,320)	-	-	(1,320)
Recovery	(649)	-	(7,360)	(8,009)
At June 30, 2015	₱87,873	₱8,759	₱205,253	₱301,885



Interest earned from trade receivables amounted to nil, ₱0.07 million and ₱0.05 million in 2015, 2014 and 2013, respectively (see Note 22).

6. Inventories

	2015	2014
	(In Thousands)	
At NRV:		
Finished goods	₱11,130	₱17,773
Factory supplies and spare parts	682	701
Materials in transit	194	-
	₱12,006	₱18,474

Movements in the allowance for inventory losses are as follows:

	2015	2014
	(In Thousands)	
Beginning balances		
Beginning balances	₱82,016	₱97,893
Reversal	(1,241)	(4,360)
Write-off	(8,804)	(13,105)
Provisions (Note 20)	-	1,813
	₱71,614	₱82,016

Inventories charged to operations amounted to ₱15.80 million, ₱34.16 million and ₱136.40 million in 2015, 2014 and 2013, respectively (see Note 20).

7. Real Estate Held for Sale and Development

	2015	2014
	(In Thousands)	
Land for development		
Land for development	₱395,549	₱395,509
Homelands	34,554	33,998
	₱430,103	₱429,507

Land for development pertains to parcels of land located in Calamba, Laguna, Sto. Tomas, Batangas and San Vicente, Palawan. The composition of cost as at June 30, 2015 and 2014 are as follows:

	2015	2014
	(In Thousands)	
Land cost		
Land cost	₱299,239	₱299,239
Construction overhead and other related costs	73,957	73,917
Professional fees	17,932	17,932
Taxes	4,421	4,421
	₱395,549	₱395,509

Homelands pertain to land held for sale which is located in Calamba, Laguna.



Movements in the real estate held for sale and development are as follows:

	2015	2014
(In Thousands)		
Balances at beginning of year	₱429,507	₱280,179
Additions	39	149,328
Repossessions	557	-
Balances at end of year	₱430,103	₱429,507

Additions include taxes, construction overhead and other related costs incurred during the year.

Repossessions pertain to the cost of repossessed land held for sale located in Calamba, Laguna due to the delinquent payment from land buyers.

8. AFS Financial Assets

	2015	2014
(In Thousands)		
Listed equity securities	₱1,384,648	₱1,390,601
Nonlisted equity securities	382,509	299,661
Quoted debt securities	259,134	241,655
Unquoted debt securities	16,405	6,082
	2,042,696	1,937,999
Allowance for impairment losses	535,288	294,101
	₱1,507,408	₱1,643,898

AFS financial assets in quoted shares of stock are carried at fair value with cumulative changes in fair values presented as a separate account in equity. Meanwhile, unquoted debt and nonlisted equity AFS financial assets are based on discounted future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

On November 13, 2012, the SEC approved the conversion of debt to equity of Cyber Bay resulting to a change in percentage ownership of POPI from 22.28% to 10.46%. The management assessed that the Group ceased to have significant influence over Cyber Bay. As a result of the reduction in the ownership interest and loss of significant influence, the investment in Cyber Bay was reclassified to AFS financial asset starting November 13, 2012. The Group recognized a gain on re-measurement of ₱594.11 million from the reclassification of Cyber Bay investment.

Certain AFS financial assets are reserved investments in accordance with the provisions of the Insurance Code as security for the benefit of policy holders and creditors of the FPIC.

Movements in the allowance for impairment losses are as follows:

	2015	2014
(In Thousands)		
Balances at beginning of year	₱294,101	₱291,501
Provisions	241,187	2,600
Balances at end of year	₱535,288	₱294,101



Movements of unrealized valuation gain (losses) on AFS financial assets are as follows:

	Equity Holders	Non-Controlling Interests (In Thousands)	Total
July 1, 2012	P63,035	P4,615	P67,650
Gain (loss) recognized directly in equity	65,070	(2,499)	62,571
Loss transferred from equity to consolidated statement of income	(132,964)	—	(132,964)
June 30, 2013	(4,859)	2,116	(2,743)
Gain (loss) recognized directly in equity	247,849	(2,183)	245,666
Loss transferred from equity to consolidated statement of income	(159,189)	—	(159,189)
June 30, 2014	83,801	(67)	83,734
Gain (loss) recognized directly in equity	267	(16)	251
Loss transferred from equity to consolidated statement of income	(82,002)	—	(82,002)
June 30, 2015	P2,066	(P83)	P1,983

Proceeds from the sale of AFS financial assets amounted to P94.59 million, P222.95 million and P293.44 million in 2015, 2014 and 2013, respectively, with a corresponding gain on sale of P8.85 million, P159.19 million and P147.30 million in 2015, 2014 and 2013, respectively.

Interest earned from AFS financial assets amounted to P11.75 million, P7.80 million and P21.98 million in 2015, 2014 and 2013, respectively.

Dividend income received on AFS financial assets amounted to P4.23 million, P4.03 million and P1.32 million in 2015, 2014 and 2013, respectively.

9. Financial Assets at FVPL

In 2015, the Group has 143,600 redeemable preferred shares with a cost of P27.99 million recorded as financial assets at FVPL upon initial recognition. Fair value of financial assets at FVPL as at June 30, 2015 amounted to P27.99 million resulting to an unrealized gain of P0.28 million. Dividend income earned from these shares amounted to P0.96 million.

10. Other Current Assets

	2015	2014
	(In Thousands)	
CWTs	P198,258	P185,961
Input VAT	28,330	25,784
Prepayments	14,656	16,809
Unclaimed claims reserve fund	6,380	6,380
	247,624	234,934
Less allowance for impairment losses	2,895	2,819
	P244,729	P232,115



CWTs are available for offset against income tax payable in the future periods.

Input VAT pertains to taxes earned from transactions with VAT registered vendors during the year.

Prepayments pertain to prepaid insurance, taxes and licenses and other prepaid expenses that are to be amortized over a period of one (1) year.

Unclaimed claims reserve fund pertains to the unclaimed payments on its trade creditors under Rehabilitation Plan which were deposited to MBTC to serve as the Fund. This is equivalent to the total amount of allowed claims that remain unclaimed as of filing of motion for termination of rehabilitation proceedings of the Company. All payments should be taken from the Fund upon presentation of sufficient evidence of identity. A creditor or worker may obtain payment within two (2) years from the opening of the account and should discharge the Company from its obligation. The Fund is classified as current asset. The Fund is readily available as payment for claims and classified under prepayments though there is a certain restriction in its use.

