COVER SHEET

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SEC Registration Number

P R I M E   O R I O N   P H I L I P P I N E S ,   I N C .

(Company's Full Name)

2 0 / F   L K G   T O W E R   6 8 0 1   A Y A L A   A V E N U E

M A K A T I   C I T Y

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

ATTY. DAISY L. PARKER

(Contact Person)

884-1106

(Company Telephone Number)

0 6	3 0
Month	*Day*

(Fiscal Year)

SEC Form

2 0 - I S

(Form Type)

(Definitive Info. Statement)

Month	*Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

PrimeOrion Philippines, Inc.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of **PRIME ORION PHILIPPINES, INC.** will be held on:

Date	:	**2 December 2014 (Tuesday)**
Time	:	**2:00 p.m.**
Venue	:	**Balagtas and Garcia-Villa Function Rooms, The Peninsula Manila, Makati City**

The agenda for the meeting will be as follows:

1. Call to Order
2. Proof of Due Notice of the Meeting and Determination of Quorum
3. Approval of Minutes of the Previous Annual Stockholders' Meeting on 2 December 2013
4. Approval of the Annual Report for Fiscal Year 2013-2014 (including the Consolidated Audited Financial Statements for the Fiscal Year ended 30 June 2014)
5. Ratification of all Acts, Decisions and Proceedings of the Board of Directors and Management since the last Annual Meeting
6. Nomination and Election of Directors
7. Confirmation of External Auditors
8. Amendment of Article III of the Articles of Incorporation to Reflect Specific Office Address
9. Adjournment

For the purpose of the meeting, only stockholders of record at the close of business on **17 October 2014** shall be entitled to vote thereat.

Stockholders who cannot attend the meeting in person are requested to accomplish the attached proxy and return the same to the office of the Corporation not later than 24 November 2014. If the stockholder is a corporation, a Secretary's Certificate quoting the board resolution authorizing the corporate officer to execute the proxy should also be submitted.

Validation of the proxies will be held on 26 November 2014 at 2:00 p.m. at the office of the Corporation at 20/F LKG Tower, 6801 Ayala Avenue, Makati City.

Makati City, 30 October 2014.

By Resolution of the Board
of Directors:

DAISY L. PARKER
Director/Corporate Secretary

Att.: Proxy Form
SEC Form 20-IS (Information Statement)
2013/2014 POPI Management Report (including FY 2014 Audited Financial Statements)
Quarterly Report (SEC Form 17-Q) for the Quarter Ended 30 September 2014

PROXY

This Proxy is being solicited by **Prime Orion Philippines, Inc.**, for and on its behalf, in connection with its Annual Stockholders' Meeting to be held on **2 December 2014 (Tuesday), at 2:00 p.m.**, at the **Balagtas and Garcia-Villa Function Rooms, The Peninsula Manila, Makati City**.

The Company shall be pleased to vote your securities in accordance with your wishes if you will execute this Proxy Form and return the same promptly. It is understood that if you sign without otherwise marking the form, the securities will be voted as recommended by the Board of Directors on all matters to be considered at the meeting.

Hereunder are the matters to be taken up during the meeting. Please indicate your proposal selection by firmly placing an **"X"** in the appropriate box:

1. Approval of the Minutes of the 2 December 2013 Annual Stockholders' Meeting

   ☐ Yes ☐ No ☐ Abstain

2. Approval of Annual Report for Fiscal Year 2013-2014 (including the Audited Consolidated Financial Statements for the Fiscal Year ended 30 June 2014)

   ☐ Yes ☐ No ☐ Abstain

3. Ratification of Corporate Acts of the Board of Directors and Management since the last Annual Meeting

   ☐ Yes ☐ No ☐ Abstain

4. Election of Directors

   ☐ Vote for all nominees listed below:

   Felipe U. Yap
   David C. Go
   Yuen Po Seng
   Daisy L. Parker
   Ronald P. Sugapong
   Victor C. Say – Independent Director
   Ricardo J. Romulo – as Independent Director

   ☐ Withhold authority to vote for all nominees above

   ☐ Withhold authority to vote for the nominees listed below

   ______________ ______________ ______________

5. Confirmation of SyCip Gorres Velayo & Co. as external auditors for the ensuing fiscal year

   ☐ Yes ☐ No ☐ Abstain

6. Approval of the Amendment of Article III (Office Address) of the Articles of Incorporation to Reflect Specific Office Address

   ☐ Yes ☐ No ☐ Abstain

7. At its discretion, the Board of Directors is authorized to vote on such matters as may properly come before the meeting

   ☐ Yes ☐ No

____________________ ____________________
Printed Name of Stockholder Signature of Stockholder

Date: ______________

N.B. Pursuant to the By-Laws, no proxy in favor of a third person who is not a *bona fide* registered stockholder of the Corporation shall be recognized. All proxies must be returned to the offices of the Corporation not later than one (1) week prior to the meeting date. If the stockholder is a corporation, a Secretary's Certificate quoting the Board Resolution authorizing the corporate officer who signed this proxy must be submitted. This proxy need not be notarized.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [_] Preliminary Information Statement

   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter **PRIME ORION PHILIPPINES, INC.**

3. **REPUBLIC OF THE PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **163671**

5. BIR Tax Identification Code **320-000-804-342**

6. **20/F LKG TOWER, 6801 AYALA AVENUE, MAKATI CITY** **1226**
   Address of Principal Office Postal Code

7. Registrant's telephone number, including area code **(632) 884-1106**

8. Date, Time and Place of the Meeting of Security Holders

   Date : **2 DECEMBER 2014 (TUESDAY)**
   Time : **2:00 P.M.**
   Place : **BALAGTAS AND GARCIA VILLA FUNCTION ROOMS, THE PENINSULA MANILA, MAKATI CITY**

9. Approximate Date on which the Information Statement is First to be Sent or given to Security Holders
   11 NOVEMBER 2014

10. ***In case of Proxy Solicitation:***

    Name of Person Filing the Statement/Solicitor: **PRIME ORION PHILIPPINES, INC.**

    Address and Telephone No.: **20/F LKG TOWER, 6801 AYALA AVE., MAKATI CITY**
    (632) 884-1106

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class *(As of 30 September 2014)*	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**2,367,149,383**
Loans Payable (consolidated)	**-nil-**

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes __x__ No _______

    Common Shares **Philippine Stock Exchange**

INFORMATION STATEMENT

Part I

A. GENERAL INFORMATION

<u>Date, time and place of meeting of security holders</u>:

(1) **Date: 2 December 2014 (Tuesday)**
Time: 2:00 p.m.
Place: Balagtas and Garcia-Villa Function Rooms, The Peninsula Manila, Makati City

Complete mailing address of principal office of the Registrant/Company**:**

20/F LKG Tower, 6801 Ayala Avenue, Makati City 1200

(2) Copies of this Information Statement will be sent to the Company's shareholders beginning **<u>11 November 2014</u>**.

<u>Dissenters' Right of Appraisal</u>

Generally, a stockholder shall have the right to dissent and demand payment of the value of his shares in the instances stated in Section 81 of the Corporation Code, as follows: (a) amendment of the articles of incorporation which has the effect of changing or restricting the rights of any stockholders or class of shares; or authorizing preferences in any respect superior to those outstanding; or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or disposition of all or substantially all of the corporate property and assets; and (c) in case of merger and consolidation.

The appraisal right abovementioned may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within 30 days after the date on which the vote was taken for payment of the fair value of his shares: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of 60 days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within 30 days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: and Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

The present meeting, is being called to approve the following matters:

(1) Approval of the Minutes of the Previous Stockholders' Meeting dated 2 December 2013
(2) Approval of the Annual Report for Fiscal Year (FY) 2013-2014 (including the Audited Consolidated Financial Statements for the FY ended 30 June 2014)
(3) Ratification of Acts of the Board of Directors and Officers since the last Annual Stockholders' Meeting
(4) Nomination and Election of Directors;
(5) Confirmation of External Auditors; and
(6) Amendment of Article III of the Articles of Incorporation to reflect a specific office address.

Given the foregoing, the exercise of appraisal right by a stockholder is available only in the case of amendment of the Articles of Incorporation. However, it is unlikely for any stockholder to exercise his appraisal right as the amendment is undertaken to comply with SEC Memorandum Circular No. 6, Series of 2014, which requires all publicly-listed companies to amend its address from "Metro Manila" to a specific office address.

<u>Interest of Certain Persons in Matters to be Acted Upon</u>

(1) There are no persons (including a director or executive officer of the Company) with substantial interest, direct or indirect, in any matter to be acted upon at the annual meeting.

(2) No director of the Company intends or has expressed an intention to oppose any action to be taken during the annual meeting.

(3) The nominees for election as director of the Company are those listed in the proxy form and in pages 5-7 hereof. The said nominees have no associates.

B. CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(1) *Class of Securities* (As of 17 October 2014)

Class	**No. of Shares Outstanding**	**No. of Votes to which Entitled**
COMMON	2,367,149,383	2,367,149,383
-Filipino Equity	2,337,439,615	2,337,859,753 (98.7449%)
-Foreign Equity	29,709,768	29,709,768 (1.2551%)
PREFERRED	-0-	-0-
Total	2,367,149,383	2,367,149,383

(2) The ***record date*** for shareholders who shall be entitled to vote has been fixed at **17 October 2014** in accordance with the By-laws of the Company and the rules of the Securities and Exchange Commission and the Philippine Stock Exchange. Solicitation of proxies shall be made on common stockholders as of record date as provided by the Company's stock and transfer agent, BDO -Trust and Investments Group (BDO), starting on 11 November 2014.

(3) Under the Company's By-laws, the election of directors shall be conducted in the manner provided by the Corporation Code of the Philippines and with such formalities and machinery as the officer presiding at the meeting shall then and there determine.

Section 24 of the Corporation Code allows cumulative voting in the election of directors. Thus, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate his shares and give one candidate as many number of votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the total number of directors to be elected. In connection with the election of directors, discretionary authority to cumulate the votes is not solicited by the Corporation.

As for other matters in the agenda, each stockholder is entitled to one vote.

(4) (a) *Security Ownership of Certain Record and Beneficial Owners* (more than 5%)
(As of 17 October 2014)

Title of Class	Name & address of record owner & relationship with issuer	Name of Beneficial Owner & relationship with record owner	Citizen-ship	No. of Shares Held	Percent (%)
Common	PCD Nominee Corp. * G/F Makati Stock Exchange, Ayala Ave., Makati City		Filipino	1,320,366,992	55.78%
Common	Genez Investments Corp. (GIC)** 20/F LKG Tower, 6801 Ayala Ave., Makati City - Stockholder	GIC 20/F LKG Tower, 6801 Ayala Avenue, Makati City	Filipino	250,000,000	10.56%
Common	F.Yap Securities, Inc.*** 17/F Lepanto Building, 8747 Paseo de Roxas, Makati City -Broker		Filipino	197,731,700	8.35%
Common	Lepanto Consolidated Mining Co. (Lepanto	Lepanto Mining 21/F Lepanto Bldg., 8747	Filipino	180,000,000	7.60%

	Mining)**** 21/F Lepanto Bldg., 8747 Paseo de Roxas, Makati City -Stockholder	Paseo de Roxas, Makati City			
	Total			**1,948,098,692**	**82.29%**

*PCD Nominee Corp.-a private company and wholly-owned subsidiary of the Philippine Central Depository Inc. (PCDI), is the registered owner of the POPI shares; however, beneficial ownership of such shares pertain to the PCD participants (brokers) and/or their clients (corporations or individuals) in whose names these shares are recorded in their respective books. As per PCD List of Beneficial Owners dated 17 October 2014, the following hold at least 5% of POPI's voting stocks: (1) Guoco Assets (Philippines), Inc. (GAPI)-451,256,180 (19.06%); (2) Quality Investments & Securities Corporation (held for Filipino and foreign clients)- 221,820,600 (9.4%); and (3) David Go Securities Corp. (DGSC) (held for Filipino and foreign clients)-169,123,997 (7.14%).

-There is no specific nominee to vote these shares as the shares are held by different brokers. Brokers issue the proxy as per instructions of their principal-clients/beneficial owners of the shares.

-GAPI, a company organized under Philippine laws, is 96.45%-owned by Singapore-based Guoco Assets Pte. Ltd.. The Board of Directors of GAPI has authority to decide how the POPI shares will be voted. At present, GAPI lodged its 451,256,180 POPI shares with PCD. The POPI shares will be voted in accordance with the instructions of GAPI's proxy.

**GIC is wholly-owned by Treasure-House Holdings Corporation (THHC), which is 40%-owned by Mr. Yuen Po Seng and his wife. (Aside from the 250 million POPI shares registered in GIC's name, GIC has 17,554,037 POPI shares lodged with DGSC, for a total equity of 10.56% in POPI.) The GIC Board of Directors has the power to decide how the POPI shares will be voted.

***F.Yap Securities, Inc. holds the POPI shares in trust for its clients/beneficial owners and will vote the POPI shares in accordance with the instructions of such beneficial owners.

****The Board of Directors of Lepanto Mining has the power to decide how the POPI shares will be voted.

(b) *Security Ownership of Management*
(as of 17 October 2014)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial ownership	Citizenship	Percent of Class
Common	Felipe U. Yap	3,010,000 shares (d)	Filipino	0.127%
Common	David C. Go	22,200,000 (d/i)	Filipino	0.938%
Common	Yuen Po Seng	1 (d)	Malaysian	-
Common	Victor C. Say	23,500,000 (d/ i)	Filipino	0.993%
Common	Ricardo J. Romulo	1 (d)	Filipino	-
Common	Daisy L. Parker	283,400 (d)	Filipino	0.012%
Common	Ronald P. Sugapong	85,429 (d/ i)	Filipino	0.004%
Common	Ma. Rhodora P. dela Cuesta	111,450 (d)	Filipino	0.005%
	Total Holdings of Directors & Executive Officers	**49,190,281**		**2.078%**

(c) *Voting Trust Holders of 5% or More*

There are no voting trust holders of 5% or more of the common shares.

(5) *Change in Control of Registrant*

There has been no change in the control of the Registrant since the beginning of its last FY.

Directors and Executive Officers

(1) (a) The present directors of the Company (listed below) have been nominated for re-election in the Company's forthcoming elections. There were no other nominees for directors. The Articles of Incorporation and By-laws of the Company provide for a seven-member Board of Directors. The directors serve for a term of one year until the election and acceptance of their qualified successors.

The list below includes the position/s in the Company held by the present directors of the Company as well as the directorships/officerships of the directors in other corporations. Except as indicated, the directors have held their directorships/officerships listed below for at least the past five years to the present.

Director (Age)-Citizenship Name of Company
Position
(As of 30 September 2014)

Felipe U. Yap (77) - Filipino

Mr. Felipe U. Yap, graduated with a degree in B.A. Philosophy from the University of San Carlos in Cebu. He has extensive experience in the mining industry. He served as Chairman of the PSE Board of Governors from year 2000 to 2002.

His directorships and officerships are as follows:

Chairman (2000-Present) - Prime Orion Philippines, Inc.
Vice Chairman (1993-2000)

Chairman of the Board and Chief Executive Officer - Lepanto Consolidated Mining Company *(listed) (1988-present);* Lepanto Investment and Development Corp.; Diamant Boart Philippines, Inc.; Diamond Drilling Corporation of the Philippines; Far Southeast Gold Resources, Inc.; Manila Mining Corporation *(listed) (1988-present);* Shipside, Inc.

Chairman of the Board - Orion Land Inc.; Tutuban Properties, Inc.; Orion I Holdings Philippines, Inc.; FLT Prime Insurance Corporation; Zeus Holdings, Inc. *(listed) (Nov. 1998-present;* Kalayaan Copper-Gold Resources, Inc.

Director - Orion Property Development, Inc.; Lepanto Condominium Corporation; Manila Peninsula Hotel, Inc.; Philippine Associated Smelting & Refining Corp.

David C. Go (73) - Filipino

Mr. David C. Go, graduated with a degree in B.S. Mechanical Engineering from Georgetown University in Ohio, United States of America. He also served as member of the Board of then Manila Stock Exchange. He was one of the incorporators of Philippine Orion Properties, Inc. which was later merged with FLC, and now known as Prime Orion Philippines, Inc..

His directorships and officerships include:

Vice Chairman (1992 to Present) - Prime Orion Philippines, Inc.
Director (1989 to Present)

Chairman - OE Holdings, Inc.; Orion Maxis Inc.; 22Ban Marketing, Inc. *(inactive);* Kolin Philippines, Inc.; ACA & Company

Chairman/President - Orion Property Development, Inc.; Orion Beverage, Inc.

President - Orion Land Inc.; Tutuban Properties, Inc.; TPI Holdings Corporation

Director - ZHI Holdings, Inc.; Orion I Holdings Philippines, Inc.; Orion Solutions, Inc.

Yuen Po Seng (55) - Malaysian

Mr. Yuen Po Seng, graduated with a degree in Management Accounting from the Sheffield City Polytechnic in the United Kingdom. He worked with the Hong Leong Group Malaysia before he was assigned to the Philippines.

His directorships and officerships are as follows:

President (11 Jan. 2002 to Present)- Prime Orion Philippines, Inc.
Exec.Vice Pres. (1993 to 10 Jan. 2002)
Treasurer (1995 to 10 Jan. 2002)
Director (1995 to Present)

Chairman/President - ZHI Holdings, Inc.; Orion Solutions, Inc.; Luck Hock Venture Holdings, Inc. *(inactive);* Guoman Philippines Incorporated

President - FLT Prime Insurance Corporation; Orion I Holdings Philippines, Inc.; Orion Maxis Inc.; BIB Aurora Insurance Brokers, Inc.; Zeus Holdings, Inc. *(listed) (Nov. 1998-present);* Guoco Assets (Philippines), Inc. *(Apr. 2011-present);* Hong Way Holdings, Inc. *(Apr. 2011-present)*

Director - Cyber Bay Corporation *(listed) (1993-present); C*entral Bay Reclamation & Development Corp. *(inactive);* Orion Land Inc.; Tutuban Properties, Inc.; TPI Holdings Corporation; Orion Property Development, Inc.; Orion Beverage, Inc.; OE Holdings, Inc.; Genez Investments Corporation; Treasure-House Holdings Corporation; Top Master Construction (Philippines), Inc. *(formerly Hume Furniture (Philippines), Inc.)*

Daisy L. Parker (50)- Filipino

Atty. Daisy L. Parker, holds a Bachelor of Arts degree in Political Science and Bachelor of Laws degree from the University of the Philippines. Her extensive experience includes working in the House of Representatives and Quisumbing Torres & Evangelista Law Office (now Quisumbing & Torres Law Office), associated office of Baker & McKenzie in the United States. She is the Corporate Secretary of POPI and its subsidiaries.

Her directorships and officerships are as follows:

Director (2000-Present) - Prime Orion Philippines, Inc.
Corporate Secretary (1995-Present)

Director/Corporate Secretary- Orion Land Inc.; Tutuban Properties, Inc.; TPI Holdings Corporation; Orion Property Development, Inc.; Orion Beverage, Inc.; Luck Hock Venture Holdings, Inc. *(inactive);* Guoman Philippines Incorporated; Orion I Holdings Philippines, Inc.; Zeus Holdings, Inc. *(listed) (March 2001-present);* ZHI Holdings, Inc.; FLT Prime Insurance Corporation; Orion Solutions, Inc.; BIB Aurora Insurance Brokers, Inc.; OE Holdings, Inc.; 22Ban Marketing, Inc. *(inactive);* Maxcellon Inc.; Orange Grove Investments Corporation *(Sept. 2011-present);* Philtravel Corp. *(Sept. 2012-present);* El Faro Development Corporation *(2013 to present)*

Director - Guoco Assets (Philippines), Inc. *(Apr. 2011-present);* Hong Way Holdings, Inc. *(Apr. 2011-present)*

Corporate Secretary - Orion Maxis Inc.; Genez Investments Corporation; Treasure-House Holdings Corporation; Max Limousine Service Inc. *(Mar. 2011-present)*

Ronald P. Sugapong (47)- Filipino

Mr. Ronald P. Sugapong is a Certified Public Accountant, with a degree in Accounting from the Philippine School of Business Administration. His work experience includes working for auditing firm of Punongbayan & Araullo.

His directorships and officerships are as follows:

Director (2007-present) - Prime Orion Philippines, Inc.
Treasurer (2002-present)

Director/Treasurer - Orion Land Inc.; Tutuban Properties, Inc.; TPI Holdings Corporation; Orion Property Development, Inc.; Orion Beverage, Inc.; Luck Hock Venture Holdings, Inc. *(inactive); G*uoman Philippines Incorporated; Orion I Holdings Philippines, Inc.; Zeus Holdings, Inc. *(listed) (March 2001-present);* ZHI Holdings, Inc.; Orion Solutions, Inc.; OE Holdings, Inc.; Orion Maxis Inc.; 22Ban Marketing, Inc. *(inactive);* Guoco Assets (Philippines), Inc. *(Apr. 2011-present);* Hong Way Holdings, Inc. *(Apr. 2011-present);*

Treasurer - FLT Prime Insurance Corporation; BIB Aurora Insurance Brokers, Inc.

Victor C. Say (69) - Filipino
(Independent Director, 2009-present)

Mr. Victor B. Say, is a holder of a degree in Business Administration, major in Management from Mapua University. He has extensive business experience having worked in securities broker firms and many companies. He was a member of the Board of then Manila Stock Exchange.

His directorships and officerships are as follows:

Director (1989 to Present) **-** Prime Orion Philippines, Inc.

Chairman - Onetree Holdings, Inc. *(March 2012 - present)*

Director - SEATO Trading Co., Inc.; San Juan Enterprises, Inc.; Kolin Philippines, Inc.; Seven of Us Foods, Inc.; Laview Security Phils., Inc.

Ricardo J. Romulo (81) - Filipino
(Independent Director, 2002 to present)

Atty. Ricardo J. Romulo is a graduate of Harvard Law School in the United States and the Senior Partner of Romulo Mabanta Buenaventura Sayoc & de Los Angeles Law Offices. He has extensive experience in law and business and is a director of various companies.

His directorships and officerships are as follows:

Director (1997 to Present) **-** Prime Orion Philippines, Inc.

Senior Partner - Romulo Mabanta Buenaventura Sayoc & de Los Angeles Law Offices

Chairman **-** Cebu Air, Inc. *(listed) (26 Oct. 2010-present/ regular director);* Federal Phoenix Assurance Co. Inc.; Sime Darby Pilipinas, Inc.; Towers Watson Philippines, Inc.; Interphil Laboratories, Inc.

Director - BASF Philippines, Inc.; FLT Prime Insurance Corporation; Honda Philippines, Inc.; Johnson & Johnson (Phils.), Inc.; Maersk-Filipinas, Inc.; Philippine American Life and General Insurance Co.; Zuellig Pharma Corporation; JG Summit Holdings, Inc. (*listed) (July 2000-present/regular director)*

Trustee **-** Equitable Foundation, Inc.

(a (1) Attendance of Directors in Board Meetings, Annual Stockholders' Meeting (ASM) and Board Committee Meetings

For FY (FY) 2013/2014, the Board had ten (10) meetings. All directors attended all meetings of the Board except for one (1) director was not able to attend one (1) meeting of the Board. All members of the Board except for one (1) director, attended the ASM held last 2 December 2013.

Attendance in the meetings of the Board Committees for FY 2013/2014 were as follows: (a) Nomination Committee-100% attendance; (b) Audit and Risk Management Committee-100% attendance; and (c).Compensation and Remuneration Committee- 100% attendance.

All present directors of the Company have been nominated for re-election as directors for this FY. The search and nomination of directors were conducted by the Nomination Committee (constituted on 2 December 2013) composed of the following: Messrs. Felipe U. Yap, Yuen Po Seng and Mr. Victor C. Say (Independent Director).

In accordance with SRC Rule 38 and Section 2, Article III of the Company's Amended By-laws, nomination for the independent directors were conducted by the Nomination Committee prior to the stockholders' meeting. The Nomination Committee prepares the Final List of Candidates which contain the information about all nominees for independent directors. Only such nominees whose names appear in the Final List of Candidates are eligible for election as independent directors. No other nomination shall be entertained after the Final List has been prepared or allowed on the floor during the annual stockholders' meeting. In case of failure of election for independent directors, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.

Atty. Ricardo J. Romulo and *Mr. Victor C. Say* were nominated as independent directors of the Company for this FY 2014-2015. Atty. Romulo and Mr. Say were nominated by a stockholder of the Company, Ms. Mina B. Infante, through nomination letters dated 2 October 2014. As verified, Mr. Say and Atty. Romulo are not related to Ms. Infante. The Company has not engaged the services of the law firm of Romulo Mabanta Buenaventura Sayoc & de Los Angeles for the last three years. Atty. Romulo and Mr. Say have accepted their nomination as independent directors of the Company.

(b) *Significant Employees*

The Company's entire work force is considered as significant employees. The entire work force is expected to work as a team to attain the Company's objectives.

(c) *Family Relationships*

There are no family relationships (up to fourth civil degree) either by consanguinity or affinity among the abovenamed directors and executive officers.

(d) *Involvement in Certain Legal Proceedings*

The abovementioned directors and executive officers have not been involved in any of the following events or legal proceedings that occurred during the past five years up to the date of filing of this proxy statement which are material to an evaluation of the ability and integrity of the said directors and executive officers:

i) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
ii) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
iii) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
iv) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

(e) *Certain Relationships and Related Transactions*

i) There has been no transaction during the last two years, or proposed transactions to which the Company was or is to be a party, in which any of the following persons had or is to have a direct or indirect material interest:

1) Any director or executive officer of the Company;
2) Any nominee for election as a director;
3) Any security holder named in Sections B (d) (1) and (2) above; and
4) Any member of the immediate family (including spouse, parents, children, siblings and in-laws) of any of the persons named in the immediately preceding subparagraphs (1) (2) and (3) hereof.

ii) The Company does not have a parent company as no one stockholder owns more than 50% of its shares. As per the Company's records, GAPI is the beneficial owner of 451,256,181 shares representing 19.06% of the outstanding capital stock of the Company. (At present, GAPI lodged its 451,256,180 POPI shares with the PCD.) GIC is the beneficial owner of 267,554,038 POPI shares, equivalent to 11.32% equity. (GIC lodged 17,554,037 of said POPI shares with DGSC while 1 share was assigned to its nominee, Mr. Yuen).

iii) The 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. As disclosed in Note 18 of the Notes to Consolidated Financial Statements, the Company and the related parties have common stockholders.

The Company has no relationship that enables the parties to negotiate terms of material transactions other than on an arm's length basis.

(2) *Disagreement with Registrant*

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the annual meeting of security holders because of a disagreement with the Company or any matter relating to the Company's operations, policies or practices.

Compensation of Directors and Executive Officers

(1) *Information as to aggregate compensation paid or accrued* during the last two fiscal years and the ensuing fiscal year to the Company's Chief Executive Officer and four other most highly compensated executive officers.

Summary Compensation Table
Annual Compensation

Name	Fiscal Year	Salary (in P000s)	Bonus (in P000s)	Other Annual Compensation (in (P000s)
Yuen Po Seng (President)	2012-2013 2013-2014 2014-2015	x x x		
Ronald P. Sugapong (SVP-Group Finance Officer)	2012-2013 2013-2014 2014-2015	x x x		
Daisy L. Parker (SVP-Chief Legal Counsel)	2012-2013 2013-2014 2014-2015	x x x		
Ma. Rhodora P. dela Cuesta (VP-Legal Dept.)	2012-2013 2013-2014 2014-2015	x x x		
Edwin M. Silang (AVP-Group HR)	2012-2013 2013-2014 2014-2015	x x x		
CEO and four most highly compensated Exec. Officers	2012-2013 2013-2014 *2014-2015 (projected)*	P 25,456.40 26,531.18 *29,184.30*	P 6,693.28 5,416.92 *5,958.62*	P 0.00 1,135.34 0.00
All officers and directors as a group unnamed	2012-2013 2013-2014 *2014-2015 (projected)*	P29,586.40 30,661.18 *33,314.30*	P 10,193.28 8,916.92 *9,458.62*	P 0.00 1,1,35.34 0.00

(2) *Compensation of Directors/Executive Officers*

Members of the Board of Directors are elected for a term of one year and serve until the election and acceptance of their qualified successors. They receive no compensation except reasonable director's fee (and/or bonus) as fixed by the Board of Directors at the end of the FY in accordance with the Company's By-laws.

The members of the Board who are executive officers of the Company are remunerated with a compensation package comprising of 13-month base pay. In addition, they may receive a performance bonus at yearend which the Board extends to the rest of the managerial, supervisory and rank and file employees.

(3) *Employment Contracts/Termination of Employment/Change-in Control Arrangements* –

The Executive Officers are regular employees of the Company and are remunerated with a compensation package (as mentioned in the foregoing paragraph) corresponding to their position/rank as provided in their respective standard engagement/employment contracts.

There are no special terms or compensatory plans or arrangements relative to the resignation, termination of employment of such executive officers. However, such executive officer may receive compensation if he qualifies under the terms and conditions of the Company's retirement benefit plan.

Further, the Company has no change-in-control arrangements with its executive officers.

(4) *Warrants and Options Outstanding*

The Company has no outstanding warrants and options.

Independent Public Accountants

Upon the recommendation/approval of the Audit Committee of the Company as provided in the Company's Revised Manual of Corporate Governance (Revised Manual) and in compliance with SRC Rule 68 (3)(b)(iv), *Sycip Gorres Velayo & Co.* (SGV) has been selected as external auditors of the Company for this FY as in the previous years. The Company's Audit Committee is composed of the following: (i) Atty. Ricardo J. Romulo (Independent director) as Chairman; (ii) Ronald P. Sugapong-Member; and Mr. Victor C. Say (Independent Director)-Member.

For FY 2013/2014 (and until 2015), the Partner-in-Charge assigned to handle the Company's account is *Ms. Alicia O. Lu*. This is in accordance with the policy to change the external auditor or rotate partner every five years as provided in the Company's Revised Manual. There has been no resignation, dismissal or change in the external auditors of the Company for the past three FYs. Neither was there any disagreement with auditors on matters relating to accounting principles or practices or financial disclosures for the same period.

The auditors are expected to be present during the annual stockholders' meeting of the Company. They are not expected to make a statement but may do so if they so desire. The auditors are ready to answer questions, if any, on the audited financial statements of the Company for the FY ended 30 June 2014.

C. OTHER MATTERS

Action with Respect to Reports

Minutes of Annual Stockholders' Meeting (ASM) dated 2 December 2013 will be submitted for approval of the stockholders. Among the matters included in said Minutes of ASM are the: (1) Approval of the Minutes of the Previous ASM dated 10 December 2012; (2) Approval of Annual Report (including the Audited Financial Statements for the FY Ended 30 June 2013); (3) Ratification of the Acts of the Board of Directors and Officers; (4) Election of Directors; and (5) Appointment of External Auditors.

Further, Management will also submit for ratification of the stockholders all corporate acts of management for FY 2013-2014 which include:

(1) Report on Results of Operations for the FY ended 30 June 2013;
(2) Approval of Audited Consolidated Financial Statements for the FY ended 30 June 2013;
(3) Consideration of Director's Fee and Board Committee Member's Fee;
(4) Nomination of Two Independent Directors;
(5) Setting the Date of Annual Stockholders' Meeting;
(6) Creation of Special Committee of Inspectors for Validation of Proxies;
(7) Appointment of Proxy for the Stockholders' Meetings of Subsidiaries;
(8) Approval of Quarterly Reports on Operations;
(9) Appointment of Proxies for Stockholders' Meetings of Subsidiaries;
(10) Consideration/Approval of Self-Assessment by the Audit Committee (for 2012-2013);
(11) Application of License with the Optical Media Board;
(12) Approval of 2013 Annual Report;
(13) Election of Officers, Compliance Officer and Board Committee Members under the Manual of Corporate Governance and the Compliance Officer under the Anti-Money Laundering Manual;
(14) Appointment of External Auditors;
(15) Approval of Quarterly Reports (SEC Form 17-Q);
(16) Designation of Bank Signatories;
(17) Approval of Proxy for the Stockholders' Meeting of Cyber Bay Corporation;
(18) Approval of PSE Corporate Governance Guidelines Survey for 2013;
(19) Appointment of Proxies for Special Stockholders' Meetings of FLT Prime Insurance Corporation (FPIC) and BIB Aurora Insurance Corporation;
(20) Shareholder's Advance to FPIC;
(21) Purchase of Ayala Fixed Rate Bonds; and
(22) Acquisition of Palawan Property by its Subsidiary, Orion Property Development, Inc..

Management will also submit for approval of the stockholders the Company's Audited Consolidated Financial Statements for the FY ended 30 June 2014.

Amendment of Articles of Incorporation

The Company shall submit for approval of its shareholders the proposed amendment of the Third Article of its Articles of Incorporation, to change the Company's address from "Metro Manila, Philippines" to "20th Floor LKG Tower, 6801 Ayala Avenue, Makati City, Philippines". Hence, the Third Article of the Company's Amended Articles of Incorporation shall be amended to read as follows:

> "THIRD: That the place where the principal office of the corporation is to be established or located is at the 20th Floor LKG Tower, 6801 Ayala Avenue, Makati City, Philippines; provided, that it may have such branch offices as the board of directors may determine."

The foregoing amendment is in compliance with Securities and Exchange Commission Memorandum Circular No. 6, Series of 2014 which directs companies whose articles of incorporation indicate a general address as principal office address such as a city, town or municipality or "Metro Manila", to file on or before 31 December 2014, an amended articles of incorporation in order to specify their complete addresses, such as to include the street name, street number, barangay, city or municipality, and if applicable, the name of building, number of room or unit.

Voting Procedures

(1) *the vote required for approval or election*

Provided there is a quorum which shall consist of a majority of the outstanding capital stock of the Company (represented in person or by proxy), a majority of such quorum shall decide any question that may come before the meeting, save and except in those several matters in which the laws of the Philippines require the affirmative vote of a greater proportion *(Section 4, Article II of the Company's By-laws)*. Hence, the vote of a majority of the quorum shall be required for approval of the minutes of the previous meeting, annual report and ratification of corporate acts.

For the election of directors, a majority of the outstanding capital stock of the Company is required to constitute a quorum. Provided there is a quorum, such candidates for the position of Director of the Company receiving the highest number of votes shall be declared elected *(Section 7, Article II of the Company's By-laws and Section 24 of the Corporation Code*). For the amendment of Article III of the Company's Articles of Incorporation, the vote of at least 2/3 of the outstanding capital stock of the Company is required (*Section 16 of the Corporation Code*).

(2) *the method by which votes will be counted*

Each shareholder may vote in person or by proxy the number of shares of stock standing in his name on the books of the Company. Each share represents one vote. During the meeting, voting for the approval/ratification of the matters to be presented during the meeting shall be by poll of votes. Counting of votes shall be supervised by the Corporate Secretary/Assistant Corporate Secretary and the stock transfer agent and external auditor of the Company.

Part II
Solicitation Information

The Proxy Form (attached to this Information Statement and Management Report) is being solicited on behalf of Prime Orion Philippines, Inc., in connection with its Annual Stockholders' Meeting to be held on **2 December 2014**. The soft copies of this Information Statement (with the Management Report and AFS) shall be in compact disc (CD) form and distributed to the Company's stockholders of record as of record date. The Notice/Agenda and Proxy Form shall be printed on paper and distributed together with the CDs containing the Information Statement. However, stockholders may request for hard copies of the Information Statement, and the Company shall provide the same free of charge.

The Proxy Form will be sent to the security holders for and on behalf of the Company. A stockholder who is unable to attend the said meeting may submit a duly accomplished proxy form attached to this Information Statement in order that his vote (on matters to be discussed during the meeting) will be counted. The Proxy Form must be signed, returned or filed with and received at the office of the Company not later than one week prior to the date of the meeting, in time for the validation of the proxies to be held not later than five (5) days before the meeting date. The validation of proxies has been set on 26 November 2014 at 2:00 p.m. at the office of the Company. The Special Committee of Inspectors (composed of the Company's Corporate Secretary and/or Asst. Corporate Secretary, representative of the external auditor and representative of the stock and transfer agent) shall decide on all matters pertaining to the proxies received by the Company.

In case the Proxy form is returned by the shareholder signed but without any other markings, the shares will be voted as recommended by the Board of Directors on all matters to be considered at the meeting.

Revocability of the Proxy

The shareholder may revoke the proxy issued by him at any time prior to its use by the party who is thereby authorized to exercise the same. The Company's By-Laws do not provide any formal procedure by which revocation shall be done. However, no proxy in favor of a third person who is not a *bona fide* registered shareholder of the Registrant, and no proxy bearing a signature which is not legally acknowledged, shall be recognized at any meeting unless such signature is known and recognized by the Secretary of the meeting.

Persons Making the Solicitation

(a) The solicitation of proxies is being undertaken by the Company (through the Corporate Secretary and her staff) in order to obtain the required quorum and the required vote to approve the subject matters to be taken up in the annual meeting. None of the directors has informed the Company of any intention to oppose the matters to be taken up in the annual meeting.

(b) In addition to ordinary mail, the Company in coordination with its stock and transfer agent, BDO, intends to utilize the courier service of *The Varied Services, Incorporated* (TVSI) (with office at Rm. 502 NFWCP Bldg., 962 J. Escoda cor. San Marcelino St., Manila), to undertake the delivery and/or mailing of the Information Statement (including the proxy form). Costs will be limited to the normal costs of such services.

(c) The cost of distributing this Information Statement and of soliciting the relevant proxies shall be borne by the Company. As per TVSI, the distribution of the Information Statement will be subject to a stuffing fee of P2.00/pc. plus delivery charges. The charges for delivery by messengerial service within Metro Manila (except Pateros, Valenzuela, part of Taguig and areas in Muntinlupa beyond Ayala Alabang and Alabang proper) is P20.00/pc. (stuffing fee and delivery charges are subject to 12% VAT). Courier service for Cavite area is about P90.00/pc. Delivery of mailers to the provinces (Luzon, Visayas. Mindanao) and outside the Philippines will be through the postal service. Mailing costs (via ordinary mail) will include TVSI's stuffing/handling fee of P9.00/pc. (plus 12% VAT) plus the postage fee for CDs as follows:

Area	Weight of Mailer (grams)	Postage Fee /pc.
Local (Provincial)	21-50	P 25.00
Asian countries	21-50	60.00
Middle East & Pacific	21-50	75.00
Europe/North America/USA	21-50	85.00

The Company, through the office of the Corporate Secretary, will follow-up on the proxies of the stockholders of the Company. For practicality, the Company will focus on the top 20 stockholders of the Company. There will be random follow-ups with other stockholders. Whenever possible, the Company (through its messengers) will directly pick up the duly accomplished proxy forms from the stockholders. In some cases, stockholders may initially fax the proxy form and have the same picked up by the Company; stockholders may also mail back the proxy form to the Company.