Movements in the allowance for impairment losses are as follows:

	2015	2014	2013
	(In Thousands)		
Balances at beginning of year	P2,819	P2,970	P6,239
Provisions (Note 20)	76	61	193
Write-off	-	(212)	(3,462)
Balances at end of year	P2,895	P2,819	P2,970

11. Investments in an Associate

	2015	2014
	(In Thousands)	
Acquisition costs:		
Balances at end of year	P5,959	P5,959
Accumulated equity in net losses of associates:		
Balances at beginning of year	(3,395)	(3,371)
Equity in net income of associates	7	(24)
Balances at end of year	(3,388)	(3,395)
	P2,571	P2,564

Summarized combined financial statement information of the associate follows:

	2015	2014
	(In Thousands)	
Current assets	P10,036	P10,098
Noncurrent assets	21	21
Total liabilities	201	297
Revenue	223	450
Costs and expenses	266	524
Net income (loss)	35	(125)



12. Investment Properties

	2015		
	Buildings and Improvements	Land and Improvements	Total
	(In Thousands)		
Cost			
At beginning of year	₱2,181,041	₱131,624	₱2,312,665
Additions	33,960	237	34,197
Reclass	692,379	338,470	1,030,849
At end of year	2,907,380	470,331	3,377,711
Accumulated Depreciation and Amortization			
At beginning of year	1,561,791	552	1,562,343
Depreciation and amortization			
(Note 20)	60,643	829	61,472
Reclass	393,515	18,525	412,040
At end of year	2,015,949	19,906	2,035,855
Balance	891,431	450,425	1,335,304
Less: Allowance for impairment losses	12,834	—	12,834
Net book values	₱878,597	₱450,425	₱1,329,022
	2014		
	Buildings and Improvements	Land and Improvements	Total
	(In Thousands)		
Cost			
At beginning of year	₱2,167,397	₱131,624	₱2,299,021
Additions	15,477	—	15,477
Write-off	(1,833)	—	(1,833)
At end of year	2,181,041	131,624	2,312,665
Accumulated Depreciation and Amortization			
At beginning of year	1,530,829	414	1,531,243
Depreciation and amortization			
(Note 20)	32,167	138	32,305
Write-off	(1,205)	—	(1,205)
At end of year	1,561,791	552	1,562,344
Balance	619,250	131,072	750,322
Less: Allowance for impairment losses	12,834	—	12,834
Net book values	₱606,416	₱131,072	₱737,488

Investment properties of TPI substantially represent leasehold improvements on the land leased from Philippine National Railways (PNR) which are utilized in TPI's office space, mall operations and held for rentals. Upon adoption of PAS 40, *Investment Property*, upon its transition in 2005, TPI chose the cost model and continues to carry these investment properties at deemed cost using their revalued amount as allowed under PFRS.

TPI's investment properties were valued by independent professionally qualified appraisers. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).



The appraised property consists of land, other land improvements, and building, machinery and equipment, located along Claro M. Recto Avenue, within Tondo Manila. The hierarchy in which the fair value measurement in its entirety is recognized is at Level 2.

- a. Based on the lease contract, TPI leases a land consisting of sixty nine (69) lots, containing an aggregate area of 227,773 square meters.

The value of the land was estimated using the Sales Comparison Approach. This is a comparative approach that considers the sale of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered.

- b. The method used to determine the value of other land improvements and building, machinery and equipment is the Sales Comparison Approach. This is a comparative approach to the value of the property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation.

LCI has historically classified land and improvements and buildings and improvements at revalued amounts as property, plant and equipment. On July 1, 2014, LCI transferred its land and improvements and buildings and improvements at revalued amounts to investment property valued at cost. The transfer was made in accordance with PAS 40, *Investment Property* since the properties were held by the Company to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

TPI and LCI has assessed that the highest and best use for its investment properties held for lease is its current use.

Based on the latest appraisal reports, as determined by an independent firm of appraisers, the appraised values of the TPI's and LCI's investment properties amounted to P4.38 billion as at June 30, 2015 and 2014.

In accordance with the general requirement under PFRS 1, the Group closed out the "Revaluation Reserve" on investment properties account to retained earnings which pertains to the remaining balance of the deemed cost adjustment on investment properties account which arose when the Group transitioned to PFRS in 2005.

On June 30, 2015 and 2014, the net book values of these properties follow:

	2015	2014
	(In Thousands)	
At net book value:		
Original cost	P298,580	P318,859
Revaluation reserve	495,522	264,911
	<u>P794,102</u>	<u>P583,770</u>



As discussed in Note 1, certain investment properties were damaged by the fire which occurred on September 4, 2012. After the assessment on the extent of the damage on the individual assets by the Company's engineering and operations group, and together with third party technical consultants, investment properties that were completely destroyed were written off and those that were partially damaged were impaired. These property losses are recorded as "Casualty loss" in the consolidated statements of income.

In 2014, the Company written-off the remaining carrying value of Boni Plaza amounting to ₱0.34 million and the allowance for impairment loss recognized in 2013 amounting to ₱0.29 million as the demolition of CBI affected the operations of Boni Plaza. The property losses on the remaining carrying value of Boni Plaza are recorded as "Loss on write-off on investment properties" in the consolidated statements of income.

Movements in the allowance for impairment losses on investment properties are as follows:

	2015	2014
(In Thousands)		
Beginning balance	₱12,834	₱13,174
Write-off	-	(340)
	₱12,834	₱12,834

Below is the detail of casualty loss sustained by the Group on investment properties:

	Cost	Accumulated depreciation	Write- off	Allowance for impairment	Casualty Loss
(In Thousands)					
Cluster Building 1	₱78,144	₱21,685	₱56,459	₱-	₱56,459
Cluster Building 2	45,399	20,277	-	6,281	6,281
Bonifacio Plaza	1,834	1,179	-	340	340
	₱125,377	₱43,141	₱56,459	₱6,621	₱63,080

Rental revenue from investment properties amounted to ₱414.48 million, ₱402.52 million and ₱419.80 million in 2015, 2014 and 2013, respectively. Direct operating expenses incurred for investment properties amounted to ₱212.81 million, ₱210.96 million and ₱233.90 million in 2015, 2014 and 2013, respectively.



13. Property, Plant and Equipment

	2015						
	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Condominium Units and Improvements	Hotel Equipment	Total
(In Thousands)							
Cost							
At beginning of year	P6,948	P2,095,822	P39,484	P89,557	P8,692	P7,093	P1,247,596
Additions	279	1,260	2,301	2,087	—	1,446	7,367
Disposals	—	(492)	(848)	—	—	—	(1,340)
At end of year	7,227	2,096,590	40,937	91,644	8,692	8,533	1,253,623
Accumulated Depreciation and Amortization							
At beginning of year	6,517	2,065,198	32,163	82,631	4,404	3,407	2,194,320
Depreciation and amortization (Note 20)	208	5,110	3,283	3,123	218	2,372	14,314
Disposals	—	(491)	(848)	—	—	—	(1,339)
At end of year	6,725	2,069,817	34,598	85,754	4,622	5,779	2,207,295
Net Book Values	P502	P26,773	P6,339	P5,890	P4,070	P2,754	P46,328
	2015						
	Land and Improvements			Buildings and Improvements		Total	
(In Thousands)							
At revalued amounts:							
At beginning of year				P338,470	P692,379		P1,030,849
Reclassification to Investment property				(338,470)	(692,379)		(1,030,849)
At end of year				—	—		—
Accumulated depreciation and amortization							
At beginning of year				18,526	393,516		412,042
Reclassification as Investment property				(18,526)	(393,516)		(412,042)
At end of year				—	—		—
Net book values	P—	P—	P—	P—	P—	P—	P—
	2014						
	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Condominium Units and Improvements	Hotel Equipment	Total
(In Thousands)							
Cost							
At beginning of year	P6,891	P2,096,141	P38,663	P87,034	P8,692	P6,994	P1,244,413
Additions	57	1,184	1,703	2,827	—	99	5,870
Disposals	—	—	(882)	(304)	—	—	(1,186)
Reclassification	—	(1,503)	—	—	—	—	(1,503)
At end of year	6,948	2,095,822	39,484	89,557	8,692	7,093	1,247,595
Accumulated Depreciation and Amortization							
At beginning of year	6,517	2,060,066	29,203	79,740	4,187	3,365	2,180,878
Depreciation and amortization (Note 20)	300	5,132	3,842	3,161	217	2,042	14,594
Disposals	—	—	(882)	(270)	—	—	(1,152)
At end of year	6,517	2,065,198	32,163	82,631	4,404	3,407	2,194,320
Net Book Values	P431	P30,624	P7,321	P6,926	P4,288	P3,686	P53,276



	2014		
	Land and Improvements	Buildings and Improvements	Total
			(In Thousands)
At revalued amounts:			
At beginning of year	P338,470	P687,589	P1,026,059
Additions	—	4,790	4,790
At end of year	338,470	692,379	1,030,849
Accumulated depreciation and amortization			
At beginning of year	17,846	367,332	385,178
Depreciation and amortization (Note 20)	680	26,184	26,864
At end of year	18,526	393,516	412,042
Net book values	P319,944	P298,863	P618,807

Certain items of property, plant and equipment identified as idle and included under machinery and equipment were written down to their estimated recoverable amounts.

Gain on sale of property, plant and equipment was recognized in 2015 and 2014 and 2013 amounting to P15.34 million, P0.20 million and P1.21 million respectively.

The fair value of land and improvements and buildings and improvements, which has been determined based on the latest valuations performed by Asian Appraisal Company, Inc. (Asian Appraisal) dated July 23, 2013, exceeds its carrying cost. Asian Appraisal is an industry specialist in valuing these types of properties. Revaluation increment in properties amounted to nil and P252.23 million in 2015 and 2014, respectively.

In 2015, the Company transferred its land and improvements and buildings and improvements at revalued amounts from property, plant and equipment to investment property valued at cost to reflect the change in use of the properties on July 1, 2014 (see Note 10). The reclassification of land and improvements and buildings and improvements at revalued amounts to investment property at cost.

As at June 30, 2015 and 2014, the Group continues to utilize fully depreciated property, plant and equipment with an aggregate acquisition cost amounting to P66.15 million and P1,884.59 million, respectively.

As discussed in Note 1, certain property, plant and equipment were damaged by the fire which occurred on September 4, 2012. After the assessment on the extent of the damage on the individual assets by the Company's engineering and operations group, and together with third party technical consultants, property, plant and equipment that were completely destroyed were written off and those that were partially damaged were impaired. These property losses are recorded as "Casualty loss" in the consolidated statement of income.

Below is the detail of casualty loss sustained by the Group on property, plant and equipment:

	Cost	Accumulated depreciation (In Thousands)	Write-off	Casualty Loss
Cluster Building 1	P454	P431	P23	P23
Cluster Building 2	211	199	12	12
TPI-Offices	1,836	1,704	132	132
	P2,501	P2,334	P167	P167



14. Software Costs

	2015	2014
	(In Thousands)	
At cost:		
Beginning balances	₱32,135	₱27,952
Additions	3,805	4,183
Ending balances	35,940	32,135
Accumulated amortization:		
Beginning balances	23,178	19,774
Amortization (Note 20)	3,962	3,404
Ending balances	27,140	23,178
Net book values	₱8,800	₱8,957

15. Other Noncurrent Assets

	2015	2014
	(In Thousands)	
Advance rental		
	₱115,264	₱-
Deferred acquisition cost	22,395	25,641
Deferred reinsurance premiums	22,141	24,059
Refundable deposits	19,637	27,313
Deferred input VAT	9,111	9,697
Spare parts and supplies	8,630	7,712
Prepaid expenses	568	832
Others	6,480	10,953
	₱204,226	₱106,207

Advance rental paid by the Company to PNR for the renewal of the lease contract which will be amortized for 25 years.

Deferred acquisition cost pertains to the unamortized acquisition costs incurred during the period that are related to securing new insurance contracts and or renewing existing insurance contracts.

Deferred reinsurance premiums pertain to the unexpired periods of the reinsurance premiums ceded at the end of the reporting period.

Refundable deposits pertain to deposits made to utility companies, other suppliers and various miscellaneous deposits.

Deferred input VAT arises from the purchase of services on credit by the Group which is not yet paid as at yearend.

Spare parts and supplies pertain to supplies, materials and spare parts for office and building maintenance of TPI.

Prepaid expenses comprise of advances to insurance companies for personal accident, term life and fire and deposits to lessors which shall be applied in the future.



Unclaimed claims reserve fund pertains to fund deposited to MBTC for payment for Class 3 creditors of LCI (see Note 1).

Others consist mainly of various assets that are individually immaterial.

16. Accounts Payable and Accrued Expenses

	2015	2014
(In Thousands)		
Claims payables	₱230,608	₱266,951
Reserves for unearned premiums	106,092	111,909
Accrued expenses	118,437	93,690
Nontrade payables	91,689	92,903
Trade payables	49,197	46,997
Due to reinsurers and ceding companies	41,865	29,132
Others	29,374	32,173
	₱667,262	₱673,755

Claims payables pertain to the estimated ultimate cost of incurred but not settled claims as at the reporting period.

Reserves for unearned premiums are portion of the premiums that relates to unexpired periods. Accrued expenses include janitorial, security, utilities and other accrued expenses.

The management reversed accrual of certain provisions amounting to nil in 2015, 2014 and ₱243.34 million, respectively.

Due to reinsurers and ceding companies refers to the balance of premium and claims with respect to accepted and ceded reinsurance agreement whether directly or through brokers.

The terms and conditions of the above payables are as follows:

- Trade payables and accrued expenses are noninterest-bearing and are normally settled on thirty (30) days' term.
- All other payables are noninterest-bearing and have an average term of one (1) year.

As mentioned in Note 1, as a result of the approval of the Court of the Third Amended and Restated RP on December 20, 2012, the Group recognized a gain on condonation of debt from trade creditors amounting to ₱199.28 million.