Interest of Certain Persons in Matters to be Acted Upon

Please refer to the information on pages 2-3 hereof.

Certain Relationships and Related Transactions

(1) There has been no transaction during the last two years, or proposed transactions to which the Company was or is to be a party, in which any of the following persons had or is to have a direct or indirect material interest or pertains to any arrangement for future employment by the Company or its affiliates:

a) Any director or executive officer of the Company;
b) Any nominee for election as a director;
c) Any security holder named in Sections B (d) (1) and (2) above; and
d) Any member of the immediate family (including spouse, parents, children, siblings and in-laws) of any of the persons named in the immediately preceding subparagraphs (1) (2) and (3) hereof.

(2) There are no arrangements or understanding with any party with respect to any of the matters to be acted upon during the meeting.

UNDERTAKING

THE MANAGEMENT OF THE COMPANY UNDERTAKES TO PROVIDE TO ITS STOCKHOLDERS OF RECORD AS OF RECORD DATE, UPON THEIR WRITTEN REQUEST, A COPY OF THE COMPANY'S ANNUAL REPORT OR SEC FORM 17-A FREE OF CHARGE. COPIES OF THE EXHIBITS AND ATTACHMENTS THERETO MAY ALSO BE PROVIDED SUBJECT TO THE PAYMENT OF REASONABLE CHARGES TO COVER PRODUCTION COSTS. ALL WRITTEN REQUESTS FOR COPIES OF THE ANNUAL REPORT AND EXHIBITS MAY BE ADDRESSED TO THE COMPANY'S CORPORATE SECRETARY, ATTY. DAISY L. PARKER, AT 20/F LKG TOWER, 6801 AYALA AVENUE, MAKATI CITY.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 30 October 2014.

PRIME ORION PHILIPPINES, INC.
By:

DAISY L. PARKER
Corporate Secretary

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Annex A

PRIME ORION PHILIPPINES, INC.

Management Report
FY 2013/2014

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

Incorporated in 1989, **Prime Orion Philippines, Inc.** (POPI/Company/Issuer), originally registered as *Philippine Orion Properties, Inc*., was incorporated as an investment holding company. The merger of the Company with First Lepanto Corporation (FLC) paved the way for the entry of the Guoco Group of Hong Kong [through its affiliate, Guoco Assets (Philippines), Inc. (GAPI)] as principal shareholder of the Company. Consequently, in 1994, the Company was renamed *Guoco Holdings (Philippines), Inc*. (GHPI). (Guoco Group is a regional conglomerate with operations in Singapore, Malaysia, Indonesia, Hong Kong and the United Kingdom, engaged in the businesses of real estate, manufacturing and financial services).

To enable GHPI to better position itself in the Philippines and capitalize on the local conditions existing at that time, GAPI and GHPI mutually agreed to terminate their Management Contract on 2 October 2001. Consequently, on 4 January 2002, GHPI changed its name to *Prime Orion Philippines, Inc*..

POPI, at present, has interests in real estate and property development, manufacturing and retailing/distribution, non-life insurance and other allied services organized under the following intermediate holding companies:

(i) Orion Land Inc., organized in 1996, with authority to purchase, own, hold, lease and dispose of real properties;
(ii) Orion I Holdings Philippines, Inc., organized in 1993, with authority to engage in the manufacture, importing, selling and dealing in wholesale of various products, electronic equipment and materials/supplies used for the manufacture of said products; and
(iii) OE Holdings, Inc., organized in 1993, with authority to engage in investment holding activities.

Business of Issuer

(i) Principal Products and Services

The principal products and services of POPI's holding and operating companies as of 30 September 2014 are as follows:

Orion Land Inc. (OLI)

- Tutuban Properties, Inc. (TPI), a wholly-owned subsidiary, organized in 1990, holds the lease and development rights over a 22-hectare market district in downtown Divisoria, the country's oldest and biggest trading district. On the property sits the Tutuban Center, an integrated wholesale and retail complex recognized as the premier shopper's bargain district in the Philippines. On 22 December 2009, TPI renewed its Contract of Lease with the Philippine National Railways (PNR) for another 25 years (5 September 2014 to 2039).

  In November 2012, TPI completed the Orion Hotel, a 41-room hotel, located at the third floor of TPI's Prime Block Building.

- TPI Holdings Corporation (THC), organized in 2005 as a wholly-owned subsidiary of TPI, holds the titles to certain parcels of land in Calamba, Laguna.

- Orion Property Development, Inc. (OPDI), another wholly-owned subsidiary, organized in 1993, handles property acquisition and horizontal development. Its landholdings include: (i) a 33-hectare property in Sto. Tomas, Batangas (about 18 hectares of which have been sold and pending completion/transfer to a third party buyer); (ii) 31-hectare raw land in Kay-Anlog, Laguna; (iii) about 16 residential lots in The Homelands Subdivision in Calamba, Laguna, with a total area of about 2,522 sqm and ridge area, with an area of 21,148 sqm.; (iv) Trellis Pocket Centre, a 747-sqm. commercial project located along National Highway, Calamba; (v) additional 7,418 sqm. property known as the MARFA area at the back of The Homelands, intended to be developed and marketed as the premier section of The Homelands Subdivision; (vi) 639-sqm. property in J.P. Rizal, Makati City, to be developed as a commercial/residential condominium; and (vii) 58,800 sqm. property in San Vicente, Palawan.

  Effective 1 July 2013, OMI Land Title Services Division (OMI Titling) of Orion Maxis Inc. (OMI) was transferred to

OPDI. OMI Titling offers land titling services (such as title transfer, reconstitution of lost title, land verification and survey, real property tax assessment and payment, etc.)

Orion I Holdings Philippines, Inc. (OIHPI)

- Lepanto Ceramics, Inc. (LCI), a wholly-owned subsidiary, is engaged in the manufacture of ceramic floor and wall tiles under the brand name Lepanto. However, LCI has temporarily ceased tile production in mid-November 2012. LCI is currently working on its business plan. In the interim period, LCI is leasing its warehouses.

OE Holdings, Inc. (OEHI)

OMI, a wholly-owned subsidiary of OEHI, is engaged in the business of establishing, developing and providing management and logistical infrastructure service and market incentive systems solutions, and other allied businesses and services. Appointed as the sales and marketing arm of LCI in 2008, OMI handles the distribution of Lepanto tiles. Incorporated in 2000 (*as 22ban.com)*, OMI was intended to initially operate as an on-line shopping website that offers a wide variety of gifts and other items for all occasions. In September 2004, OMI amended its primary purpose to its present purpose.

In 2014, OMI was appointed as exclusive distributor of San Marco Paints, a leading decorative paint brand from Italy that offers creative and reasonably-priced paint solutions for finishing walls and ceilings, as well as exterior and interior basic paints for all types of construction projects.

Other subsidiaries/affiliates of POPI include:

- *FLT Prime Insurance Corporation (FPIC)*

  FPIC, a 72.4%-owned subsidiary of POPI, was incorporated in 1977, and operates as a non-life insurance company. It offers wide range of insurance products/lines such as fire, marine cargo, motor car, bonds, accident & health, miscellaneous casualty, engineering and business care.

- *Orion Solutions, Inc. (OSI)*

  OSI, a 100%-owned subsidiary, is engaged in the business of providing business software solutions and management/information technology (IT) consultancy services to individuals and corporations. (Originally organized in 1994 as an investment holding company, the company amended its purpose in 2002 to providing management, technical and financial consultancy services. It again amended its purpose in 2005 to engage in business as a software solutions/IT consultancy services firm.) OSI is the IT subsidiary of the POPI Group and is an authorized Reseller in the Philippines of the Enterprise Retail Planning Software Solution, Epicor 9, which is focused on sales and distribution for wholesale and retail, finance and discrete manufacturing.

- *BIB Aurora Insurance Brokers, Inc. (BAIBI)*

  BAIBI, organized in 1960, a 20%-owned affiliate, is in the business of insurance brokering. Due to poor market conditions, BAIBI suspended its operations in 2002.

Based on the Company's Consolidated Statement of Income (Loss) for the past year, the contribution of the above subsidiaries (on a per type of business basis) to the Company's consolidated net income are as follows:

Parent Co. (holding co.)	-	-9.6%
Real estate & property development	-	158.6
Financial Services	-	-7.6
Manufacturing	-	-36.5
Others	-	-5.0

Total Income	-	100.00%
		======

(ii) <u>Percentage of Sales Contributed by Foreign Sales</u>

The target market for products of the Company and its subsidiaries is the domestic market.

(iii) <u>Distribution Methods</u>

Selling of real estate by OPDI is made either through: (i) direct selling to individual or corporate buyers, or (ii) brokers. LCI's remaining inventory of Lepanto tiles are distributed and sold through the factory outlets at the LCI plant and Tutuban Center. Insurance products of FPIC are sold through direct selling or marketing by FPIC's individual/ corporate agents, branches, brokers and partners.

OMI Titling promotes its land titling services by joining trade fairs, direct advertising through flyers/brochures and service agreements with banks and land developers.

OMI promotes and sells San Marco Paints through direct selling to, and/or tie-ups with, architects, contractors and developers.

(iv) <u>New Products or Services</u>

FPIC continues to develop new insurance products for its retail market/clients.

(v) <u>Competition</u>

The Company competes with other investment holding companies in the Philippines in terms of investment prospects.

The Company's core businesses continue to compete in their respective industries. However, competition is kept basically on a domestic level. The Company's core businesses are as follows:

1. LCI competes in the ceramic tile manufacturing market. With the suspension of tile production in 2012, LCI sells only its remaining inventories. With the temporary shift of LCI into leasing of its warehouses, LCI faces competition from other lessors of warehouses.

2. TPI operates the Tutuban Center in Manila, known as the premier bargain center in the country. Its competitors include other mall operators/lessors in the Divisoria area and within Metro Manila. TPI's Night Market and Food Street operations continue to draw customer traffic. TPI capitalizes on aggressive tri-media advertising and promotional campaigns to enhance customer awareness about Tutuban Center. However, on 4 September 2012, fire gutted the then newly-renovated Cluster Building (CB) 1 and part of CB 2. On 5 October 2012, TPI secured a property recovery and clearing permit for CB 1 and CB 2.

   On 5 September 2013, the Department of Public Works and Highways (DPWH) issued a Decision dated 23 August 2013 for the demolition of CB 1 as the damaged building poses danger to the public. However, the DPWH issued a Cease and Desist Order (CDO) dated 19 September 2014 directing TPI to desist from demolishing CB 1 pending resolution of the Motions for Reconsideration filed by certain tenants of CB 1, and additional test/s to be conducted by DPWH.

   On 21 February 2014, the DPWH issued its Order Lifting the CDO and directed the Office of the Building Official of Manila (OBO) to act with dispatch to continue to implement the Demolition Order dated 5 September 2013. Certain CB 1 tenants filed Notice of Appeal and Motion to Stay Execution dated 26 February 2014 with the Office of the President (OP).

   OBO then issued a letter dated 21 March 2014 ordering TPI to temporarily stop and/or suspend the on-going demolition.

   The OP issued a Decision dated 14 July 2014 which dismissed the appeal of the tenants and affirmed the Decision dated 23 August 2013 and Order dated 19 February 2014 (Lifting the CDO Order dated 19 September 2013) of the DPWH directing the demolition of CB 1.

   Demolition of CB 1 has resumed and is on going.

   With the refurbishment and re-energization of CB 2, CB 2 has been made available for lease. TPI's Centermall, Prime Block, Bonifacio Plaza, Robinson's Supermarket and Department Store, Food Street and Night Market continue their normal business operations. In November 2012, TPI completed its 41-room Orion Hotel located at the third floor of Prime Block Building. The Orion Hotel, a businessman hotel, caters to traders and shoppers of Tutuban Center.

3. FPIC competes with other non-life insurance companies. Aside from its head office in Makati, FPIC maintains branches in Metro Manila, specifically, in Caloocan and Alabang, and key cities in the provinces of Cebu, Bacolod, Dagupan and Davao, to expand its customer base and improve its market share. To remain competitive, FPIC continues to develop diverse and customized products which cater to the unique needs of its target market-

the retail market, and to improve its existing products and services to its customers. There was also increased focus on lines with high premium retention such as motor car, personal accident and residential accounts.

4. OMI competes with distributors of other paint distributors and importers.

5. OPDI faces competition with other land developers; while OMI Titling competes with other land title management service providers.

(vi) Purchases of Raw Materials and Supplies

The Company's raw materials and supplies are purchased on a competitive basis from many different sources and are readily available.

(vii) Customers

POPI has a broad market base for its numerous product lines and is not dependent on a single customer or group of customers.

For its real estate and property development operations, POPI's potential customers include middle to high-income home buyers as well as real estate investors and developers.

LCI's ceramic tile products cater to the construction industry (including the renovation market) and its variety of products appeal to medium-end and low-end consumers. However, LCI has stopped the production of Lepanto tiles in November 2012.

For its financial services, FPIC has non-life insurance products which cater to a variety of customers, individuals and corporations.

The target market of OMI's San Marco paints includes architects, developers and contractors as well as institutional end users of paints.

(viii) Transactions with and/or Dependence on Related Parties

The Company has limited transactions and/or dependence on its shareholders and/or related parties in view of existing laws on disclosure and/or requirement for prior approval of appropriate government agencies.

(ix) Franchise

The Company's products are not covered by any franchise.

(x) Government Approvals for Principal Services

The following subsidiary/affiliates of the Company have been granted the necessary government approvals for their operations:

On 29 August 1980, BAIBI, a 20%-owned affiliate, was granted a license by the Insurance Commission (IC) to operate as an insurance broker. BAIBI's broking license has not been renewed as it has not resumed operations.

On 9 March 1977, FPIC, a 70%-owned subsidiary, was also granted a license by the IC to operate as a non-life insurance company, which license is renewed annually. The IC has extended the license of FPIC to until 31 December 2015.

(xi) Effect of Existing or Probable Governmental Regulations

Governmental regulations expected to materially affect the operations or business of POPI and certain of its subsidiaries are as follows:

a) On FPIC

Under Republic Act No. 10607 (An Act Strengthening the Insurance and Further Amending Presidential Decree No. 612, otherwise known as "Insurance Code") which took effect on 20 September 2013, existing domestic non-life insurance companies are required to have a net worth of P250 million by 30 June 2013., which will be increased every three years as follows: P550 million by end of 2016, P900 million by end of 2019 and P1.3 billion by end of 2022. The increase in net worth will coincide with the issuance of the Certificate of Authority or license of the insurance company which shall be renewable every three (3) years. At present, FPIC has complied with the P250 million paid-up capital requirement through the issuance of common and preferred shares of stock. FPIC will have to increase its net worth to P550 million by end of 2016.

b) On TPI

Government approval on the proposed increase in the prices of electricity and water will have a material adverse effect on the operations of TPI as it will directly increase utilities and overhead expenses (including Common Usage Service Area expenses).

(xii) Research and Development Activities

There are no research and development activities undertaken by the Company or its other subsidiaries at present.

(xiii) Costs and Effects of Compliance with Environmental Laws

Operations may be affected in the coming years with the implementation of R.A. 8747 and other environmental laws. Compliance with such environmental laws may entail additional investments and/or upgrades in facilities of TPI.

(xiv) Employees

As of 30 June 2014, the employees of POPI are as follows:

Executives	-	7
Managers	-	7
Supervisors*	-	13
Rank & File	-	15

Total		42

*performs various clerical and administrative functions

The said employees have been seconded by POPI to its subsidiaries. Depending on its requirements and that of its subsidiaries, POPI may hire additional employees for the ensuing fiscal year.

The Company has no workers' unions and is not bound under any Collective Bargaining Agreement (CBA); neither are any of its employees involved in any strike or threatening to stage a strike against the Company.

However, the Company's subsidiaries namely, FPIC and LCI, have workers' unions which have existing CBAs. LCI's CBA was signed last 21 October 2009; re-negotiation of the economic terms of the CBA began in October 2012 but was put on hold with the approval of LCI's Rehabilitation Plan. FPIC's CBA was re-negotiated and a Supplement/Amendment to the CBA (the "Supplement/Amendment") was signed on 23 July 2013. The Certificate of Registration of the Supplement/Amendment with the Department of Labor and Employment–National Capital Region was issued on 12 August 2013. Renewal of FPIC's CBA is set in April 2015.

Item 2. Properties

The operations of the Company and most of its subsidiaries are conducted at the 20/F LKG Tower, 6801 Ayala Avenue, Makati City. The Company and its subsidiaries (TPI, OSI and OMI) lease an office (with a total area of 557.04 sqm.) at the rate of P785.00 per sqm. (subject to annual escalation of 7.5%); the lease was recently renewed for another three (3) years or until 14 April 2016, renewable under such terms acceptable to the parties.

LCI's office and plant sit on a 14.28-hectare property in Calamba, Laguna. TPI holds office at the 2nd Floor of Centermall Building of Tutuban Center at C.M. Recto Ave., Manila. FPIC's Head Office leases the 16th floor of Pearlbank Centre located at 146 Valero St., Salcedo Village, Makati City, while its branches lease office spaces in Alabang, Davao City, Bacolod, Dagupan, Caloocan and Cebu.

Other properties of the Company and its subsidiaries include: (i) a 232.98 sqm. condominium unit at Eurovilla III at Valero St., Makati City, which is presently used as the residence of one of the Company's officers; (ii) Tutuban Center (comprised of Prime Block Mall, Cluster Buildings 1 and 2, Centermall I and II, Robinsons' Supermarket and Department Store building and Parking Tower) with a total area of about 165,000 square meters. However, on 4 September 2012, fire gutted CB 1. At present, the demolition of CB 1 is on going. In November 2012, TPI completed its a 41-room businessman hotel, the *Orion Hotel,* located at the third floor of Prime Block Building. The Tutuban Center sits on about 8.5 hectares (has.) (out of about 20 has. Of real property owned by the PNR and covered by the lease of TPI). The said lease was renewed last 22 December 2009 for another 25 years (5 September 2014 to 4 September 2039). The Renewal of Contract of Lease (starting 2014) provides for an expanded leased area (land use), which would include: (a) Phase I- existing 8.5 has.; (b) Phase IIA- approximately 5.8 has. (for land use); and (c) Phase IIB- approximately 5.8 has. (air rights). At present, PNR has turned over only 4,903 sqm. of Phase IIA; (iii) a 1.07 hectare lot in Mandaue City; and (iv) a 49.85 sqm. condominium unit at Makati Prime Tower (subject to notice of *lis pendens* registered by the property owner, Prime Tower Property Group, Inc., in connection with its case against its contractor, Titan-Ikeda Construction and Development Corporation).

OPDI, which handles property acquisition and horizontal development, has the following properties/projects (as of 30 September 2014): (a) a 33-hectare property in Sto. Tomas, Batangas (about 18 hectares of which have been sold and pending completion/transfer to a third party buyer); (b) 31-hectare raw land in Kay-Anlog, Laguna (; (c) about 16 residential lots in The Homelands Subdivision in Calamba, Laguna, with a total area of about 2,522 sqm. and ridge area, with an area of 21,148 sqm.; (d) Trellis Pocket Centre, a 747-sqm. commercial project located along National Highway, Calamba; (e) additional 7,418 sqm. property known as the MARFA area at the back of The Homelands, intended to be developed and marketed as the premier section of The Homelands Subdivision; (f) 639-sqm. property in J.P. Rizal, Makati City, to be developed as a commercial/residential condominium; and (g) a 58,800 sqm. property in San Vicente, Palawan.

Item 3. Legal Proceedings

(1) *Legal Proceedings*

a. "*Lavine Loungewear vs. First Lepanto-Taisho Insurance Corp. (now FPIC), et. al.*"
Civil Case No. 68287
G.R. No. 197219 / CA GR CV No. 90499

A complaint for sum of money (representing insurance proceeds) with issuance of Temporary Restraining Order (TRO) and Injunction was filed on 24 January 2001 with the Pasig Regional Trial Court (RTC)-Branch 71, against the Company's subsidiary, FPIC, by its insured, Lavine Loungewear Mfg. Inc. (Lavine). Prior to the filing of the suit, there was an intra-corporate dispute between two groups of stockholders of Lavine, each group claiming to be the owner of Lavine and therefore entitled to receive the insurance proceeds. Since FPIC could not determine which group of Lavine stockholders to pay, FPIC only made partial payment on the claim.

On 2 April 2001, the RTC rendered a Decision finding FPIC liable to pay Lavine the amount of P18,250,000 with 29% interest per annum from October 1998 until full payment. A Special Order for Execution Pending Appeal was also issued by the Court. As a result, certain assets of FPIC were garnished/attached. FPIC then filed a Petition with prayers for TRO and Injunction with the Court of Appeals (CA)-10th Division, which reliefs were granted.

On 29 May 2003, the CA-10th Division, in its Consolidated Decision, ruled as follows: (1) setting aside the RTC Decision dated 2 April 2001; (2) declaring null and void the Special Order dated 17 May 2002 and the Writ of Execution dated 20 May 2002; (3) remanding the case to the lower court for pre-trial conference on the Second Amended Answer-in-Intervention; and (4) payment of proceeds to Lavine (if adjudged entitled to said proceeds) be withheld until a decision on the rightful members of the Board of Directors of Lavine is issued by the intra-corporate court. The Intervenors (a party to the intra-corporate dispute) filed a Motion for Reconsideration (MR) with the CA-10th Division, to which FPIC filed its Opposition dated 15 July 2003 together with a Motion for Immediate Lifting of Garnishment.

On 20 April 2004, the CA resolved to lift the order of levy and notices of garnishment on the real and personal properties and bank deposits of FPIC which were made pursuant to the Special Order dated 17 May 2002 and Writ of Execution dated 20 May 2003 which were declared null and void by the CA.

A Petition for Review (PR) was filed by Intervenors with the Supreme Court (SC) to set aside the CA Decision of 29 May 2003. The SC, in its Decision dated 25 August 2005, affirmed the CA Decision dated 29 May 2003. Said SC Decision became final and executory.

Separately, FPIC filed an appeal with the CA of the RTC Decision dated 2 April 2001. The records of the case have been forwarded to the CA on 28 January 2008. On 12 September 2008, FPIC received a Notice from the CA directing FPIC to file its appellant's brief within 45 days from receipt of the notice. FPIC filed its Appellant's Brief with the CA on 6 November 2008. Intervenor-appellees Harish Ramnani, et.al filed an Amended Motion to Dismiss (MTD) Appeal of Defendant Equitable PCI-Bank dated 14 November 2008. Intervenor-Appellees filed its Consolidated Brief dated 8 January 2009 to which FPIC filed its Appellant's Reply Brief dated 11 February 2009.

Meanwhile, on 6 January 2009, Villaraza Cruz Marcelo & Angangco (VCMA) filed its Entry of Appearance as counsel for appellant Banco de Oro Unibank, Inc. (BDO) (formerly Equitable PCI Bank) and filed an Opposition to the Amended MTD filed by Intervenor-appellees.

The CA, in its Resolution dated 8 May 2009, resolved as follows: (i) the MTD filed by Intervenor-appellees was denied; (ii) entry of appearance of counsel for BDO was noted; (iii) Appellee's Brief filed by Lavine on 10 February 2009 (which was one day late) was admitted in the interest of justice; (iv) Reply Brief of defendant appellants Rizal Surety and Insurance Co., Tabacalera Insurance Co. and FPIC (which was filed late) were admitted; (v) BDO given an inextendible period of 45 days from notice within which to file appellant's brief; and (vi) plaintiff-appellee's Consolidated Brief was admitted without prejudice to filing of an appellee's brief in response to appellant BDO.

BDO filed its Appellant's Brief to which intervenor-appellees filed their Appellee's Brief. BDO in turn filed a Reply Brief.

The CA issued a Decision dated 30 September 2010 which affirmed the RTC Decision dated 2 April 2001 in all respects except that it exempted BDO from paying 10% of the actual damages due and demandable as and by way of attorney's fees. Briefly, the Decision ruled relative to FPIC that:

(a) Intervention (by intervenors) was done and allowed so that the real representatives of party-plaintiff could sue on behalf of the latter;
(b) FPIC is liable for P18,250,000.00 because the insurance proceeds totaled P169,300,000.00 with interest per lead adjuster's valuation;
(c) FPIC must pay interest as it did not file an interpleader and consignation suit for this purpose;
(d) FPIC liable to pay 29% interest (i.e., twice the interest ceiling of 14.5%) as provided under Section 243 of the Insurance Code of 1978; and
(e) FPIC is liable for attorney's fees as it compelled plaintiff-appellee, through intervenors, to file the instant suit to collect money due from it.

On 5 November 2010, FPIC filed an MR of the CA Decision dated 30 September 2010. The CA issued a Resolution dated 9 June 2011 which affirmed the 30 September 2010 CA Decision subject to the following modifications:

1. Phil Fire is liable to plaintiff-appellee through intervenors for the sum of P8,628,278.57 with 6% interest per annum (p.a.) from 26 November 2001 and
   12% p.a. from finality of the resolution until full paid;
2. Rizal Surety is liable for P10,616,608.10 with 6% interest p.a. from 26 November 2001 and 12% p.a. from finality of the resolution until fully paid;
3. FPIC is liable for the sum of P10,145,760.11 with 6% interest p.a. from 26 November 2001 and 12% p.a. from finality of resolution until fully paid;
4. Tabacalera Insurance is liable for the sum of P11,189,530.22 with 6% interest p.a. from 26 November 2001 and 12% from finality of resolution until fully paid;
5. Award of 10% attorney's fees is deleted;
6. BDO's MR on the issue of overpayment is remanded to the trial court for computation;
7. The loan mortgage annotations on TCT Nos. 2390684, CCT Nos. PT-1787185, PT-1787286 and PT-1787387 are declared valid and subsisting until the obligations secured thereby shall have been completely discharged based on the trial court's final computation; and
8. Amounts due to Lavine, through intervenors-crossclaimants-appellees, are subject to priority satisfaction of its remaining obligation to BDO, if any subsists based on trial court's final computation as directed, and payment of docket fees corresponding to intervenors-crossclaimants-appellees' money claims as prayed for in their Second Amended Answer–in-Intervention with Counterclaim dated 15 October 2001. Should the trial court's final computation as required yield an overpayment, the same should be reimbursed to Lavine, through intervenor-crossclaimants-appellees.

Intervenors-Crossclaimants-Appellees filed a Motion for Partial Reconsideration (MPR) of the CA Resolution dated 9 June 2011. The CA in its Resolution dated 5 September 2011 denied the MPR for lack of merit. The Motion for Extension of Time to File Petition for Review on Certiorari filed by Phil Fire, and the Appeal by Certiorari filed by plaintiff-appellee Lavine filed before the SC were duly noted.

On 30 June 2011, FPIC filed a Motion for Extension of Time to File PR (under Rule 45 of the Rules of Court) of the CA Decision and CA Resolution with the SC. FPIC filed its PR on Certiorari with the SC on 29 July 2011.

The SC issued a Resolution dated 1 February 2012 which resolved to:

(1) note the withdrawal of appearance of Atty. Arturo S. Santos as counsel for intervenors-crossclaimants respondents Jose F. Manacop, et.al., with conformity;
(2) note the entry of appearance of Atty. Ronaldo M. Caringal of Rivera Santos and Maranan, Unit 2902-D West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, as counsel for intervenors-crossclaimants-respondents Jose F. Manacop, et.al., with conformity, requesting that henceforth, all notices, orders and other papers relative to this case be forwarded to them at said address;
(3) grant the motion by respondent BDO for extension of ten (10) days from 7 November 2011 within which to file a comment (re: appeal by certiorari dated 30 June 2011);
(4) note the comment of respondent FPIC re: petitioner's appeal by certiorari dated 30 June 2011;
(5) to require petitioner to file a Reply thereto within ten (10) days from notice hereof;
(6) grant the motion of respondent FPIC to consolidate G.R. No. 197227 with G.R. Nos. 1977219, 197244 and 198481;
(7) grant the respondents motion for extension of twenty (20) days from 18 November 2011 within which to file a comment on the PR;
(8) grant the second and third motion of respondent BDO for extension totaling twenty five days from 17 November 2011 within which to file comment (re: appeal by certiorari dated 30 June 2011);
(9) note the omnibus motion of respondent Phil Fire to be furnished with a copy of the petition for consolidation;
(10) note the comment of counsel for petitioner Lavine on the omnibus motion, stating that it has personally served a copy of the petition upon counsel for respondent Phil Fire at the address provided in the said omnibus motion, with attachments;
(11) note the comment of respondent Phil Fire on Lavine's petition for review on certiorari with prayer for the issuance of temporary restraining order;
(12) require petitioner to file a Reply thereto within ten (10) days from notice hereof;
(13) note the comment of counsel for respondent Rizal Surety on the petition for review on certiorari;
(14) require petitioner to file a Reply thereto within ten (10) days from notice hereof;
(15) note and consider as satisfactory the petitioner's compliance with the Resolution dated 8 August 2011 which required petitioner to submit a proper verification of the petition.

On 6 March 2013, petitioners Ashok C. Ramnani and Rolando M. Vaswani representing Lavine, filed a Supplement which prayed among others, for:

a) annulling of the portion of the assailed CA Decision dated 30 September 2010 and Resolution dated 9 June 2011 insofar as it awarded monetary judgment in favor of intervenors;
b) directing the RTC Pasig –Branch 158 to proceed with the trial of Civil Case no. 00-1554 and SEC Case No. 06-79 until finality to determine the legitimate representation of Lavine;
c) confirming overpayment made by Lavine in favor of Equitable-PCI Bank (BDO) and affirming the remand of the case for purposes of computing the amount overpaid to said Bank;
d) directing that any and all amounts determined after the computation, to be consigned to the lower court for safekeeping until and after the cases pending before Pasig RTC Br. 158 has been decided with finality; and
e) issuing a writ of preliminary injunction to restrain the execution of the CA Decision and Resolution.

Petitioner Lavine and Chandru Ramnani filed a Manifestation with Motion (to Supplement Appeal by Certiorari) dated 11 September 2013. An Additional Supplement (Appeal by Certiorari) dated 26 September 2013 was filed by petitioners Ashok C. Ramnani and Rolando M. Vaswani representing Lavine.

b. *"Chevron Philippines, Inc. (formerly Caltex) vs. FPIC, et.al."*
Civil Case Nos. 02-856 [Makati RTC- Br. 62]/ CA G.R. CV No. 94985
02-858 [Makati RTC-Br. 61]/CA G.R. CV No. 92226/G.R. No. 198039

Chevron Philippines, Inc. (Chevron) filed three civil cases against FPIC for recovery of sum of money pursuant to the terms and conditions of the surety bonds issued by FPIC to secure each of the obligations of Peakstar Oil Corporation (Peakstar), Fumitechniks Corp. of the Philippines (Fumitechniks) and R.S. Cipriano Enterprises (Cipriano) to Chevron. In all these cases, FPIC cited as its defense that in the absence of written principal agreements (between Chevron and the three abovenamed obligors), the surety bonds (issued by FPIC), which are mere accessory contracts, could not have come into being or are void.

(i) *Cipriano Account* (Civil Case No. 02-858)

Status: Case Dismissed

A case against FPIC for recovery of sum of money in the amount of P10 million was filed by Chevron with Makati RTC-Branch 61. FPIC filed its Motion to Strike Out Evidence on the grounds that they were in violation of the Parol Evidence Rule, irrelevant and immaterial and unenforceable under the Statute of Frauds, which was denied by the court. FPIC then filed an MR of the Order denying FPIC's Motion to Strike Out Evidence which has been submitted for resolution. After FPIC's presentation of evidence, the case was submitted for decision.

On 8 August 2008, the RTC issued a Decision in favor of Chevron. FPIC filed a Notice of Appeal to the CA. FPIC filed its Defendant-Appellant's Brief with the CA on 10 July 2009. Chevron filed its Appellee's Brief, to which FPIC filed a Reply Brief.

On 4 May 2011, the CA issued its Decision which reversed the RTC Decision dated 8 August 2008 and dismissed the complaint a quo for lack of merit. Chevron filed an MPR dated 26 May 2011 for the reversal of the 4 May 2011 Decision. The CA, in its Resolution dated 3 August 2011, denied Chevron's MPR. Chevron filed PR dated 22 September 2011 with the SC. FPIC filed Respondent's Comment dated 16 January 2012 to Chevron's PR.

FPIC filed a Manifestation and Submission dated 31 January 2012 informing the Honorable Court about the SC (First Division) Decision in the case entitled "*First Lepanto Taisho Insurance Corporation vs. Chevron Philippines, Inc."* (GR No. 177839) involving the same parties as the instant case and submitting that the decision dismissing the case filed by Chevron, although the decision is not yet final, the conclusion in said case should be applied in this case.

The SC in a Resolution dated 27 February 2012 resolved to:

(1) Note FPIC's comment on the PR and the Manifestation and Submission dated 31 January 2012; and
(2) Require petitioner chevron to comment on the Manifestation and Submission within ten (10) days from notice.

FPIC filed with the SC a Second Manifestation and Submission dated 28 May 2012. Chevron filed its Comment to FPIC's Manifestation and Submission dated 26 June 2012, to which FPIC filed its Reply dated 26 June 2012.

On 9 July 2012, FPIC filed a Third Manifestation and Submission and Reply to Petitioner's Comment dated 26 June 2012 and reiterated its prayer that the Decision in the Fumitechniks case which has become final and executory and has been recorded in the Book of Entries of Judgments on 4 May 2012, be applied in this case and that the complaint filed against FPIC be dismissed.

On 15 August 2012, the SC issued a Resolution that resolved to:

(1) Note:
    (a) FPIC's Second Manifestation and Submission dated 28 May 2012;
    (b) Chevron's Comment dated 26 June 2012 on FPIC's Manifestation and Submission; and
    (c) FPIC's Third Manifestation and Submission dated 4 July 2012 which included a copy of the Entry of Judgment dated 13 June 2012 in G.R. No. 177839 and a Reply to Chevron's Comment dated 26 June 2012; and
(2) Require Chevron to file:
    (a) Consolidated Comment to FPIC's Second and Third Manifestation within ten (10) days from notice; and
    (b) Reply to FPIC's Comment dated 16 January 2012 within ten (10) days from notice.

Chevron filed its Consolidated Comment dated 5 November 2012 and a Manifestation and Submission dated 15 November 2012. FPIC filed its Reply (re: Petitioner Chevron's Consolidated Comment) and Counter-Manifestation/Comment (re: Petitioner Chevron's Manifestation and Submission) dated 27 November 2012.

The SC issued a Resolution dated 6 February 2013 which (1) Noted respondent FPIC's Reply and Counter-Manifestation/Comment; and (2) Awaits Petitioner Chevron's reply to the Comment on the PR on certiorari.

In a Resolution dated 13 March 2013, the SC resolved to Note and accept FPIC's Manifestation dated 22 January 2013 that it has file its (1) Reply (re: Petitioner's Consolidated Comment); and (2) Counter-Manifestation/ Comment (re: Petitioner's Manifestation and Submission dated 15 November 2012) in compliance with the Resolution dated 12 November 2012. The SC further resolved to require Atty. Platon (Chevron's counsel) to (a) show cause why he should not be disciplinarily dealt with or held in

contempt for failure to file a reply to respondent FPIC's Comment on the PR on certiorari; and (b) comply with the Resolution dated 15 August 2012 by submitting the required reply within ten (10) days from notice hereof.

Petitioner Chevron filed its Compliance with Explanation and with Offer of Sincere and Utmost Apologies to the Honorable Court (re: Resolution dated 13 March 2013) and Reply (to Respondent's Comment), both dated 8 May 2013. SC issued a Resolution dated 9 October 2013 which resolved to Deny the petition for failure to show any reversible error in the challenged decision and resolution as to warrant the exercise of the Court's discretionary appellate jurisdiction.

Chevron filed an MR of the Resolution dated 10/9/13 which denied the PR on Certiorari. FPIC filed its opposition to the MR.

The SC issued a Resolution dated 10 February 2014 denying Chevron's MR (of the Resolution dated 10/9/13 which dismissed Chevron's PR), with finality as no substantial arguments were raised to warrant its reconsideration.

The following case remains pending:

(ii) *Peakstar Account* (Civil Case No. 02-856)- Chevron filed a claim against FPIC for the recovery of the sum of P26,257,712.58 before Makati RTC-Branch 62. FPIC filed a Motion to Strike Out Testimony and Evidence of Chevron's witnesses on grounds that they were in violation of the Parol Evidence Rule, irrelevant and immaterial and unenforceable under the Statute of Frauds. The RTC granted FPIC's Motion and the said testimonies and evidence were stricken off the records.

Chevron filed an MR of the Order striking out the testimonies of the plaintiffs' witnesses which was denied by the court. Chevron then filed a PR with the CA which was dismissed by the CA as per Decision dated 28 September 2007 which has become final and executory.

In the RTC, FPIC finished its presentation of evidence and Formal Offer of Evidence (FOE). The parties were asked to file their respective Memoranda. On 26 September 2008, FPIC filed its Memorandum dated 20 September 2008. Chevron filed its Memorandum dated 18 September 2008 (received by FPIC on 2 October 2008). FPIC filed its Reply (to Plaintiff's Memorandum) dated 6 October 2008.

The RTC issued a Decision dated 28 December 2009 in favor of Chevron which ordered FPIC to pay Chevron P26,257,712.58 plus interest starting 6 February 2009 until fully paid plus attorney's fees and costs of suit. FPIC filed its Notice of Appeal on 5 February 2010.

FPIC filed its Appellant's Brief with the CA on 22 November 2011. The CA issued a Resolution dated 31 March 2011 which referred the parties to the Philippine Mediation Center-CA for mediation to give the parties one final chance to explore the possibility of amicable settling their dispute. Mediation proceeding was held on 29 July 2011. Mediation proceedings were terminated as the parties deemed it unlikely for the parties to reach a settlement in view of the legal issues involved. Case was referred back to CA for decision. FPIC filed a Manifestation and Submission dated 10 October 2011 with the CA informing the CA of the pendency of a similar case involving Chevron and FPIC (CA Case No. 92226) and that the MPR filed by Chevron in said case was already denied by the CA and Chevron has already filed a PR with the SC.