17. Rental and Other Deposits

	2015			2014		
	Due within One Year	Beyond One Year	Total	Due within One Year	Beyond One Year	Total
(In Thousands)						
Rental deposits	P28,295	P11,324	P39,619	P50,453	P4,979	P55,432
Security deposits	72,297	31,334	103,631	70,757	18,619	89,376
Deferred rent	26,643	32,937	59,580	34,998	12,796	47,794
Customer deposits	13,222	1,582	14,804	1,317	4,563	5,880
Construction bond	3,848	4,167	8,015	4,192	3,621	7,813
Other deposits	3,925	3,987	7,912	4,938	3,510	8,448
	P148,230	P85,331	P233,561	P166,655	P48,088	P214,743

Deposits include rental, security, customer, construction bond and other deposits paid by tenants to the Group on the leased properties which are refundable at the end of the contract.

Deferred rent pertains to rent received in advance amounted to P59.58 million and P47.79 million as at June 30, 2015 and 2014, respectively.

Customer deposits consist of priority premiums paid by tenants which serve as their reservation deposits. Discounted security deposits amounted to P13.29 million and P9.12 million as at June 30, 2015 and 2014, respectively (see Note 27).

18. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Parent Company and its subsidiaries, in their normal course of business, have entered into transactions with related parties principally consisting of noninterest-bearing advances with no fixed repayment terms and are due and demandable.



Account balances with related parties, other than intra-group balances which are eliminated in consolidation, are as follows:

Category	Amount/Volume		Outstanding Balance (In Thousands)	Terms	Conditions
<i>Amounts owed by related parties:</i>					
<i>Under common control</i>					
Guoman Philippines, Inc.	2015	P2	₱1,628	Demandable and collectible on demand	Unsecured, non-interest bearing, with impairment of ₱1,625, and unguaranteed
	2014	3	₱1,626		
Genex Investments Corp.	2015	-	6	Demandable and collectible on demand	Unsecured, noninterest bearing, no impairment, and unguaranteed
2014	-		6		
Total	2015	P2	₱1,634		
Total	2014	P3	₱1,632		

Movements of allowance for impairment losses on amounts owed by related parties are as follows:

	2015	2014	2013
	(In Thousands)		
Balances at beginning of year	₱1,610	₱1,610	₱87,995
Provision for the year	15	-	-
Reversal during the year	-	-	(62,462)
Write-off during the year	-	-	(257)
Reclassification (Note 5)	-	-	(23,666)
Balances at end of year	₱1,625	₱1,610	₱1,610

This assessment is undertaken at each financial year-end by examining the financial position of the related parties and the market in which the related parties operate.

Significant transactions entered into among subsidiaries other than advances include:

- Insurance premium coverage for certain properties of the subsidiaries (see Note 1).
 - Condonation of debt as a result of the RP amounting to nil, ₦1,499.8 million and ₦2,630.2 million in June 30, 2015, 2014 and 2013, respectively (see Note 1).
 - Management contract and service agreement between the parent company and a subsidiary.

Compensation of key management personnel, including retirement and other benefits, amounted to P78.1 million, P71.8 million and P73.2 million in 2015, 2014 and 2013, respectively.



Retirement Fund

The Group's retirement fund is being held in trust by a trustee bank. The carrying amount and fair value of the retirement fund follows:

	2015	2014
	(In Thousands)	
Carrying value	₱163,470	₱135,062
Fair value	163,470	135,062

The retirement fund consists of the following (see Note 23):

	2015	2014
Cash	5.49%	31.40%
Equity	72.85%	65.20%
Fixed income	4.96%	3.30%
Others	16.70%	0.10%
	100.00%	100.00%

There were no other transactions made between the Group or its parent company and the retirement fund during the year.

19. Subscription Payable

Cyber Bay and Central Bay

On April 25, 1995, Central Bay, a wholly-owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the Project) consisting of three partially reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila, with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area.

On March 30, 1999, the PRA and Central Bay executed an Amended Joint Venture Agreement (AJVA) to enhance the Philippine Government's share and benefits from the Project which was approved by the Office of the President of the Philippines on May 28, 1999.

On July 9, 2002, the Supreme Court (SC) (in the case entitled "Francisco Chavez vs. Amari Coastal Bay and Reclamation Corp.") issued a ruling declaring the AJVA null and void.

Accordingly, PRA and Central Bay were permanently enjoined from implementing the AJVA. On July 26, 2002, Central Bay filed a Motion for Reconsideration (MR) of said SC decision. On May 6, 2003, the SC En Banc denied with finality Central Bay's MR. On May 15, 2003, Central Bay filed a Motion for Leave to Admit Second MR. In an En Banc Resolution of the SC dated July 8, 2003, the SC resolved to admit the Second MR of Central Bay.

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the



SC's latest resolution which motion was denied with finality by the SC. With the nullification of the AJVA, Central Bay has suspended all Project operations.

On August 10, 2007, in view of the failure by the PRA to comply with its obligations and representations under the AJVA, Cyber Bay and Central Bay have filed their claims for reimbursement of Project expenses in the amount of ₦10.2 billion with the PRA. Cyber Bay and Central Bay provided the PRA with the summary and details of their claims on September 5, 2007.

On July 15, 2008, Cyber Bay sent a follow-up letter to the PRA. The PRA, in its letter dated July 18, 2008, informed Cyber Bay that its claim is still being evaluated by the PRA.

As at June 30, 2015 and 2014 the Parent Company has unpaid subscription in Cyber Bay amounting to ₦481.68 million, which is presented as "Subscriptions Payable" in the consolidated statements of financial position. Cyber Bay under "AFS financial assets" amounted to ₦610.76 million and ₦930.03 million as at June 30, 2015 and 2014, respectively, net of allowance for impairment losses amounted to ₦527.48 million and ₦291.50 million as at June 30, 2015 and 2014, respectively.

20. Cost of Goods Sold, Services and Operating Expenses

	2015	2014	2013
		(In Thousands)	
Personnel expenses (Note 21)	₦204,980	₦210,231	₦220,132
Rental (Note 27)	99,801	90,819	92,546
Depreciation and amortization (Notes 12, 13 and 14)	79,747	81,675	85,107
Share in CUSA related expenses	56,304	89,356	116,736
Taxes and licenses	30,935	37,873	21,300
Professional and legal fees	29,970	21,563	21,553
Materials used and changes in inventories (Note 6)	15,799	34,158	136,398
Insurance	13,127	8,249	8,002
Janitorial and security services	11,670	10,436	10,809
Communication and transportation	8,869	10,236	11,488
Marketing expenses	7,459	7,852	24,462
Supplies and repairs	5,153	7,158	23,486
Representations	2,163	1,955	3,359
Provision for impairment losses - net of recovery (Notes 5, 6 and 10)	2,964	1,096	91,682
Utilities and fuel	-	-	89,154
Others	14,782	16,818	13,366
	₦583,723	₦629,475	₦969,580



21. Personnel Expenses

	2015	2014	2013
Compensation and employee benefits	₱184,705	₱191,008	₱205,886
Retirement benefits costs (Note 23)	20,275	19,223	14,246
	204,980	₱210,231	₱220,132

22. Interest Income (Expense) and Bank Charges - net

	2015	2014	2013
Interest income:		(In Thousands)	
AFS financial assets	₱3,164	₱-	₱-
Short-term investments (Note 4)	1,421	4,770	5,535
Cash in banks (Note 4)	260	978	315
Receivables (Note 5)	1	71	46
HTM investments	-	-	180
	4,846	5,819	6,076
Interest expense and bank charges:			
Retirement benefits liability (Note 23)	2,498	6,116	7,109
Bank charges	444	1,394	662
Interest expense	-	175	-
Others	79	-	150
	3,021	7,685	7,921
	₱1,825	(₱1,866)	(₱1,845)

23. Retirement Plan

The Group has a funded, noncontributory retirement plan covering all its regular employees. The plan provides for retirement, separation, disability and death benefits to its members. The normal retirement benefit is based on a percentage of the employees' final monthly salary for every year of credited service.

The latest independent actuarial valuation dated August 18, 2015 was determined using the projected unit credit method in accordance with PAS 19.

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position, and the components of the net retirement benefit costs recognized in the consolidated statements of income for the retirement plan:

	2015	2014
Retirement benefits liability:		(In Thousands)
Present value of obligation (PVO)	₱271,321	₱242,467
Fair value of plan assets	174,346	(143,282)
Unfunded obligation	₱96,975	₱99,185



	2015	2014
	(In Thousands)	
Retirement benefits costs:		
Current service cost	₱20,275	₱20,843
Interest cost - net (Note 22)	2,498	6,116
Past service cost	-	(1,620)
	₱22,773	₱25,339

Movements in the retirement benefits liability are as follows:

	2015	2014
	(In Thousands)	
Balances at beginning of year	₱99,185	₱138,319
Benefit expense	22,773	25,339
Actuarial losses (gains) - net	5,745	(8,592)
Actual contributions	(30,728)	(55,881)
Balances at end of year	₱96,975	₱99,185

Changes in the PVO are as follows:

	2015	2014
	(In Thousands)	
Balances at beginning of year	₱242,467	₱231,516
Current service cost	20,275	20,843
Interest cost	10,031	10,980
Benefits paid	(9,628)	(9,648)
Actuarial gain	8,176	(7,497)
Past service cost	-	(3,727)
Balances at end of year	₱271,321	₱242,467

Changes in fair value of plan assets are as follows:

	2015	2014
	(In Thousands)	
Balances at beginning of year	₱143,282	₱93,197
Actual contributions	30,727	55,881
Interest income	7,534	4,864
Actuarial gain on plan assets	2,431	1,095
Benefits paid	(9,628)	(11,755)
Balances at end of year	₱174,346	₱143,282

The categories of plan assets as a percentage of fair value of the total plan assets are as follows:

	2015	2014
Cash	15.39%	31.40%
Equity	68.63%	65.20%
Fixed income	4.04%	3.30%
Others	11.94%	0.10%
	100.0%	100.0%



The Group expects to contribute ₦78.7 million to the retirement plan in 2016.

The principal assumptions used to determine pension for the Group are as follows:

	2015	2014
Discount rates	4.82%	5.20%
Expected rates of return on plan assets	6.00%	6.00%
Salary increase rate	7.50%	7.50%

Amounts for the current and previous four (4) years are as follows:

	2015	2014	2013	2012	2011
(In Thousands)					
Defined benefit obligation	₦271,321	₦242,467	₦231,516	₦190,820	₦111,059
Plan assets	167,328	143,282	93,197	75,808	43,403
Unfunded obligation	₦103,993	₦99,185	₦138,319	₦115,012	₦67,636
Experience adjustment on plan liabilities - loss (gain)	(664)	(21,676)	6,256	(3,275)	(789)
Experience adjustment on plan assets - gain (loss)	40	4,565	4,714	(727)	3,339
Change in actuarial assumptions	9,454	(3,919)	20,793	15,615	620

24. Income Taxes

The Group's current provision for income tax in 2015 and 2014 represents regular corporate income tax.

	2015	2014	2013
(In Thousands)			
Current	₦15,721	₦10,105	₦5,974
Final	3,991	1,485	3,417
Deferred	(8,148)	70,360	(3,801)
	₦11,564	₦81,950	₦5,590

The reconciliation of the statutory income tax rates to the effective income tax rates follows:

	2015	2014	2013
At statutory tax rates	30.0%	30.0%	30.0%
Additions to (reductions in) income taxes resulting from:			
Exempt income from extinguishment of debt	-	(16.9)	(31.6)
Gain on sale of AFS investments	0.9	(1.7)	(2.4)
Expired NOLCO	(15.3)	0.8	1.4
Movement in unrecognized deferred income tax assets	(28.1)	(9.6)	(8.1)
Interest income subjected to final taxes	(1.3)	(0.1)	(0.4)
Expired MCIT	(0.6)	0.1	0.1

(Forward)



	2015	2014	2013
Exempt income from dividend	8.9	-	-
Dilution loss on reversal of allowance	-	-	3.6
Other nontaxable income	-	0.5	7.7
Others	(0.9)		
At effective tax rates	(6.4%)	3.1%	0.3%

The significant components of the deferred income tax liabilities - net of the Group are as follows:

	2015	2014
	(In Thousands)	
Deferred income tax assets:		
Casualty loss	₱18,974	₱18,974
Deferred rent	17,874	14,338
Allowance for impairment losses on receivables	15,425	11,976
Unamortized past service cost	6,605	6,704
Retirement benefits liability	6,990	8,041
Uncarned rent	-	317
Deferred reinsurance commission	1,393	-
Others	2,391	2,268
	69,652	62,618
Deferred income tax liabilities:		
Revaluation increment on property, plant, and equipment	(108,100)	(108,100)
Recovery on insurance	(98,382)	(98,382)
Revaluation reserve on investment properties	(75,149)	(79,474)
Remeasurement gain on retirement	(6,982)	(9,280)
Deferred acquisition cost	(6,753)	-
Undepreciated capitalized rent, interest and customs duties	(6,474)	(6,466)
Unrealized gain on valuation of AFS	(1,865)	(165)
Retirement plan assets	(661)	(611)
Accrued rent income	327	(1,696)
Unrealized gain on valuation of FVPL	(150)	-
Unrealized foreign exchange gain	(28)	(5)
	(304,217)	(304,179)
	(₱234,565)	(₱241,561)

Deferred income tax assets are recognized only to the extent that taxable income will be available against which the deferred income tax assets can be used. The Group reassesses the unrecognized deferred income tax assets on the following deductible temporary differences and recognizes the previously unrecognized deferred income tax assets to the extent that it has become probable that future taxable income would allow the deferred income tax assets to be recovered:



	2015	2014
	(In Thousands)	(In Thousands)
NOLCO	₱366,267	₱343,093
Allowance for impairment losses on receivables, other current assets, inventories and others	4,203,175	674,971
Retirement benefits liability	75,463	93,181
Loss(gain) on remeasurement of retirement benefits plan	(49,085)	84,606
Unamortized past service cost	44,110	37,927
MCIT	2,950	1,856
Accrued rent	323	909
Unrealized foreign exchange losses	36	93
Excess of reserve for unearned premiums	-	-
	₱4,643,239	₱1,236,636

As at June 30, 2015, the Company has NOLCO and MCIT that can be claimed as deduction from future taxable income and tax due, respectively:

Year incurred	Expiration Date	NOLCO	MCIT
2013	2016	₱137,731	₱464
2014	2017	112,218	214
2015	2018	46,744	1,338
		₱296,693	₱2,016

The following are the movements in NOLCO as at June 30, 2015 and 2014:

	2015	2014
	(In Thousands)	(In Thousands)
Balances at beginning of year	₱342,585	₱302,473
Additions	46,744	112,218
Expirations	(92,636)	(72,106)
	₱296,693	₱342,585

The following are the movements in MCIT as at June 30, 2015 and 2014:

	2015	2014
	(In Thousands)	(In Thousands)
Balances at beginning of year	₱1,856	₱3,189
Additions	1,338	214
Expirations	(1,178)	(1,547)
	₱2,016	₱1,856

The Group did not avail of the optional standard deduction in 2015, 2014 and 2013.



25. Earnings Per Share

The following table presents information necessary to calculate basic earnings per share:

	2015	2014	2013
(In Thousands)			
a. Net income attributable to equity holders of the Parent	(P262,453)	P210,618	P728,630
b. Weighted average number of shares	2,367,149	2,367,149	2,367,149
Basic earnings per share (a/b)	(P0.11)	P0.09	P0.31

26. Segment Information

Business Segments

The Group's operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit.

The industry segments where the Parent Company and its subsidiaries and associates operate are as follows:

- Holding company
- Financial services - insurance and related brokerage
- Real estate - property development
- Manufacturing and distribution - manufacture and distribution of beverage and ceramic tiles



Financial information about the operations of these business segments is summarized as follows:

2015

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
				(In Thousands)				
Revenue		P409,742	P247,881	P27,757	P5,140	P741,435	(50,000)	691,435
Cost and expenses		(407,413)	(2,38,053)	(68,639)	(15,643)	(764,452)	7,476	(756,976)
Other income (charges)		31,918	(5,207)	19,301	1,121	(178,660)	(7,471)	(186,131)
Income (Loss) before income tax		(209,571)	34,247	4,621	(21,592)	(9,382)	(201,677)	(49,995)
Provision for income tax		186	7,282	3,746	246	104	11,564	(251,672)
<u>Net income (loss)</u>		(209,757)	26,965	875	(21,838)	(9,486)	(213,241)	11,564
Segment assets		2,577,618	2,306,905	761,126	790,404	54,840	6,090,874	(2,029,320)
Segment Liabilities		693,724	640,939	532,229	333,761	196,110	2,288,663	(681,935)

2014

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
				(In Thousands)				
Revenue		P2,979	P552,562	P237,094	P22,526	P9,551	P324,712	P824,712
Cost and expenses		(25,637)	(431,981)	(248,836)	(95,233)	(18,671)	(820,348)	(816,009)
Other income (charges)		2,972	289,438	(2,629)	(5,899)	(393)	283,489	4,339
Income (Loss) before income tax		(19,686)	410,019	(14,371)	(78,596)	(9,513)	287,853	(279,150)
Provision for income tax		95	83,432	1,232	(3,490)	681	81,950	-
<u>Net income (loss)</u>		(P19,781)	P326,587	(P13,603)	(P75,106)	(10,194)	P205,903	P- 81,950
Segment assets		P2,641,421	P2,275,700	P891,177	P89,981	P50,624	P6,788,903	P4,825,990
Segment Liabilities		690,675	602,730	671,888	323,446	187,110	2,475,849	(764,195)



2013

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
(In Thousands)								
Revenue	P3,397	P562,841	P232,282	P5,287	P1,059,095	P-	P-	P1,059,095
Cost and expenses	(38,907)	(520,923)	(246,459)	(425,404)	(1,415,643)	260,149	(1,155,494)	(823,202)
Other income (charges)	367,809	15,859	(8,161)	1,126,900	13,263	1,515,670	(692,468)	
Income (Loss) before income tax	312,299	57,777	(22,338)	956,784	(165,400)	~ 1,159,122	(432,319)	726,803
Provision for income tax	117	3,011	2,465	(169)	166	5,590	~	5,590
Net income (loss)	P312,182	P54,766	(P24,803)	P956,953	(165,566)	P1,153,532	(432,319)	P721,213
Segment assets	P2,546,405	P1,943,020	P1,135,473	P69,384	P6,691,720	(P1,839,189)	P4,861,531	
Segment liabilities	710,272	561,904	893,610	674,277	184,690	3,024,753	(971,560)	2,053,193

Geographical Segments

The Group does not have geographical segments.



27. Long-term Lease

On August 28, 1990, TPI, a subsidiary, through a deed of assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. on a contract of lease of the land owned by PNR for the Tutuban Terminal and where the TPI's mall is located. The contract provided for a payment of a guaranteed minimum annual rental plus a certain percentage of gross sales. The lease covers a period of twenty five (25) years until 2014 and is automatically renewable for another twenty five (25) years subject to compliance with the terms and conditions of the lease agreement.

On December 22, 2009, TPI renewed its lease contract with PNR for another twenty five (25) years beginning September 5, 2014, the end of the original lease agreement. Rent expense charged to operations amounted to ₱99.80 million, ₱90.82 million and ₱92.54 million in 2015, 2014 and 2013, respectively (see Note 20).

As at June 30, 2015 and 2014, the aggregate annual commitments on these existing lease agreements for the succeeding years are as follows:

	2015	2014
	(In Thousands)	
Less than one (1) year	₱137,614	₱121,991
More than one (1) year but not more than five (5) years	689,402	620,835
More than five (5) years	3,056,840	3,238,920
	₱3,883,856	₱3,981,746

Leasehold rights pertaining to the leased property has a book value of nil as at June 30, 2015 and 2014.

Group as a Lessor

The Group has entered into commercial property leases on its buildings. These leases have remaining terms of one (1) year to less than five (5) years. Renewals are subject to the mutual consent of the lessor and the lessee.

Tenants are required to post security deposits, which shall be refunded, without interest, within sixty (60) days after the expiration of the lease period, deducting the amount of damages to the leased premises, if any. The discounted amount of noncurrent rental deposits amounted to ₱13.3 million and ₱9.1 million as at June 30, 2015 and 2014, respectively.



The table below shows the movement analysis of the carrying value of noncurrent security deposits as at June 30, 2015:

	2015 (In Thousands)	2014
Undiscounted amount at beginning of year	₱10,241	₱5,663
Additions	4,324	4,578
	14,565	10,241
Discount on security deposit:		
Balance at beginning of year	1,121	688
Addition	445	628
Accretion of interest	(291)	(195)
Balance at end of year	1,275	1,121
Net carrying value	₱13,290	₱9,120

Accretion of interest for the fiscal year ended June 30, 2015 is included under "Other Income (Charges)" in the consolidated statement of income.