FPIC filed a Manifestation and Submission dated 31 January 2012 informing the Honorable Court about the SC (First Division) Decision in the similar case of Fumitechniks (GR No. 177839) which dismissed the complaint filed by Chevron against FPIC in RTC-Makati Br. 61. FPIC submitted that the Decision in said case (G.R. 177839) should be applied in this case and that the complaint filed by Chevron should be dismissed.

FPIC filed a Fifth Manifestation and Submission dated 25 March 2014 manifesting that in the SC Case No. 198039 (Cipriano case), the SC issued a resolution denying with finality the MR filed by Chevron (seeking reconsideration of CA resolution denying Chevron's petition to set aside the CA decision dismissing the complaint of Chevron). Thus, the RTC Decision dated 12/28/09 should be reversed and the judgment be rendered dismissing the complaint and granting the other relief and remedies prayed for in the Appellant's Brief.

The CA (4th Division) issued a Decision dated 15 August 2014 which reversed and set aside the RTC Decision dated 28 December 2009 which held FPIC liable under the surety bond, and dismissed the complaint. However, the dismissal of FPIC's counterclaim was affirmed.

Chevron filed an Motion for Partial Reconsideration (MPR) dated 16 September 2014. FPIC has filed its Opposition to the MPR dated 24 September 2014.

c. *"Qualifurn Marketing Corp. vs. FPIC"*
Civil Case No. 08-679
Makati RTC Br. 59

A Complaint for specific performance and damages was filed with Makati RTC Branch 148 by insured Qualifurn Marketing Corp. against FPIC for payment of P20,000,000 for and as actual damages (with 24% interest thereon from 30 July 2007 until fully paid) as its claim under Fire Insurance Policy No. F-29577 issued by FPIC. FPIC denied the claim as the existence and value of the insured items have not been established by plaintiff.

FPIC filed its Answer dated 16 October 2008. FPIC filed a Motion to Conduct Judicial Dispute Resolution (JDR) dated 20 July 2009. The RTC granted the said Motion and set the JDR on 16 September 2009. As no settlement was reached, the JDR was terminated and the case was re-raffled to Makati RTC Branch 59.

Pre-trial was held on 12 March 2010. Plaintiff has presented three (3) witnesses and will present three (3) more witnesses.

FPIC sought to disqualify plaintiff's witness, Atty. Rolando Teves, as he was previously engaged by FPIC to investigate and evaluate the compensability of plaintiff's claim. Hence, FPIC filed a Motion to Disqualify Proposed Witness and/or Quash Subpoena Issued to Said Witness dated 22 November 2012. At the hearing on 4 December 2012, Atty. Teves was admonished by the Judge not to testify. The Court ordered plaintiff to make its FOE within thirty (30) days. Plaintiff filed its FOE, to which FPIC filed its Objections/Comment dated 18 February 2013. The Court ruled to admit plaintiff's FOE. FPIC filed an MR which was denied by the Court on 28 June 2013.

Presentation and cross-examination of FPIC's first witness was held on 11 October 2013. Hearing held on 3 December 2013 for continuation of cross examination of FPIC's witness. Next hearing was set on 18 February 2014. FPIC submitted the Judicial Affidavit of its witness, Atty. Enrico de Leon. Presentation of witness was set on 15 April 2014 but was re-set to 3 June 2014. FPIC to present its last witness on 28 October 2014.

d. *"Petition for Rehabilitation of Lepanto Ceramics, Inc."*
RTC SEC Case No. 90-2011-C
[RTC Calamba Br. 34]

Status: Rehabilitation Proceedings Terminated

On 23 December 2011, LCI filed a Petition for Rehabilitation (Petition) with RTC-Calamba. On 13 January 2012, RTC-Calamba, Branch 34 issued a Commencement Order (CO) which, among others, stayed enforcement of all claims against LCI accruing prior to 13 January 2012 ("pre-commencement obligations"). On 26 March 2012, the Court issued an Order, giving due course to the Petition and directing the Rehabilitation Receiver, Atty. Roberto R. Mendoza, to submit a revised Rehabilitation Plan (RP) based on comments submitted by creditors.

On 3 April 2012, the Rehabilitation Receiver submitted a Preliminary Registry of Claims based on the list of obligations submitted by LCI and Claims filed by creditors. On 22 May 2012, LCI filed a Challenge of the Claims of certain creditors. On 1 June 2012, the Rehabilitation Receiver submitted the revised Registry of Claims upon consideration of the creditors' comments and challenges to the Preliminary Registry of Claims. On 18 July 2012, LCI filed its Appeal on the Registry of Claims. On 25 October 2012, the Court issued various Orders resolving LCI's appeal for each claim.

In the meantime, on 10 February 2012, LCI filed a Motion for Exemption of payment of obligations to 2 Chinese suppliers (Shenzen Yudayuan Trade Ltd. and China Glaze Co., Ltd.) and separation pay to employees, which accrued prior to 13 January 2012. Also, on 26 March 2012, LCI filed a Motion for Exemption of the replenishment of its employees' health fund under the administration of Intellicare. On 13 July 2012, the Court issued an Order allowing the replenishment of LCI's health fund but denying the payment of pre-commencement obligations to the Chinese suppliers and employees. On 17 August 2012, LCI filed an MR. On 30 August 2012, the Court issued an

Order (1) allowing payment of pre-commencement obligations to Shenzen, (2) denying payment of pre-commencement obligations to China Glaze, and (3) deeming the motion for reconsideration with respect to the separation pay of employees submitted for resolution.

In the meantime, in June 2012, the Rehabilitation Receiver distributed copies of the Amended and Restated Rehabilitation Plan to all creditors on record. On 21 June 2012, the creditors voted to reject the Plan. On 27 June 2012, the Rehabilitation Receiver submitted the Amended and Restated Rehabilitation Plan together with a report on the results of the voting to the Court. In August 2012, the Rehabilitation Receiver distributed to all creditors on record copies of the Second Amended and Restated Rehabilitation Plan. On 22 August 2012, the creditors voted to reject the Plan. On the same day, the Rehabilitation Receiver submitted the Plan together with a report on the results of the voting to the Court.

On 23 November 2012, the Rehabilitation Receiver distributed to all creditors on record copies of the Third Amended and Restated Rehabilitation Plan (TARRP). On 27 November 2012, the creditors voted to reject the Plan. On 28 November 2012, the Rehabilitation Receiver submitted the TARRP together with a report on the results of the voting to the Court. The Rehabilitation Receiver likewise submitted a Recommendation to Confirm the TARRP. On 20 December 2012, the Court issued an Order approving the TARRP and directing LCI to submit a Status Report on its implementation every 90 days.

The TARRP provided for the settlement of claims of the following parties outstanding as of 13 January 2012, as follows:

1. Full payment of the claims of workers;
2. Full payment of the claims of the Local Government of Calamba;
3. 15% settlement of the claims of trade creditors;
4. 100% condonation of the claims of non-trade, unsecured creditors; and
5. Condonation of the claims of the non-trade, secured creditor in excess of the market value of LCI's assets securing the debt to such creditor.

The TARRP likewise provided for the following:

1. Non-trade unsecured creditors to give advances to LCI from which payment to the trade creditors shall be sourced;
2. The advances of non-trade unsecured creditors shall be converted to voting common stock of LCI; and
3. The non-trade, secured creditor's shareholdings in common stock in LCI shall be converted to non-voting preferred shares.

On 11 January 2013, LCI issued a Notice to the Creditors on the payment of claims to be made within LCI's Plant premises starting on 21 January 2013. On 12 March 2013, the Local Government of Calamba received payment for its claims against LCI. As of 18 October 2013, 49.32% of workers' claims and 85.73% of the trade creditors' claims have been paid.

On 1 April 2013, LCI filed an Application with the Securities and Exchange Commission for the amendment of its Articles of Incorporation (AOI) (dividing LCI's capital stock into 80,808,000 common shares and 919,192,000 preferred shares) and for exemption from registration of 39,900,000 common shares to be issued to non-trade unsecured creditor, OPDI. On 30 April 2013, the SEC issued a Certificate of Amendment of the AOI of LCI and a Resolution confirming the exemption from registration of the 39,900,000 LCI common shares issued to OPDI. On 17 May 2013, LCI submitted the SEC issuances to the Court.

On 20 June 2013, LCI filed a Motion to Allow Payment of Filing Fees Based on Reduced Obligations. On 28 June 2013, the Clerk of Court of RTC-Calamba, Atty. Leny B. Salazar, submitted her Comment. On 27 August 2013, LCI filed its Reply. On 9 September 2013, LCI filed a Supplement to its Reply. On 17 October 2013, the Court issued an Order denying the Motion.

On 12 August 2013, LCI filed a Motion to Amend TARRP seeking the following amendments:

1. Inclusion of the Deposit for Future Subscription to LCI shares of stock of OIHPI, in the amount of P373,618,085.00, among the non-trade, unsecured claims to be condoned; and
2. Condonation of the secured claims of non-trade, secured creditor OIHPI in excess of 40% of the market value of LCI's assets securing its liability to OIHPI.

At the hearing held on 22 August 2013, the Court directed the Rehabilitation Receiver to file his Comment to the Motion to Amend within 10 days and to serve copies of the Motion and the Order of the Court dated 15 August 2013 to other creditors. In the Order, the Court directed the creditors to file their Comment within 15 days from notice, while LCI was given 5 days from receipt of the last Comment to file a Reply. On 2 September 2013, the Rehabilitation Receiver filed his Comment to the Motion to Amend, and Compliance, indicating that he had served copies of the Court's Order dated 15 August 2013 and the Motion to Amend on the creditors either by personal delivery or by courier on 29 and 30 August 2013. On 2 September 2013, the Rehabilitation Receiver submitted a Comment to the Motion to Amend, and Compliance, containing proof of service (by personal service or LBC) of the Order dated 15 August 2013 and the Motion to Amend on the creditors. On 10 October 2013, LCI filed Manifestation, noting that Atty. Mendoza's comment was the only comment on the Motion to Amend received by LCI, and requesting that the Motion to Amend be deemed submitted for resolution. On 22 October 2013, Orion I Holdings Philippines, Inc. filed its Comment on the Motion to Amend. On 19 February 2014, LCI filed Motion for Early Resolution. On 26 February 2014, the Court issued an Order submitting the Motion to Amend for resolution. On 3 March 2014, the Court issued an Order granting the Motion to Amend and another Order directing the Rehabilitation Receiver to distribute/disseminate the Order granting the Motion to Amend. On 13 March 2014, the Rehabilitation Receiver filed his Compliance with the Order to distribute/disseminate. .

In the meantime, in compliance with the 20 December 2012 Order of the Court, LCI filed its Status Reports on the implementation of the TARRP on 21 March 2013, 20 June 2013, 19 September 2013, 22 January 2014, and 22 April 2014.

Further, on 13 February 2013, trade creditor Meralco filed a PC with the CA, docketed as CA-G.R. SP No. 128308, seeking the nullification of the Order dated 20 December 2013 approving the TARRP. On 27 February 2013, the CA issued a Resolution directing LCI to comment on the PC. On 2 April 2013, LCI filed its Comment. On 19 June 2013, the CA issued a Resolution directing the parties to file Memoranda. On 12 July 2013, LCI filed its Memorandum. On 30 July 2013, Meralco filed its Memorandum. On 31 October 2013, the CA issued a Decision dismissing Petition. On 29 November 2013, LCI received Meralco's Motion for Reconsideration (MR). On 20 January 2014, LCI filed Comment. On 16 April 2014, the CA issued a Resolution denying the MR. On 26 May 2014, LCI received a copy of Meralco's Motion for Extension of Time to File Petition for Review on Certiorari filed with the Supreme Court (SC). On 25 June 2014, LCI received Meralco's Petition for Review on Certiorari filed with the SC. On 2 July 2014, the SC issued a Resolution granting Meralco's Motion for Extension.
On 29 May 2014, LCI filed a Motion for Termination of the Rehabilitation Proceedings. On 30 May 2014, the Court issued an Order, directing the creditors to comment on the Motion for Termination. Hearing on the Motion for Termination held on 10 June 2014. On 10 June 2014, the Court issued an Order giving Philko Silicate 5 days to comment on the Motion for Termination, while other creditors not in attendance at the hearing were given 15 days from receipt of the Motion for Termination to file comment. LCI was given 10 days from receipt of the last comment/opposition to file reply, and the Rehabilitation Receiver was given 15 days from receipt of the 10 June 2014 Order to file his Final Report. On 13 June 2014, LCI received a Manifestation from Meralco, stating that it has not yet received a copy of the Motion and that the issue of the validity of the Rehabilitation Plan has been elevated to the SC. On 17 June 2014, Philko Silicate filed a Manifestation, stating that it has no objection to the termination of the rehabilitation proceedings. On 21 June 2014, Meralco filed a Comment, arguing that the Motion for Termination is premature in view of the pending case with the SC on the issue of the legality and validity of the TARRP. On 14 July 2014, the Rehabilitation Receiver filed his Final Report. On 24 July 2014, LCI filed a Motion for Early Resolution. On 28 August 2014, the Court issued an Order granting the Motion for Termination and declaring that LCI has attained solvency.

e *"Archipelago Philippine Ferries Corporation vs. FPIC,*
Yuen Po Seng, Amado A. Mauleon and Martial V. Careng"
Civil Case No. 12-061
[RTC Muntinlupa Br. 276]

A Complaint for specific performance of insurance contract, exemplary damages attorney's fees was filed by insured Archipelago Philippine Ferries Corporation against FPIC for payment of P13,622,000.62 for and as actual damages for loss of/damage to insured vessel *M/V Maharlika Siete* (with 24% interest thereon until fully paid), exemplary damages of P1,000,000 and attorney's fees of P500,000, under Policy No. MH-NIL-HO-08-0000015-0 issued by FPIC.

FPIC filed its Answer with Special and Affirmative Defenses and Compulsory Counterclaim dated 15 June 2012. Co-respondent Careng filed a MTD dated 30 May 2012. Plaintiff filed its Comment/Opposition to the MTD to which defendant filed its Reply.

The Court in its Order dated 29 August 2012 denied the MTD filed by defendant Careng.

Plaintiff filed a Motion for the Issuance of a Writ of Preliminary Attachment (WPA) and/or Garnishment dated 27 September 2012 against defendants. FPIC filed a Comment/Opposition to plaintiff's Motion for Issuance of the WPA and Garnishment. The Court, in its Order dated 14 April 2013 denied the plaintiff's Motion.

The Court in its Order dated 6 June 2013, referred the case to the Philippine Mediation Center for mediation proceedings on 3 July 2013. Mediation proceedings have been terminated. The preliminary conference before the Branch Clerk of Court for the pre-marking of documents and comparison of photocopies to be marked with originals was set on 8 August 2013.

Preliminary conference originally set on 22 August 2013 was reset to 15 and 17 October 2013. Pre-trial conference has been set on 5 November 2013. In order to buy peace, FPIC offered P2.5 million to plaintiff Archipelago. Judge Medina advised FPIC to bring the check payment and Compromise Agreement at the setting on 4 December 2013. During the 14 December 2013, plaintiff rejected FPIC's offer.

Pre-trial was set on 19 February 2014. Hearing was set on 7 May 2014. FPIC filed a Motion to Amend Answer as well as Pre-trial Brief dated 30 April 2014, which remains pending to date.

f. "*Andy King Kho et.al, vs. David C. Go"*
National Building Code Case No. RC-2013-001
(For: Building condemnation of CB 1,
Tutuban Center located at C.M. Recto Ave., Tondo)
[Office of the Building Official of Manila]

"*Tutuban Properties, Inc. vs. The Office of the Building Official of the City of Manila"*
NBCDO No. 15-13-258 MLA
[Office of the Secretary -Department of Public Works and Highways]
Status: Case appealed to the Office of the President (OP)

"*Tutuban Properties, Inc. vs. The Office of the Building Official of the City of Manila"*
OP Case No. 14-B-41
(NBCDO No. 15-13-258 MLA)

Status: Case Dismissed. TPI directed to proceed with the demolition of CB 1.

A request for general inspection of the building was filed with the Office of the Building Official of Manila (OBO) by certain tenants of CB 1 which was gutted by fire last 4 September 2012. TPI received a copy of Notice of Hearing (for Building Condemnation) dated 16 January 2013 from the OBO (then headed by Building Official Melvin Balagot) addressed to the occupants of CB 1 (complainant Andy King Kho and certain tenants of CB 1). The hearing was set on 25 January 2013. During the hearing of 25 January 2013, TPI explained that in order to determine the structural integrity of CB 1, TPI's structural engineer has recommended the conduct of additional tests, specifically, load test, core test, crack mapping and deflection measurements. Another hearing was set by OBO on 20 February 2013. At said hearing, TPI reported on the on-going clearing of the debris in CB 1 prior to conduct of the tests. The OBO Committee on Buildings decided to conduct an ocular inspection of CB 1 on 27 February 2013.

Pending completion of the additional tests in CB 1, the OBO issued a Resolution dated 23 April 2013 and Order to Repair Building No. 13-RC-01-R.O. dated 29 April 2013. TPI appealed the OBO Resolution and Repair Order to the Department of Public Works and Highways (DPWH) on 14 May 2013.

On 2 August 2013, TPI submitted to DPWH the report of R.S. Caparros (the "Caparros Report"). The DPWH issued Decision dated 23 August 2013 which directed the OBO to immediately issue a demolition order of CB 1 and other necessary permits/clearances for the demolition of the building and the same be immediately carried out to ensure the safety of the general public. The said Decision reversed the earlier OBO Resolution dated 23 April 2013 and Repair Order No. 13-RC-01-R.O.

The OBO (now headed by OIC Juan R. Capuchino) issued the Demolition Order No. 13-RC-15- D.O. dated 4 September 2013 and Demolition Permit No. 01-2013-001335-DM dated 5 September 2013 for the demolition of CB 1. TPI commenced the demolition of CB 1 on 14 September 2013.

Appellee-tenants filed an MR (re: Decision dated 23 August 2013) dated 6 September 2013, and an Urgent Motion (to Stay Demolition Order) dated 10 September 2013 with the DPWH. A Motion for Intervention and MR dated 13 September 2013 was filed by another CB 1 tenant with the DPWH. On 17 September 2013, TPI filed its Comment/Opposition (re: MR dated 6 September 2013 and Urgent Motion dated 10 September 2013); TPI filed its Comment/Opposition (re: Motion for Intervention and MR dated 13 September 2013) on 23 September 2013. Meanwhile, the DPWH issued an Order dated 19 September 2013 directing TPI to cease and desist from demolishing CB 1 until the MR filed by the appellees have been resolved. On 30 September 2013, TPI filed an Urgent Motion to Lift CDO with the DPWH citing the ruinous condition of CB 1 as a continuing threat to the safety of the public.

In order to resolve all pending incidents, the DPWH has ordered the conduct of additional tests at CB 1. DPWH completed the Hammer Rebound Tests in CB 1 in October 2013. Results and evaluation (by DPWH-Bureau of Design) of Rebound Hammer Tests were completed on 20 December 2013. Rebound Hammer Test Results were endorsed to the Association of Structural Engineers of the Philippines, which issued a letter dated 20 January 2014 recommending total demolition of CB 1.

On 21 February 2014, the DPWH issued its Order Lifting the CDO and directed the OBO to act with dispatch to continue to implement the Demolition Order dated 5 September 2013.

CB 1 Tenants filed Notice of Appeal and Motion to Stay Execution dated 2/26/14 with the OP.

On 20 March 2014, TPI received a copy of the letter from the OBO of Manila with an attached Order of the OP dated 19 March 2014 which, among others: (a) gave tenants of CB 1 30 days from date of Notice of Appeal to submit the appeal memorandum; and (b) stayed the execution of the Order dated 21 February 2014 issued by the DPWH. In compliance, TPI stopped demolition of CB 1.

On 31 March 2014, TPI filed its Comment/MR (re: Order dated 19 March 2014) with the OP which prayed for the recall and setting aside of the Stay Order.

CB 1 tenants filed its Appeal Memorandum dated 26 March 2014. TPI filed its Comment (re: Appeal Memorandum) dated 3 April 2014.

TPI filed four Urgent Motions for Early Resolution with the OP.

OP issued Decision dated 14 July 2014 which dismissed the appeal of the tenants and affirmed the Decision dated 23 August 2013 and Order (Lifting the Cease and Desist Order dated 19 September 2013) of the DPWH directing the demolition of CB 1.

g. *FLT Prime Insurance Corporation vs. Solid Guaranty, Inc.*
Civil Case No. 14-381,
(Makati RTC Branch 143)
(For: Recovery of Sum of Money and Damages)

A complaint for recovery of sum of money and damages was filed by FPIC against its reinsurer, Solid Guaranty, Inc. (SGI), in view of the latter's refusal to pay the amount of P10,721,938.50 representing SGI's 45% share in the final settlement amount paid by FPIC to its assured Top Forest Developers, Inc..

Defendant SGI filed its Answer with Counterclaim dated 21 May 2014.

Defendant filed a Motion to Set Case for Preliminary Hearing Based on Affirmative Defenses dated 21 May 2014. The motion was set for hearing on 25 May 2014. However, the hearing set on 25 May 2014 was reset to 8 August 2014. The hearing in August was reset to 8 September 2014. FPIC filed its Comment to the Motion. The Court issued a Resolution dated 24 September 2014 which denied the said motion for utter lack of merit.

Subsequently, Defendant filed an MTD which was denied by the court in its Resolution dated 8 September 2014. Defendant filed an MR of the Resolution dated 24 September 2014, which motion was set for hearing on 13 October 2014. FPIC filed its Opposition to the MR on 13 October 2014. The Motion was deemed submitted for resolution.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of the security holders of the Company during the fourth quarter of the fiscal year.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

A. Market Information

The Company's Common Shares are listed and principally traded in the PSE.

The high and low sales prices* of the Company's securities for each quarter are indicated in the table below:

	High	Low
Fiscal Year 2015 (July 2014-June 2015)		
1st Quarter (Jul. 2014-Sept. 2014)	P0.84	P0.55
Fiscal Year 2014 (July 2013-June 2014)		
1st Quarter (Jul. 2013-Sept. 2013)	P0.630	P0.540
2nd Quarter (Oct. 2013-Dec. 2013)	0.580	0.355
3rd Quarter (Jan. 2014-Mar. 2014)	0.530	0.410
4th Quarter (Apr. 2014-Jun. 2014)	0.700	0.435
Fiscal Year 2013 (July 2012-June 2013)		
1st Quarter (Jul. 2012-Sept. 2012)	P0.51	P0.46
2nd Quarter (Oct. 2012-Dec. 2012)	0.66	0.485
3rd Quarter (Jan. 2013-Mar. 2013)	0.77	0.55
4th Quarter (Apr. 2013-Jun. 2013)	0.72	0.53

Stock price as of latest practicable trading date of 24 October 2014: P0.72 per share.

*provided by PSE Corporate Planning & Research Section

B. Holders

The number of shareholders of record as of 17 October 2014 was 929. Common shares outstanding as of the same period were 2,367,149,383.

Top 20 stockholders*

	Name	No. of Shares Subscribed	% to Total
1.	PCD Nominee Corporation (Filipino)	1,320,366,992	55.78%
2.	Genez Investments Corporation	250,000,000	10.56
3.	F. Yap Securities, Inc.	197,731,700	8.35
4.	Lepanto Consolidated Mining Co.	180,000,000	7.60
5.	Dao Heng Securities (Phils.), Inc.	34,521,000	1.46
6.	Guoco Securities (Phils.), Inc.	30,082,000	1.27
7.	Caridad Say	24,707,000	1.04
8.	PCD Nominee Corporation (non-Filipino)	24,248,366	1.02
9.	YHS Holdings Corporation	22,900,000	0.97
10.	Victor Say	21,500,000	0.91
11.	Gilbert Dee	19,598,000	0.83
12.	SEC Account FAO: Various Customers of Guoco Securities (Philippines), Inc.	18,511,380	0.78
13.	G.D. Tan & Co., Inc.	17,480,400	0.74
14.	David C. Go	16,000,000	0.68
15.	Dao Heng Securities (Phils.), Inc. A/C# M0002-A	14,000,000	0.59
16.	David Go Securities Corp. A/C # 1085	11,816,000	0.50
17.	David Go Securities Corp.	10,702,120	0.45
18.	Coronet Property Holdings Corp.	6,000,000	0.25
19.	Federal Homes, Inc.	5,492,000	0.23
20.	Eleonor Go	5,400,000	0.23

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Total	2,231,056,958	94.24 %
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*based on the report dated 17 October 2014 of Stock and Transfer Agent, BDO Unibank, Inc.-Trust and Investments Group

C. Dividends

There were no dividend declarations for the years 2012 to 2014.

D. Recent Sales of Unregistered Securities

The Company has not sold any unregistered securities within the past three FYs.

Management's Discussion and Analysis or Plan of Operation

Fiscal Year 2014

Consolidated Results of Operations

The Group ended the fiscal year (FY) with a consolidated Net Income of P205.9 million lower than the P721.2 million reported Net Income last year. Net income was due to the recognition of recovery from insurance and gain on sale of Available for Sale (AFS) financial assets. Last year's Net Income includes gain on condonation of debt, reversal of provision for losses and net gain as a result of change in accounting treatment of investment in affiliate due to dilution of percentage in ownership.

Consolidated revenues amounted to P824.7 million, lower by 22% from previous year's P1.1 billion. Revenue from insurance business grew by 6% as motor car business and accident and health continue to spearhead growth increasing by 7% and 37%, respectively, during the year. On the other hand, overall occupancy for Tutuban Center slightly improved but was negated by the decrease in rental rates consequently reducing rental revenue by 4%. Sales from tile business which were mainly sourced from the remaining inventories, dropped by 91%. The Group posted gain on sale of AFS financial assets.

Total cost and expenses decreased by 29% as cost of goods and services went down by 57%. These include decrease in cost of sales of and share in CUSA related expenses of about 75% and 23%, respectively, brought about by lower sales from LCI and reduced power and water consumption. Likewise, operating expenses decreased due to lower provision for inventory losses and utilities and fuel.

TPI

TPI reported a higher Net Income of P194.0 million during the year compared to P8.1 million last year, due to the recognition of recovery from insurance. Revenue from Mall operations amounted to P411.3 million compared to last year's P420.6 million. Overall occupancy improved; however, the decrease in average rental rate negatively impacted Rental Revenue by 11%.

On cost and expenses, CUSA related expenses decreased by 23% driven by reduced electricity and water usage. Operating expenses decreased due to the one-time impairment loss on Receivables reported last year.

FPIC

Net Premiums Earned (NPE) and Commissions increased by 6% to P222.1 million, as production from motor car, and Accident and Health businesses grew by 7% and 37%, respectively.

Operating expenses slightly decreased by 1%, cost of underwriting remained at P186 million. General and Administrative expenses decrease mainly due to the recognition last year of additional provision for taxes on prior year's income. FPIC reported a Net Loss of P15.6 million compared to a Net Loss of P24.5 million last year.

LCI

Sales from tile business dropped by 93% from the previous year as a result of of the shut down of LCI's manufacturing operations. Sales revenue were primarily sourced from the existing inventories. LCI reported a Net Income of P1.4 billion as of 30 June 2014.

As a result of approval by the Rehabilitation Court of the Rehabilitation Plan, LCI recognized a gain from condonation of debt from related parties amounting to P1.5 billion and P2.6 billion in 2014 and 2013, respectively. In 2013, LCI likewise recognized a gain from condonation of debt from trade creditors amounting to P199.3 million.

With its manufacturing operations shutdown since November 2012, LCI focused its activities on the sale of its remaining inventories and collection of receivables. Accordingly, the company was able to generate positive cash flows from operations, thus increasing Cash and Cash Equivalents to P81.5 million.

Prospects for the Future

The Group will focus on maximizing the value of its assets while continuing to explore opportunities through acquisitions and joint ventures.

This includes the full redevelopment of the 8.5-hectare Tutuban property in Manila, whose lease has been renewed until 2039. Also, the conversion of LCI's 15-hectare property in Calamba, Laguna (on which the LCI plant is located), into an industrial complex has started. It now serves as a warehousing facility for several companies, with a target of 100% utilization of its more than 70,000 sqm. warehousing area in the next three years. This industrial complex model will likewise be explored for the 31-hectare property in Sto. Tomas, Batangas.

In Cebu, the best use for the Company's remaining 1-hectare property in Mandaue is now under study, taking into consideration the soon-to-be completed Government master plan for Mandaue's North Reclamation Area.

The Group will also continue to look into tourism-related initiatives. Its most recent acquisition of a 5.8-hectare beachfront-property Palawan aims to springboard its entry into this sunrise industry.

Key Performance Indicators

The Top 5 Key Performance indicators of the Group are as follows:

Ratios	Formula	30-Jun-14	30-June-13
Current Ratio	Current Assets / Current Liabilities	3.90: 1 3,276,966/ 840,038	2.77:1 3,272,663/1,182,766
Debt to Equity Ratio	Total Liabilities / Equity	0.56:1 1,711,654/ 3,042,197	0.75: 1 2,053,193/ 2,732,746
Capital Adequacy Ratio	Equity / Total Assets	0.630: 1 3,042,197/ 4,825,990	0.562:1 2,732,746/ 4,861,531
Book Value per Share	Equity / Total # of Shares	1.2852 3,042,197/ 2,367,149	1.1544 2,146,385/ 2,367,149
Income (Loss) per Share	Net Income (Loss) / Total # of Shares	0.087 205,903/ 2,367,149	0.305 721,213/ 2,367,149

Current ratio shows the Group's ability to meet its short term financial obligation. As of 30 June 2014, the Group has P3.90 worth of Current Assets for every peso of Current Liabilities as compared to P2.77 as of 30 June 2013. Increase was attributable to the decrease in Accounts Payable and Accrued Expenses. The Group has sufficient Current Assets to support its Current Liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholder's fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 30 June 2013, debt to equity ratio improved as a result of increase in equity for the current period by 11%.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Company. As of 30 June 2014, the Group's Capital Adequacy Ratio is 0.630 compared to last year's 0.562. Improvement was attributable to the reduction in Deficit as of the period.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 30 June 2014, the Group has book value per share of P1.2852.

Income per share is calculated by dividing Net Income by the weighted average number of shares issued and outstanding. As of 30 June 2014, the Group reported a P0.087 income per share as compared to last year's P0.305 per share.

(i) *Any known trends, demands, commitments, events or uncertainties that will have a material impact on issuer's liability.*

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

(ii) *Events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation*

There are no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

(iii) *Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.*

There are no known off-balance sheet transactions, arrangements, obligations (including contingent obligations), during the period.

(iv) *Material Commitment for Capital Expenditure*

The Group has not entered into any material commitment for capital expenditure.

(v) There are no known trends, events or uncertainties that have material impact on net sale/revenues/income from continuing operation.

(vi) The Group did not recognize income or loss during the year that did not arise from continuing operations.

(vii) There are no known causes for material change (of material item) from period to period.

(viii) There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

Financial Condition

Total Assets of the Group stood at P4.90 billion compared to last year's P4.83 billion. Cash and Cash Equivalents were reduced by 41% due to the acquisition of new investments and purchase of real estate property in San Vicente, Palawan. Accordingly, AFS financial assets and real estate held for sale and development increased by 33% and 53%, respectively. Held- to-Maturity investments that matured were reinvested as AFS financial asset. Decrease in Receivables was due to collection of insurance receivables. The lower cost of Inventories was due to the LCI plant shut down. Increase in other Current Assets was due to unutilized creditable withholding during the period.

Current Assets were higher than its Total Current Liabilities, which stood at P3.28 billion and P0.84 billion, respectively. Decrease in Leasehold Rights, Property Plant and Equipment and Software costs represents depreciation and amortization as of the period.

The Group reported a 17% decrease in Total Liabilities. This was attributable to the 36% reduction in Accounts Payable and Accrued Expenses. Retirement Benefit Obligation decreased due to contribution to the retirement fund as of the period. Increase in Deferred Income Tax liability was a result of the recognition of recovery from insurance. Increase in unrealized valuation loss on AFS financial assets was due to the decline in market value as of the reporting period.

Financing Through Loans

As of the reporting period, the Group has no outstanding loan from any financial institution.

Fiscal Year 2013

Consolidated Results of Operations

The Group ended the FY with a consolidated net income of P720.0 million higher than P100.5 million reported Net Income last year. The increase in Net Income was attributable to gain on condonation of debt, reversal of provision for losses and net gain as a result of change in accounting treatment of investment in affiliate due to dilution of percentage in ownership.

Consolidated Revenues reached P1.1 billion, lower by 19% from the previous year's revenue of P1.3 billion. Revenue from insurance business grew by 9% as the motor car business continues to spearhead the growth with a 15% increase this year. On the other hand, TPI's operations were significantly affected by the fire that totally damaged CB 1 and rendered CB 2 non-operational for the rest of the FY. Accordingly, overall occupancy and the Rent Generating Area (RGA) decreased, and consequently, reduced Rental Revenue by 12% compared to last year. Sales from tile business dropped to almost half of the previous year's revenue as LCI temporarily ceased its manufacturing operations in mid-November 2012. LCI's Sales Revenue was primarily sourced from the existing inventories.

Total Cost and Expenses decreased by 8% as rent and utilities and cost of sales went down by 16% and 32%, respectively, due to lower occupancy and sales volume but was tempered by the significant increase in underwriting costs of insurance business. The increase in operating expenses was attributable to the provision for probable losses negated by lower marketing expenses.

TPI

TPI reported a Net Income of P7.5 million during the year compared to a Net Income of P55.3 million last year. Revenue from mall operations decreased to P417.4 million compared to last year's revenue of P498.8 million which was attributed mainly to the fire that gutted CB 1 and rendered CB 2 non-operational to date. Overall occupancy and RGA decreased, resulting to a 12% reduction in Rental Revenue. With CB 1 and CB 2 non-operational, volume of shoppers in Tutuban Center also decreased affecting other revenue sources, which resulted to other ancillary businesses performing 6% lower than last year.

CUSA-related expenses decreased by 17% driven by reduced electricity usage and lower cost of contracted services. Direct operating expenses also decreased by 14% which can be attributed to the reduced rental payment to PNR.

FPIC

Revenue increased by 9% to P210.0 million attributed to higher Net Premiums Earned (NPE) as production from property, motor car and accident and health businesses grew by 10%, 15% and 24%, respectively.

However, revenue growths were negatively affectedby the rise in Underwriting Costs. Operating Expenses increased by 33% due to the accrual of additional provision for taxes on prior year's income. Accordingly, FPIC reported a P24.5 million Net Loss for the year.

LCI

On 23 December 2011, LCI filed a Petition for Rehabilitation (Petition) with RTC-Calamba under the Financial Rehabilitation and Insolvency Act of 2010, to arrest its continuing financial losses for the past several years and to enable it to eventually meet its financial obligations to its creditors. On 20 December 2012, the Court issued an Order approving the Third Amended and Restated Rehabilitation Plan (RP) and ordering LCI to submit a Status Report on the implementation thereof every 90 days. The RP is a combination of debt re-scheduling, debt condonation and debt-equity conversion.

As a result of approval by the Court of the RP, LCI recognized a gain from condonation of debt from trade creditors and related parties amounting to P199.3 million and P2.4 billion, respectively.

In November 2012, LCI temporarily stopped its manufacturing operations as prevailing market conditions remain unfavorable. Cost reduction programs including retrenchment, were implemented as part of its rehabilitation program and to maintain its business viability. LCI focused its activities on the sale of its remaining inventories and collection of receivables. Accordingly, LCI was able to generate positive cash flows from operations and increased its Cash and Cash Equivalents to P85 million.

Sales from tile business dropped to almost half of the previous year's revenue as LCI temporarily stopped its manufacturing operations. Sales Revenue was primarily sourced from the existing inventories. LCI reported a Net Income of P2.6 billion as of 30 June 2013.

Prospects for the Future

While the lingering effects of the September 2012 fire are still being felt within TPI, the Group's priority is to ensure the resumption of normal operations for CB 2 while integrated redevelopment plans for CB are being discussed with a third party consultant.

The repositioning of the Centermall beginning 2014 in terms of concept, tenant mix and exhibit operations is also being explored. The strategic plan for the next three years is to realign current merchandising mix to bring in new complementary businesses involving services, entertainment, and retail outlet hubs. For operational efficiency, a major energy efficiency project that seeks to lower air conditioning and lighting costs is targeted for implementation within the first quarter of 2014.

The 41-room Orion Hotel, which was completed in November. 2012, is leading the transformation of Prime Block. The construction of a complementary coffee shop/restaurant adjacent to the hotel by early 2014 is also being finalized.

Meanwhile, FPIC was able to meet the P250 million minimum capitalization requirement for existing non-life insurance companies by 30-June 2013. The focus now is the thorough evaluation of the viability of the business in the light of the minimum net worth requirement of P550 million by 2016.

For LCI, pending the court ruling that will put the final amendments to the company's rehabilitation plan, Management is exploring other business options for the highest and best use for the property and plant facilities. Initial plans to convert the entire 15-hectare facility into a comprehensive and integrated warehousing complex with PEZA accreditation are currently being evaluated.

In addition, the Group marked its entry into tourism-related initiatives with the acquisition of a 5.8-hectare property in Palawan in September. The property, with a 115-meter beach frontage, is located in the first-class municipality of San Vicente, a largely untapped area of Palawan endowed with white sand beaches, coral reefs, vast forest cover, and varied endemic flora. Plans on the high and best use of the P147 million property are currently being explored.

Key Variable and Other Qualitative and Quantitative Factors

The Top 5 Key Performance indicators of the Group are as follows:

Ratios	Formula	30-Jun-13	30-June-12
Current Ratio	Current Assets Current Liabilities	2.61: 1 3,300,817/ 1,265,783	1.61:1 2,179,854/ 1,351,379
Debt to Equity Ratio	Total Liabilities Equity	0.71:1 1,980,353/ 2,805,625	0.98: 1 2,115,064/ 2,146,385
Capital Adequacy Ratio	Equity Total Assets	0.577: 1 2,805,625/ 4,861,570	0.494:1 2,146,385/ 4,346,957
Book Value per Share	Equity Total # of Shares	1.1852 2,805,625/ 2,367,149	0.9067 2,146,385/ 2,367,149
Income (Loss) per Share	Net Income (Loss) Total # of Shares	0.304 720,018/ 2,367,149	0.042 100,547/ 2,367,149

Current ratio shows the Group's ability to meet its short term financial obligation. As of 30 June 2013, the Group has P2.61 worth of Current Assets for every peso of Current Liabilities as compared to P1.61 as of 30 June 2012. Increase was attributable to the change in accounting treatment of certain investment in affiliate due to the dilution of percentage in ownership. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholder's fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 30 June 2012, debt-to-equity ratio improved as a result of increase in equity for the current period by 28%.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Group. As of 30 June 2013, the Group's Capital Adequacy Ratio is 0.577 compared to last year's 0.494. Improvement was attributable to reduction in Deficit for the period.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 30 June 2013, the Group has book value per share of P1.18.