	2015 (In Thousands)	2014
Beginning of year	₱1,107	₱684
Additions	446	627
Amortization	(372)	(204)
Balance at end of year	₱1,181	₱1,107

The excess of the principal amounts of the rent deposits over the carrying values is presented as "Deferred rent income" in the consolidated statements of financial position. Deferred rent income is amortized to rent revenue in the statements of comprehensive income over the lease term using the straight-line method.

28. Contingencies

The Group is contingently liable for lawsuits or claims, and assessments, which are either pending decision by the courts or under negotiation. Management and its legal counsels believe that the eventual outcome of these lawsuits or claims will not have a material effect on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

29. Events after the Reporting Period

On August 14, 2015, the Group entered into an agreement with Ayala Land, Inc. (ALI) whereby ALI will subscribe to 2,500,000,000 common shares of stock of the Group or 51.36% equity interest in the Group (which will come from Group's increase in authorized capital stock) for a total consideration of ₱5.625 billion, subject to certain terms and conditions.

The Group, through its wholly-owned subsidiary, TPI, owns Tutuban Center in Manila City. With the entry of ALI, the Group will be able to benefit from the expertise and resources of ALI and optimize the development of its property assets, especially Tutuban Center. Tutuban Center, which sits on a 20-hectare property, will be the location of the North South Railway Project Transfer Station which will interconnect with the LRT 2 West Station.



In connection with the foregoing, on August 13, 2015, the BOD of the Group approved the amendment of its Articles of Incorporation, specifically: (1) Article Sixth - to increase the number of its directors from 7 to 9; and (2) Article Seventh - to increase its authorized capital stock from ₱2.4 billion to ₱7.5 billion.

On September 7, 2015, the Group sold its investment properties located in Mandaue City, Cebu, as discussed in Note 12, for ₱432.6 million. The sale was approved by the BOD on September 4, 2015.

30. Financial Risk Management Objectives, Policies and Capital Management

The Group has various financial instruments such as cash and cash equivalents, receivables, amounts owed by to related parties, AFS financial assets, FVPL investments, deposits under other current assets and subscriptions payable. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has other financial liabilities such as accounts payable and accrued expenses and rental and other deposits, which arise directly from its operations.

The main risks from the use of financial instruments are credit risk, liquidity risk, foreign currency risk, equity price risk and interest rate risk. The Group's BOD reviews and approves policies for managing these risks as summarized below.

Credit Risk

The Group's credit risk originates from the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due.

The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The Group's gross maximum exposure to credit risk of its financial assets, which mainly comprise of cash, excluding cash on hand, receivables, amounts owed by related parties, AFS investments and HTM investments arises from default of the counterparty which has a maximum exposure equal to the carrying amount of these instruments at reporting date.



Credit quality of neither past due nor impaired financial asset

The credit quality of financial assets is being managed by the Group by grouping its financial assets into two: (a) High grade financial assets are those that are current and collectible; (b) Standard grade financial assets need to be consistently followed up but are still collectible. The tables below show the credit quality by class of financial assets based on the Group's credit rating system:

2015

	Neither past due nor impaired		Past due or individually impaired	Total
	High grade	Standard grade		
(In Thousands)				
<i>Loans and Receivables:</i>				
Cash and cash equivalents	P151,035	P-	P-	P151,035
<i>Receivables:</i>				
Trade debtors	8,814	36,164	95,066	140,044
Insurance receivables	351,174	—	65,116	416,490
Others	24,605	3,296	192,707	220,608
Amounts owed by related parties	9	—	1,625	1,634
<i>Deposits (under "Other noncurrent assets")</i>	19,338	200	99	19,637
<i>AFS Financial Assets:</i>				
Listed equity securities	849,360	—	535,288	1,384,64
Quoted debt securities	259,134	—	—	259,134
Unquoted debt securities	16,405	—	—	16,405
Nonlisted equity securities	382,509	—	—	382,509
Financial assets at FVPL	27,992	—	—	27,992
	P2,090,375	P39,660	P889,901	P1,636,936

2014

	Neither past due nor impaired		Past due or individually impaired	Total
	High grade	Standard grade		
(In Thousands)				
<i>Loans and Receivables:</i>				
Cash and cash equivalents	P353,677	P-	P-	P353,677
<i>Receivables:</i>				
Trade debtors	41,933	9,956	89,298	141,187
Insurance receivables	315,135	183,380	8,342	506,857
Others	42,129	3,513	211,118	256,760
Amounts owed by related parties	22	—	1,610	1,632
<i>Deposits (under "Other noncurrent assets")</i>	27,214	—	99	27,313
<i>AFS Financial Assets:</i>				
Listed equity securities	1,096,500	—	294,101	1,390,601
Quoted debt securities	241,655	—	—	241,655
Unquoted debt securities	6,082	—	—	6,082
Nonlisted equity securities	299,661	—	—	299,661
	P2,424,008	P196,849	P604,568	P3,225,425



The tables below show the aging analyses of financial assets per class that the Group held as at June 30, 2015 and 2014. A financial asset is past due when a counterparty has failed to make payment when contractually due.

2015

	Neither past due nor impaired	Past due but not impaired					Individually impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days			
(In Thousands)								
<i>Loans and Receivables:</i>								
Cash and cash equivalents	P151,035	P-	P-	P-	P-	P-	P-	P151,035
Receivables:-								
Trade debtors	44,978	4,206	604	169	3,512	86,575	140,044	
Insurance receivables	351,174	-	-	-	48,948	16,168	416,496	
Others	27,901	-	-	-	349	192,358	220,688	
Amounts owed by related parties	9	-	-	-	-	1,625	1,634	
Deposits (under "Other noncurrent assets")	19,538	-	-	-	-	99	19,637	
<i>AFS Financial Assets</i>								
Listed equity securities	849,360	-	-	-	-	535,288	1,384,64	
Quoted debt securities	259,134	-	-	-	-	-	259,134	
Unquoted debt securities	16,405	-	-	-	-	-	16,405	
Nonlisted equity securities	382,509	-	-	-	-	-	382,509	
Financial asset at FVPL	27,992	-	-	-	-	-	27,992	
	P2,130,635	P4,206	P604	P169	P52,309	P832,113	P1,636,936	

2014

	Neither past due nor impaired	Past due but not impaired					Individually impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days			
(In Thousands)								
<i>Loans and Receivables:</i>								
Cash and cash equivalents	P353,677	P-	P-	P-	P-	P-	P-	P353,677
Receivables:-								
Trade debtors	43,998	2,480	251	-	5,160	89,298	141,187	
Insurance receivables	315,135	-	-	-	183,180	8,342	506,857	
Others	43,901	-	-	-	1,741	211,118	256,760	
Amounts owed by related parties	22	-	-	-	-	1,610	1,632	
Deposits (under "Other noncurrent assets")	27,214	-	-	-	76	23	27,313	
<i>AFS Financial Assets</i>								
Listed equity securities	1,096,500	-	-	-	-	294,101	1,390,601	
Quoted debt securities	241,655	-	-	-	-	-	241,655	
Unquoted debt securities	6,082	-	-	-	-	-	6,082	
Nonlisted equity securities	299,661	-	-	-	-	-	299,661	
	P2,427,845	P2,480	P251	P-	P190,357	P604,492	P3,225,425	

Liquidity Risk

Liquidity risk arises when there is a shortage of funds and the Group as a consequence could not meet its maturing obligations.