Income per share is calculated by dividing net income by the weighted average number of shares issued and outstanding. As of 30 June 2013, the Group reported a P0.304 income per share as compared to last year's income of P0.042 per share.

(ix) *Any known trends, demands, commitments, events or uncertainties that will have a material impact on Issuer's liability.*

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

(x) *Events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation*

There are no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

(xi) *Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.*

There are no known off-balance sheet transactions, arrangements, obligations (including contingent obligations), during the period.

(xii) *Material Commitment for Capital Expenditure*

The Group has not entered into any material commitment for capital expenditure.

(xiii) There are no known trends, events or uncertainties that have material impact on net sale/revenues/income from continuing operation.

(xiv) The Group did not recognize income or loss during the year that did not arise from continuing operations.

(xv) There are no known causes for material change (of material item) from period to period.

(xvi) There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

Financial Condition

Total Assets of the Group reached P4.9 billion compared to last year's P4.3 billion. Growth in Total Assets was attributable to the increase in Receivables due to higher losses recoverable from the reinsurers. Proceeds from the sale of Pepsi shares increased Cash and Cash Equivalents to P663.8 million, a 22% increase from the previous year as the Group continues to beef up its cash.

Increase in AFS Investments was a result of change in accounting treatment of investment in CBC from Investments in Associates to AFS Investments, due to dilution of ownership to less than 20% arising from the increase in capital of CBC. Accordingly, the CBC shares were restated at the prevailing market value as at the end of the FY. Current Assets was higher than its Total Current Liabilities, which stood at P3.3 billion and P1.3 billion, respectively. Unrealized Valuation Gain decreased due to realization of profit upon sale of AFS Investments. The lower cost of Inventories was due to the temporary stoppage of plant operations, provision for inventory losses and lower volume of finished goods as of the end of the FY. Similarly, there was a decrease in Leasehold Rights and Software Costs attributable to amortization during the year. Other Current Assets grew by 4% due to unutilized creditable withholding tax and input value added tax. The decline in Other Non-Current Assets was due to the decrease in deferred reinsurance premium.

The Group registered a 6% decrease in Total Liabilities. Trade payables was reduced by 83% due to settlement and condonation of debt of trade creditors as a result of LCI's approved RP. On the other hand, insurance claims increased substantially as a result of claims and losses from property business, which correspondingly increased the amount of receivables from reinsurers. The reduction in Subscription Payable was due to application of advances to affiliates.

Financing Through Loans

As of the reporting period, the Group has no outstanding loan from any financial institution.

Fiscal Year 2012

Consolidated Results of Operations

The Group ended the FY with a consolidated net income of P100.5 million, lower than the P273.1 million reported income last FY. The decrease in net income was due to lower gain on sale of Available-For-Sale (AFS) investments and investment property compared to last year.

Consolidated revenues reached P1.2 billion, lower by 12% from previous year's P1.3 billion. Revenue from insurance business grew by 5% as the motor car business continues to spearhead growth increasing by 14% during the year. On the other hand, rental revenue from real estate business decreased by 3% as occupancy was challenged by the intense competition around Divisoria. Merchandise sales from tile business also decreased by 23% resulting from lower sales volume and decrease in production.

Total cost and expenses decreased by 8% as operating expenses and cost of sales went down by 3% and 21%, respectively, though tempered by the 9% increase in insurance underwriting cost. The decrease in operating expenses was attributable to lower marketing expenses, repairs and maintenance, taxes and licenses. Though insurance underwriting cost increased, this was mainly attributable to higher claims. Underwriting cost as percentage of Net Premiums Earned (NPE) improved by 2 percentage points, to 77% from 79% last year. Increase in rent and utilities and cost of production were adversely affected by higher energy costs.

TPI

TPI reported a net income of P55.3 million during the year compared to P54.4 million last year. Increased competition within the area affected occupancy. Total revenue from mall operations went down by 3% while operating cost increased by 4% similarly driven by higher energy costs.

FPIC

FPIC registered a 16% growth in its bottomline for the year 2012, from P21.7 million to P25.2 million. Net premiums earned increased by 11% as FPIC sustained its double digit growth with strong performances from motor car and accident and health businesses, which grew by 14% and 36%, respectively. Retention ratio also improved by 10%, from 65% to 72%.

LCI

During the year, net loss from the tile business increased to P62.2 million, from P50.6 million. The increase in net loss was attributed to higher production cost resulting from the increasing cost of power and fuel. The increase in cost of production was negated by the 10% reduction in operating expenses. Decrease in net sales was due to lower sales volume.

On 23 December 2011, LCI filed a Petition for Rehabilitation (Petition) with RTC-Calamba under the Financial Rehabilitation and Insolvency Act of 2010, to arrest its continuing financial losses for the past several years and to enable it to eventually meet its financial obligations to its creditors. On 26 March 2012, the Court issued an Order giving due course to the Petition and directing the Rehabilitation Receiver to submit an amended RP based on comments submitted by creditors. Subsequently, the Rehabilitation Receiver submitted to the Court the first and second amended RPs, which were both rejected by the creditors. As of 3 October 2012, the Rehabilitation Receiver is preparing the third amended RP for presentation to the creditors.

<u>Prospects for the Future</u>

While Tutuban Center has redefined the shopping culture in Divisoria over the past two decades, becoming the area's premier wholesale and retail shopping destination along the way, it has recently begun to introduce dynamic and interactive business concepts aimed at distinguishing itself from the rising competition within the area.

The Orion Hotel, located in the 3rd Floor, will lead the transformation of the Prime Block building. This 41-room hotel project, is being marketed as a "businessman's hotel" offering three-star amenities. Actual construction has been completed and is set to formally open this November 30. To complement Orion Hotel, the rest of the third floor will also be transformed to complement the hotel operations. Plans for function rooms, a buffet area and other commercial establishments are currently underway. Architectural and engineering plans to transform the recovered areas at the building's ground floor are also being finalized to include a 24-hour convenience store along Padre Algue Street as well as the conversion of the grand staircase facing Recto Ave. into a two-level leasable area. Meanwhile, the Centermall is being transformed into a destination center for recreation. The 3,200 square meter former cinema area will be converted into bigger and more entertaining concepts targeting the entire family. It will be preceded by the opening of the Virtual Zoo project in October. The newly renovated Food Centers will welcome Tutuban's mall goers with a fresh look and more flavorful offerings starting this holiday season.

The immediate challenge for FPIC is to meet the P250 million capitalization requirement ending calendar 2012, a 42% increase from the previous year's requirement. The company is confident in meeting this new requirement and is now preparing its three-year business plan. FPIC's main thrust is attaining that delicate balance of growing its premium and client base while maintaining a healthy bottomline while ensuring adequate protection for its clients.

Major challenges brought about by the relaxation of safeguard measures against imported tiles and the volatile cost of fuel continue to adversely affect LCI production costs. Before the end of December 2011, LCI filed for corporate rehabilitation to arrest the mounting losses as a result of these challenges. The subsequent Stay Order issued in January 2012 will hopefully give LCI the chance to rebuild the business by utilizing cash flow directly for operations.

Key Variable and Other Qualitative and Quantitative Factors
The Top 5 Key Performance indicators of the Group are as follows:

Ratios	Formula	30-Jun-12	30-June-11
Current Ratio	Current Assets Current Liabilities	1.61: 1 2,177,854/ 1,351,377	1.41:1 2,258,594/ 1,601,889
Debt to Equity Ratio	Total Liabilities Equity	0.98:1 2,115,062/ 2,146,385	1.19: 1 2,332,727/ 1,964,744
Capital Adequacy Ratio	Equity Total Assets	0.494: 1 2,146,385/ 4,346,955	0.449:1 1,964,744/ 4,372,143
Book Value per Share	Equity Total # of Shares	0.9067 2,146,385/ 2,367,149	0.8300 1,964,744/ 2,367,149
Income (Loss) per Share	Net Income (Loss) Total # of Shares	0.042 100,547/ 2,367,149	0.115 273,109/ 2,367,149

Current ratio shows the Group's ability to meet its short term financial obligation. As of 30 June 2012, the Group has P1.61 worth of current assets for every peso of current liabilities as compared to P1.41 as of 30 June 2011. Increase was attributable to the settlement of outstanding obligation. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholder's fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 30 June 2011, debt to equity ratio improved as a result of increase in equity for the current period by 9%.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Company. As of 30 June 2012, the Group's Capital Adequacy Ratio is 0.494 compared to last year's 0.449. Improvement was attributable to increased equity as of the period.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 30 June 2012, the Group has book value per share of P0.91.

Income per share is calculated by dividing net income by the weighted average number of shares issued and outstanding. As of 30 June 2012, the Group reported a P0.042 income per share as compared to last year's P0.115 per share.

(i) *Any known trends, demands, commitments, events or uncertainties that will have a material impact on issuer's liability.*

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

On 4 September 2012, a fire occurred at the Cluster Buildings 1 and 2 and Bonifacio Plaza of TPI's investment properties that resulted to casualty losses, with an estimated amount of P450.0 million.

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

There are no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

(iii) *Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.*

There are no known off-balance sheet transactions, arrangements, obligations (including contingent obligations), during the period.

(iv) *Material Commitment for Capital Expenditure*

The Group has not entered into any material commitment for capital expenditure.

(v) There are no known trends, events or uncertainties that have material impact on net sale/revenues/income from continuing operation.

(vi) The Group did not recognize income or loss during the year that did not arise from continuing operations.

(vii) There are no known causes for material change (of material item) from period to period.

(viii) There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

<u>Financial Condition</u>

Consolidated assets of the Group stood at P4.3 billion. Total Current Assets was higher than its Total Current Liabilities, which stood at P2.2 billion and P1.4 billion, respectively. Proceeds from disposal of AFS investments resulted to an increase in Cash and Cash Equivalents. AFS investments slightly decreased as a result of the disposal; however, increase in unrealized valuation gain of 20% was due to higher market value of the remaining shares. Receivables went down by 24% caused by improved collections and lower merchandise sales. Inventories decreased by 31% due to lower production. Likewise, decrease in Leasehold Rights represents amortization during the year. Other Current Assets grew by 7% due to unutilized creditable withholding tax and input value added tax. Decline in Other Non-current Assets represents decrease in deferred reinsurance premium.

The Group registered a decrease in total liabilities of about 10%. Accounts Payable and Accrued Expenses decreased due to settlement of outstanding liabilities to suppliers and insurance claims. Retirement obligation decreased as a result of additional contribution to the retirement fund as of the period. Deferred income tax liabilities increased due to the tax effect of the revaluation increment in property and equipment recorded during the year.

<u>Financing Through Loans</u>

As of the reporting period, the Group has no outstanding loan from any financial institution.

Information on Independent Auditors

1) *<u>External Audit Fees and Services</u>*

(a) *Audit and Audit-Related Fees*

(1) The aggregate fees billed by the auditors for FY 2014 amounted to about P2.7 million, while auditor's fee for FY 2013 amounted to about P2.6 million.
(2) There are no known assurance and related services rendered by the external auditor aside from the services stated above for FY 2014 and 2013.

(b) *Tax Fees*

External Auditor did not render tax services and non-audit work for the Company in FY 2014 and FY 2013.

(c) *All Other Fees*

No known Other Services were rendered by external auditor aside from that stated above for FY 2014 and 2013.

Audit and Audit-Related Fees are as follows:

	2014	2013
Professional Fees	P2,382,930	P2,279.750
Value Added Tax	285,952	273,570
Total Audit Fees	P2,668,882	P2,553,320

(d) The Audit Committee (renamed as Audit and Risk Management Committee) performs oversight functions over the Corporation's external auditors in accordance with the Company's Revised Manual of Corporate Governance ("Revised Manual"). It reviews and approves all reports of the external auditors prior to presentation to the Board of Directors for approval. The Audit Committee discusses with the external auditor the scope and expenses for the audit prior to conduct of the audit. It evaluates and recommends to the Board of Directors the external auditors of the Company for the ensuing fiscal year.

2) For FY 2013/2014 (and until 2015), the Partner-in-Charge assigned to handle the Company's account is *Ms. Alicia O. Lu* of Sycip Gorres Velayo and Co.. This is compliant with the policy to change the external auditor or rotate partner every five years as provided in the Company's Revised Manual. A two-year cooling off period shall be observed in case of re-engagement of the same signing partner of the auditor.

There were no changes in or disagreements with the Company's accountants/auditors on accounting principles and practices or financial disclosures during the fiscal year and the past two fiscal years. Neither was there any resignation, dismissal or cessation of service of the external auditors of the Company for the past three fiscal years.

Compliance with Corporate Governance

The Company has substantially complied with its Revised Manual of Corporate Governance (the "Revised Manual") with the election of two independent directors to the Company's Board of Directors ("Board"). The Company has, for the last ten years, complied with the requirement for the creation of the Audit, Compensation, and Nomination and Election Committees and the election of the members of each committee; the regular conduct of meetings of the Board, certification on attendance in meetings of the directors and committee members; adherence to the written Code of Conduct/Policy Manual prepared by its Human Resources Department, and adherence to applicable accounting standards and disclosure requirements. Pursuant to the Revised Manual, the Audit Committee reviews the quarterly and annual financial statements before their submission to the Board.

The Revised Manual provides in detail the qualifications and disqualifications of the Board. The duties and functions of the directors are also provided in the Revised Manual. The performance of the directors will be measured against the criteria established in the Manual.

Also, in compliance with the requirements of the PSE, the Company established its official website, www.primeorion.com, on 16 June 2008. This website is updated regularly and contains all the corporate information on the business and management of the Group, corporate governance reports and disclosures made by the Company. The website will be revised to comply with the requirements of SEC Memorandum Circular No. 11, Series of 2014.

A Full Business Interest Disclosure Form has been adopted and has been accomplished by the directors and key officers of the Company. All the directors have attended a corporate governance seminar and has attended an annual corporate governance seminar in compliance with SEC Memorandum Circular No. 20, Series of 2013. Policies and procedures for the identification of potential conflicts of interest involving the Company' directors and officers are being developed. Company policies on Whistle Blowing and Succession in Management are being developed.

The Company and its operating subsidiaries prepare and adhere to their respective business plans, budget and marketing plans. The Management prepares and submits to the Board, on a regular basis, financial and operational reports which enable the Board and Management to assess the effectiveness and efficiency of the Company and its operating subsidiaries.

The Company also submitted to the SEC the Certification of Qualification of its Independent Directors and the Certification of Directors' Attendance in Meetings of the Board. For FY 2013/2014, the BOD had ten (10) meetings. Six (6) directors attended all the meetings of the Board for the year, one director was not able to attend one (1) meeting of the Board. Attendance in the meetings of the Board Committees for FY 2013/2014 were as follows: (a) Nomination Committee-100% attendance; (b) Audit Committee-100% attendance; and (c).Compensation and Remuneration Committee- 100% attendance. Further, six (6) members of the Board attended the ASM last 2 December 2013.

On 2 December 2013, the Board approved the Self-Assessment Form and Self-Assessment Results of the Board as well as the Self- Assessment Rating Form and Worksheet of the Audit Committee.

On 28 June 2013, the Corporation submitted to the SEC and PSE its Annual Corporate Governance Report (SEC Form-ACGR) as prescribed in SEC Memorandum Circular No. 5, Series of 2013. With the submission of the SEC Form-ACGR, the SEC shall no longer require submission of SEC Form MCG-2002 and Certification of Attendance of Directors in Meetings starting 2014.

In compliance with SEC Memorandum Circular No. 1, Series of 2014, the Company, on 4 July 2014, submitted its advisement letter on the attendance of Directors in Board and Committee meetings within five (5) days from the end of the Company's fiscal year. The Consolidated Changes to the ACGR for the FYs ended 30 June 2013 and 30 June 2014 have been uploaded in the POPI website.

There were no major deviations to the Revised Manual. The Company will continue to work on its systems and procedures to improve compliance with the Revised Manual.

Pursuant to SEC Memorandum Circular No. 9, Series of 2014, the Company will amend its Manual to include the provisions on stakeholders as provided in the Revised Code of Corporate Governance.

Audited Consolidated Financial Statements (F/S) of the Company

Please refer to the attached F/S for the FY ended 30 June 2014 and the following additional components of the financial statements as required under SRC Rule 68 (as amended in October 2011):

1. Auditor's Report;
2. Reconciliation of Retained Earnings Available for Dividend Declaration as of 30 June 2014;
3. Tabular Schedule of Standards and Interpretation as 30 June 2014;
4. Map of the POPI Group of Companies showing the relationships between and among the parent company and its subsidiaries; and
5. Schedule showing financial soundness indicators for 2014 and 2013.

Interim Financial Statements of the Company

For the Management Discussion and Analysis and Plan of Operations as of 30 September 2014 as well as interim F/S, please refer to the Company's Quarterly Report (SEC Form 17-Q) for the Quarter ended 30 September 2014 hereto attached.

CERTIFICATION

I, **DAISY L. PARKER**, Filipino, of legal age, with office address at 20/F LKG Tower, 6801 Ayala Avenue, Makati City, after having been sworn in accordance with law, hereby depose and state:

1. I am the Corporate Secretary of **Prime Orion Philippines, Inc.** ("POPI"), a corporation organized and existing under Philippine laws, with office address at 20/F LKG Tower 6801 Ayala Avenue, Makati City;

2. Upon authority of all the directors and officers of POPI, I hereby certify that none of the directors and officers of POPI is employed or holds any position in any government agency or instrumentality;

3. The Certification is being issued in compliance with the requirements of the Securities and Exchange Commission for the filing of POPI's Information Statement (SEC Form 20-IS) for its annual stockholders' meeting set on 2 December 2014.

Done this OCT 2 7 2014 at Makati City.

ATTY. DAISY L. PARKER
Corporate Secretary

SUBSCRIBED AND SWORN to before me this OCT 2 7 2014 day of October 2014 at MAKATI CITY, affiant exhibited to me her Passport No. EB1284390 issued on 3 November 2010 at Manila.

Doc. No. 348;
Page No. 65;
Book No. 100
Series of 2014.

ATTY. HOBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #942830, Nov. 12, 2013-RSM
PTR #4225642, Jan. 02, 2014-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

PrimeOrion Philippines, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **PRIME ORION PHILIPPINES, INC.** is responsible for the preparation and fair presentation of the consolidated financial statements for the fiscal years ended June 30, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders of the Company.

SyCip Gorres Velayo & Co., the independent auditors appointed by the Board of Directors and Stockholders, has examined the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards of Auditing and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed under oath by the following

FELIPE U. YAP
Chairman of the Board

YUEN PO SENG
President/Chief Executive Officer

RONALD P. SUGAPONG
Treasurer/Chief Finance Officer

Signed this 2nd day of October 2014.