In the management of liquidity, the Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.



The tables below summarize the maturity profile of the Group's financial liabilities as at June 30, 2015 and 2014 based on contractual undiscounted payments:

2015

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Total
(In Thousands)					
Accounts payable and accrued expenses	₱526,333	₱54,949	₱68,798	₱-	₱128
Rental and other deposits	481,675	-	-	-	-
	50,788	15,109	77,554	4,880	83,375

2014

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Total
(In Thousands)					
Accounts payable and accrued expenses	₱558,194	₱30,533	₱15,349	₱57,598	₱661,674
Rental and other deposits	51,424	52,747	62,484	48,088	214,743
	₱609,618	₱83,280	₱77,833	₱105,686	₱876,417

Foreign Currency Risk

The Group's foreign currency risk results from the foreign exchange rate movements of the Philippine peso against the United States dollars (USD), European Monetary Union (EUR) and Great Britain Pound (GBP). The Group's foreign currency risk arises primarily from its cash in banks and trade payables.

The Group monitors and assesses cash flows from anticipated transactions and financing agreements denominated in USD, EUR and GBP.

The table below summarizes the Group's exposure to foreign currency risk as at June 30, 2015 and 2014. Included in the table are the Group's assets and liabilities at carrying amounts:

	2015		2014	
	Foreign Currency Equivalent	Peso	Foreign Currency Equivalent	Peso
(In Thousands)				
Financial Asset:				
Cash in banks				
USD	\$22	₱1,009	\$18	₱786
Short-term investments				
USD	35	1,578		
Financial Liability:				
Accounts payable				
USD	2	80	2	87
EUR	1	50	1	60
GBP	1	42	1	75
Net financial asset	\$53	₱2,415	\$14	₱564



As at June 30 2015 and 2014, the exchange rates of other currencies to Philippine Peso are as follows:

	2015	2014
USD	₱45.09	₱43.65
EUR	50.80	59.76
GBP	71.13	74.59

The following table presents the impact on the Group's income before income tax due to changes in the fair value of its financial assets and liabilities, brought about by a reasonably possible change in the foreign currencies/P exchange rate (holding all other variables constant) as at June 30, 2015 and 2014.

	Increase/ decrease in currency rate	Effect on income (loss) before income tax
(In Thousands)		
2015		
USD	+0.41% -0.65%	₱22.79 (36.13)
EUR	+2.34% -1.30%	(2.30) 1.28
GBP	+1.98% -1.41%	(1.16) 0.83
2014		
USD	+0.69% -0.59%	(₱11.04) 9.44
EUR	+1.14% -0.82%	(1.14) 0.82
GBP	+1.70% -0.73%	(1.70) 0.73

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

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as the result of change in the levels of equity indices and the value of individual stock. The equity price risk exposure arises from the Group's investment in stocks. Equity investment of the Group is categorized as AFS financial assets.

The Group measures the sensitivity to its equity securities by using Philippine Stock Exchange index fluctuations and its effect to respective share prices.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.



The basic sensitivity analysis assumes that the stock's standard deviation on its historical yield for the past one year provides the basis for reasonably possible change in prices of the stock investment. The Group establishes the relative range of stock investment yields based on historical standard deviation for one year.

The following table demonstrates the sensitivity to reasonable possible change in equity prices, with all other variables held constant:

	Change in Equity price index (In Thousands)	Effect on Equity
2015		
Upper Limit	+11.59%	₱34,680
Lower Limit	(11.59%)	(34,680)
2014		
Upper Limit	+17.62%	₱232,049
Lower Limit	(17.62%)	(232,049)
2013		
Upper Limit	+19.06%	251,022
Lower Limit	(19.06%)	(251,022)

The impact on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

Interest Rate Risk

The Group's exposure to the risk for changes in market interest rate relates to quoted debt instrument.

The Group regularly monitors the market interest rate movements to assess exposure impact.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, of the Group's equity as at June 30, 2015 and 2014 are as follows:

The impact on the Group's equity is caused by the changes in the market value of quoted debt due to interest rate movements. The quoted debt instruments of the Group pertain to HTM investments which matured in July 2013.

	Changes in interest rates (in basis points)	Sensitivity to equity
2013	+155 (155)	₱2,572 2,572
2012	+141 (141)	₱1,871 1,871



Capital Management

The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources and considering changes in economic conditions and the risk characteristics of the Group's activities.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at June 30, 2015 and 2014.

As at June 30, 2015 and 2014, the Group considers the following accounts as capital:

	2015	2014
(In Thousands)		
Capital stock	₱2,069,912	₱2,066,357
Additional paid-in capital	829,904	829,904
	₱2,899,816	₱2,896,261

The Group is not subject to externally imposed capital requirements.

31. Financial Instruments

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values at June 30, 2015 and 2014 are set out below:

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents approximates its fair values due to the short-term maturity of this financial instrument.

Receivables, Accounts Payable and Accrued Expenses and Amounts owed by Related Parties

The carrying amounts receivables, accounts payable and accrued expenses and amounts owed by related parties approximate their fair values due to their short-term nature.

Rental and Other Deposits

Current portion of rental and other deposits the carrying amounts approximates its fair value due to the short-term maturity of this financial instrument.

The fair values noncurrent security deposit recorded under "Rental and other deposits" approximate its amortized cost which was based on the present value of the future cash flows.

AFS Financial Assets

AFS equity financial assets that are listed are based on their bid prices as at June 30, 2015 and 2014. AFS debt financial assets that are quoted are based on market prices. Unquoted debt and nonlisted AFS financial assets are based on latest available transaction price at the end of the reporting period.

Financial Assets at FVPL

Listed equity securities designated as financial assets at FVPL are based on their bid prices.



32. Other Matters

Certain accounts in the 2014 financial statements were reclassified to conform with the 2015 presentation.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Prime Orion Philippines, Inc. and Subsidiaries
20/F LKG Tower
6801 Ayala Ave., Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Prime Orion Philippines, Inc. and its subsidiaries as at June 30, 2015 and 2014 and for each of the three years in the period ended June 30, 2015, included in this form 17-A, and have issued our report thereon dated October 9, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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PTR No. 4751344, January 5, 2015, Makati City

October 9, 2015