Republic of the Philippines)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this OCT 20 2014 day of October 2014, at Makati City, affiants exhibited to me their passports as competent evidence of their identities, as follows:

Name	Competent Evidence of Identity	Date/Place issued
Felipe U. Yap	Ppt No. EB371340	9-22-2011 / Manila
Yuen Po Seng	Ppt No. A25169994	10-25-2011/Georgetown, Malaysia
Ronald P. Sugapong	Ppt No. EB7054522	1-3-2013 / Manila

WITNESS MY HAND AND SEAL on the date and at the place first above written.

Doc. No. 159
Page No. 33
Book No. L
Series of 2014.

ATTY. GERVACIO B. ORTIZ JR.
NOTARY Public City of Makati
Until December 31, 2014
IBP No. 656155-Lifetime Member
MCLE Compliance No. III-0014282
Appointment No. M-199-(2013-2014)
PTR No. 4225505 Jan. 2, 2014/Makati
Makati City Roll No. 40091
101 Urban Ave., Brgy. Pio del Pilar,
Makati City

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Prime Orion Philippines, Inc. and Subsidiaries

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, 2014 and 2013, 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, 2014, 2013 and 2012, 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, 2014 and 2013, and their financial performance and their cash flows for the three years then ended June 30, 2014, 2013 and 2012, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Alicia O. Lu

Alicia O. Lu
Partner
CPA Certificate No. 0062493
SEC Accreditation No. 0661-AR-2 (Group A),
March 13, 2014, valid until March 12, 2017
Tax Identification No. 102-090-613
BIR Accreditation No. 08-001998-66-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225183, January 2, 2014, Makati City

October 2, 2014

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value and Number of Shares)

	June 30, 2014	June 30, 2013 (As restated, see Note 2)	July 1, 2012 (As restated, see Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱378,629**	₱645,877	₱544,601
Receivables (Note 5)	**596,046**	873,292	509,115
Inventories (Note 6)	**18,474**	34,810	198,732
Real estate held for sale and development (Note 7)	**429,507**	280,179	300,679
Amounts owed by related parties (Note 18)	**22**	25	1,023
Available-for-sale (AFS) financial assets (Note 8)	**1,643,898**	1,238,284	427,411
Held-to-maturity (HTM) investments (Note 9)	–	2,000	2,000
Other current assets (Note 10)	**210,390**	198,196	196,293
Total Current Assets	**3,276,966**	3,272,663	2,179,854
Noncurrent Assets			
Investments in an associate (Note 11)	**2,564**	2,588	531,026
Leasehold rights (Note 27)	–	4,239	13,165
Investment properties (Note 12)	**737,488**	754,604	768,288
Property, plant and equipment (Note 13)	**672,083**	704,689	730,358
Software costs (Note 14)	**8,957**	8,178	8,506
Other noncurrent assets (Note 15)	**127,932**	114,570	115,760
Total Noncurrent Assets	**1,549,024**	1,588,868	2,167,103
TOTAL ASSETS	**₱4,825,990**	₱4,861,531	₱4,346,957
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 16)	**₱673,383**	₱1,059,589	₱1,139,520
Current portion of rental and other deposits (Note 17)	**166,655**	120,504	128,815
Amounts owed to related parties (Note 18)	–	2,673	2,673
Total Current Liabilities	**840,038**	1,182,766	1,271,008
Noncurrent Liabilities			
Rental and other deposits - net of current portion (Note 17)	**48,088**	78,655	77,506
Retirement benefits liability (Note 23)	**99,185**	138,319	115,012
Deferred rent income (Note 27)	**1,107**	684	–
Deferred income tax liabilities - net (Note 24)	**241,561**	171,094	173,426
Subscriptions payable (Note 19)	**481,675**	481,675	528,470
Total Noncurrent Liabilities	**871,616**	870,427	894,414
Total Liabilities	**₱1,711,654**	₱2,053,193	₱2,165,422

	June 30, 2014	June 30, 2013 (As restated, see Note 2)	July 1, 2012 (As restated, see Note 2)
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 ₱300,792 as at June 30, 2014, 2013 and 2012)	**₱2,066,357**	₱2,066,357	₱2,066,357
Additional paid-in capital	**829,904**	829,904	829,904
Revaluation increment on property, plant and equipment (Note 13)	**252,233**	259,844	261,017
Unrealized valuation gains (losses) on AFS financial assets (Note 8)	**83,801**	(4,859)	63,035
Loss on remeasurement of retirement benefits plan (Note 2)	**(66,736)**	(75,328)	(51,709)
Deficit	**(123,362)**	(343,172)	(1,072,577)
	3,042,197	2,732,746	2,096,027
Non-Controlling Interests	**72,139**	75,592	85,508
Total Equity	**3,114,336**	2,808,338	2,181,535
TOTAL LIABILITIES AND EQUITY	**₱4,825,990**	₱4,861,531	₱4,346,957

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		
	2014	2013	2012
REVENUE			
Rental (Note 12)	**₱402,520**	₱419,769	₱491,477
Insurance premiums and commissions - net	**222,126**	209,889	192,729
Gain on sale of AFS financial assets (Note 8)	**159,189**	147,303	110,901
Merchandise sales - net	**22,070**	255,390	490,406
Interest income on AFS financial assets (Note 8)	**7,803**	21,979	21,390
Service fees	**6,972**	3,446	4,020
Dividend income (Note 8)	**4,032**	1,319	941
	824,712	1,059,095	1,311,864
COSTS AND EXPENSES			
Cost of goods sold and services (Note 20)	**242,802**	563,630	733,487
Operating expenses (Note 20)	**386,673**	405,950	392,955
Commission and other underwriting expenses	**186,534**	185,914	137,118
	816,009	1,155,494	1,263,560
OTHER INCOME (CHARGES)			
Recovery from insurance (Note 1)	**269,282**	78,086	–
Rehabilitation expenses (Note 1)	**(13,495)**	(10,660)	(1,413)
Reversal of inventory losses (Note 6)	**4,360**	–	–
Impairment loss on AFS financial assets (Note 8)	**(2,600)**	(291,501)	–
Interest expense and bank charges - net (Note 22)	**(1,866)**	(1,845)	(865)
Loss on write off on investment properties (Note 12)	**(288)**	–	–
Gain on sale of property, plant and equipment (Note 13)	**196**	1,206	1,310
Equity in net income of associates (Note 11)	**(24)**	32	95
Reversal of probable losses (Note 16)	**–**	243,346	44,944
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	**23,585**	11,934	33,796
	279,150	823,202	77,867
INCOME BEFORE INCOME TAX	**287,853**	726,803	126,171
PROVISION FOR INCOME TAX - Net (Note 24)	**81,950**	5,590	24,273
NET INCOME	**₱205,903**	₱721,213	₱101,898
ATTRIBUTABLE TO:			
Equity holders of the Parent	**₱210,618**	₱728,630	₱94,408
Non-controlling interests	**(4,715)**	(7,417)	7,490
	₱205,903	₱721,213	₱101,898
EARNINGS PER SHARE (Note 25)			
Basic and diluted, for income for the year attributable to ordinary equity holders of the Parent	₱0.09	₱0.31	₱0.04

(Forward)

	Years Ended June 30		
	2014	2013	2012
NET INCOME	**₱205,903**	₱721,213	₱101,898
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains on AFS financial assets (Note 8)	**245,666**	62,571	98,569
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement plan, net of tax (Note 23)	**(8,592)**	(23,619)	(51,709)
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)	77,976
TOTAL COMPREHENSIVE INCOME	**₱448,003**	₱759,767	₱226,734
ATTRIBUTABLE TO:			
Equity holders of the Parent	**₱454,024**	₱760,937	₱215,898
Non-controlling interests	**(6,021)**	(1,170)	10,836
	₱448,003	₱759,767	₱226,734

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED JUNE 30, 2014, 2013 AND 2012

	Capital Stock	Additional Paid-in Capital	Revaluation Increment on Property, Plant and Equipment (Note 13)	Unrealized Valuation Gains (Losses) on AFS Financial Assets (Note 8)	Gains (Losses) on Remeasurement of Retirement Benefits Plan (Note 23)	Deficit	Non-Controlling Interests	Total
Balances at June 30, 2011	₱2,066,352	₱829,904	₱188,170	₱52,432	₱–	(₱1,172,114)	₱74,672	₱2,039,416
Net income, as previously stated						93,057	7,490	100,547
Effect of adoption of revised PAS 19, net of tax	–	–	–	–	–	1,351	–	1,351
Net income, as restated	–	–	–	–	–	94,408	7,490	101,898
Other comprehensive income (loss)								
Unrealized valuation gain (loss) on AFS financial assets	–	–	–	95,223	–	–	3,346	98,569
Revaluation increment in property, plant and equipment	–	–	77,976	–	–	–	–	77,976
Actuarial loss recognized in OCI	–	–	–	–	(51,709)	–	–	(51,709)
Total comprehensive income	–	–	77,976	95,223	(51,709)	94,408	10,836	226,734
Issuance of capital stock	5	–	–	–	–	–	–	5
Transfer of realized valuation increment on property, plant and equipment	–	–	(5,129)	–	–	5,129	–	–
Unrealized gain transferred from equity to consolidated statement of income	–	–	–	(84,620)	–	–	–	(84,620)
Balances at July 1, 2012, as restated	2,066,357	829,904	261,017	63,035	(51,709)	(1,072,577)	85,508	2,181,535
Net income, as previously stated		–	–	–	–	727,435	(7,417)	720,018
Effect of adoption of revised PAS 19, net of tax	–	–	–	–	–	1,195	–	1,195
Net income, as restated	–	–	–	–	–	728,630	(7,417)	721,213
Other comprehensive income (loss)								
Unrealized valuation gain (loss)on AFS financial assets	–	–	–	65,070	–	–	(2,499)	62,571
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)	₱759,767

(Forward)

	Capital Stock	Additional Paid-in Capital	Revaluation Increment on Property, Plant and Equipment (Note 13)	Unrealized Valuation Gains (Losses) on AFS Financial Assets (Note 8)	Gains (Losses) on Remeasurement of Retirement Benefits Plan (Note 23)	Deficit	Non-Controlling Interests	Total
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 June 30, 2013, as restated	2,066,357	829,904	259,844	(4,859)	(75,328)	(343,172)	75,592	2,808,338
Net income						210,618	(4,715)	205,903
Other comprehensive income (loss)								
Unrealized valuation gain (on AFS financial assets	–	–	–	247,849	–	–	(2,183)	85,830
Actuarial gain recognized in OCI	–	–	–	–	8,592	–	–	8,592
Total comprehensive income	–	–	–	247,849	8,592	210,618	(6,898)	300,325
Transfer of realized valuation increment on property, plant and equipment	–	–	(7,611)	–	–	7,611	–	–
Effect of shortened corporate life of a subsidiary (Note 18)	–	–	–	–	–	1,581	3,445	5,026
Unrealized gain transferred from equity to consolidated statement of income	–	–	–	(159,189)	–	–	–	647
Balances at June 30, 2014	₱2,066,357	₱829,904	₱252,233	₱83,801	(₱66,736)	(₱123,362)	₱72,139	₱3,114,336

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	June 30, 2014	June 30, 2013 (As restated, see Note 2)	July 1, 2012 (As restated, see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱287,853**	₱726,803	₱126,171
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 14 and 27)	**81,675**	85,107	79,740
Provision (Recovery of) for impairment losses on:			
AFS financial assets (Note 8)	**2,600**	291,501	–
Inventories (Note 6)	**1,588**	70,952	15,986
Other current assets (Note 10)	**61**	193	120
Receivables (Note 5)	**(553)**	20,536	21,873
Amounts owed by related parties (Note 18)	**–**	(62,462)	–
Equity in net loss of associates (Note 11)	**24**	(32)	(95)
Unrealized foreign exchange losses (gains) - net	**4**	65	(6,130)
Recovery from insurance (Note 1)	**(269,282)**	(78,086)	–
Gain on sale of:			
AFS financial assets (Note 8)	**(159,189)**	(147,303)	(110,901)
Property, plant and equipment (Note 13)	**(196)**	(1,206)	(1,310)
Movement of retirement benefits liability (Note 23)	**25,339**	21,345	19,537
Interest income	**(13,623)**	(28,055)	(28,589)
Reversal of probable losses (Note 16)	**–**	(243,346)	(44,944)
Reversal for inventory losses (Note 6)	**(4,360)**	–	–
Dividend income (Note 8)	**(4,032)**	(1,319)	(941)
Interest expense and bank charges (Note 22)	**1,569**	812	317
Loss on write-of investment property (Note 12)	**288**	–	–
Reversal of impairment losses on receivables (Note 5)	**–**	–	(12,217)
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	**(50,234)**	(74,637)	58,617
Decrease (increase) in:			
Receivables	**546,238**	(305,431)	161,362
Inventories	**14,744**	92,970	72,876
Real estate held for sale and development	**(149,328)**	(1,059)	(83)
Other current assets	**(10,750)**	(8,198)	(8,254)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(381,846)**	364,346	(221,676)
Rental and other deposits	**15,584**	(7,162)	400
Net cash flows generated from (used in) operations	**(15,592)**	60,829	63,242
Interest received	**14,466**	28,055	28,589
Income tax paid	**(11,589)**	(7,057)	–
Interest paid	**(1,569)**	(812)	(317)
Net cash flows from (used in) operating activities	**(₱14,284)**	₱81,015	₱91,514

(Forward)

	June 30, 2014	June 30, 2013 (As restated, see Note 2)	July 1, 2012 (As restated, see Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Contributions paid	**(₱55,881)**	(₱21,657)	(₱27,792)
Proceeds from sale of			
AFS financial assets (Note 8)	**222,945**	293,437	152,758
Property, plant and equipment	**230**	2,084	–
Acquisitions of:			
Investment properties (Note 12)	**(15,477)**	(58,486)	(46,173)
AFS financial assets (Note 8)	**(383,204)**	(178,101)	(34,839)
Software cost (Note 14)	**(4,183)**	(3,095)	(1,366)
Property, plant and equipment (Note 13)	**(10,660)**	(16,918)	(8,170)
Decrease (increase) in:			
Other noncurrent assets	**(13,362)**	1,190	31,089
Amounts owed by related parties	**3**	(196)	10
HTM investments	**2,000**	–	–
Deferred rent income	**423**	684	–
Dividends received (Note 8)	**4,032**	1,319	941
Net cash flows from (used in) investing activities	**(253,134)**	20,261	66,458
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in amounts owed to related parties (Note 18)	**(2,673)**	–	(25)
Decrease in minority interest	**2,843**	–	–
Net cash flows from (used in) financing activities	**170**	–	(25)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(267,248)**	101,276	157,947
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**645,877**	544,601	386,654
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱378,629**	₱645,877	₱544,601

See accompanying 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 registered office address is 20th Floor LKG Tower, 6801 Ayala Avenue, Makati City.

The Parent Company's primary purpose is 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.

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 the Financial Rehabilitation and Insolvency Act of 2010, to arrest its 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 and directing the Rehabilitation Receiver (RR) 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 Republic Act No. 10142.

On December 20, 2012, the Court issued an Order approving the Third Amended and Restated 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) Creditor will condone its claims in excess of the market value of LCI'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 related parties amounting to ₱1,499.8 million and ₱2,360.2 million in June 30, 2014 and 2013, respectively (see Note 18). In 2013, the Group also recognized a gain on condonation of debt from trade creditors amounting to ₱199.3 million (see Note 16).

On August 12, 2013, LCI filed a Motion to Amend the 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 ₱373.6 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 and Collateral Trust Indenture, or in the amount of ₱677.5 million.

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, a Motion for Termination of Rehabilitation Proceedings was submitted to the court. The following were enumerated in the filed motion, claiming that LCI complied with the Third Amended and Restated RP:

a. Payment to claimants - LCI has already paid 50% of its obligation to Class 1 creditors amounting to ₱0.7 million. Class 2 creditor has already been paid in full. Meanwhile, Class 3 creditors have been paid ₱34.2 million or 86% of the claim. The unclaimed payments were deposited to Metropolitan Bank and Trust Company (MBTC) as "Unclaimed Claims Reserve 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 (see Note 15).

b. Conversion of shares - LCI's 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 the LCI's collateral assets. Included in the debts condoned are loans listed in the books of the LCI as Deposit for Future Subscription amounting to ₱373.6 million.

On August 28, 2014, the Court granted LCI's Motion for Termination of Rehabilitation Proceedings and declared LCI's rehabilitation successful.

In 2014, 2013 and 2012, the rehabilitation expenses incurred by LCI amounted to ₱13.5 million, ₱10.7 million, and ₱1.4 million, respectively.

On August 6, 2012, the Board of Directors (BOD) of OYL Holdings, Inc. (OYLHI; a subsidiary) approved its immediate dissolution and commenced its liquidation thereafter. Consequently, OYLHI changed its basis of accounting from going-concern basis to liquidation basis of accounting. On November 14, 2012, the SEC approved the amended articles of incorporation of OYLHI that shorten its corporate term to December 31, 2013. The ₱5.0 million effect of shortened corporate life of OYLHI was recognized in the consolidated statement of comprehensive income.

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 ₱63.2 million are recorded as "Casualty loss" in the 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, the Group recognized recovery from insurance amounting to ₱269.3 million and ₱78.1 million in the consolidated statement of income in 2014 and 2013, respectively.

As at June 30, 2014, TPI already received ₱174.7 million from FPIC. In September 2014, TPI received additional ₱30.2 million.

In November 2012, TPI opened Orion Hotel, a 2.5-star hotel located at the third level of the Tutuban Primeblock Building. The hotel provides lodging and other services to the public on a commercial basis.

The consolidated financial statements of the Group as at June 30, 2014 and 2013 and for years ended June 30, 2014, 2013 and 2012 were approved and authorized for issuance by the BOD on October 2, 2014.

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 AFS financial assets, land, land improvements, building and building improvements under "property, plant and equipment" which are carried at fair values. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded off to the nearest thousand (₱000) except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at June 30, 2014 and 2013:

Subsidiaries	Nature of Business	Effective Percentage of Ownership	
		2014	2013
Real Estate, Property Development and Others:			
Orion Land, Inc. (OLI) and Subsidiaries:			
OLI	Real Estate and Investment Holding Company	**100.0**	100.0
TPI and Subsidiaries:			
TPI	Real Estate, Mall Operations	**100.0**	100.0
TPI Holdings Corporation (TPIHC)	Investment Holding Company	**100.0**	100.0
Orion Property Development, Inc. (OPDI) and Subsidiaries:			
OPDI	Real Estate Development	**100.0**	100.0
Orion Beverage, Inc. (OBI) *	Manufacturing	**100.0**	100.0
Luck Hock Venture Holdings, Inc.	Other Business Activities	**60.0**	60.0
Manufacturing and Distribution:			
OIHPI and Subsidiaries:			
OIHPI	Financial Holding Company	**100.0**	100.0
LCI	Manufacture of Ceramic Floor and Wall Tiles	**100.0**	100.0
OYLHI**	Financial Holding Company	–	60.0
Financial Services and Others:			
OE Holdings, Inc. (OEHI) and Subsidiaries:			
OEHI	Wholesale and Trading	**100.0**	100.0
Orion Maxis Inc. (OMI)	Marketing and Administrative Services	**100.0**	100.0
ZHI Holdings, Inc. (ZHI)	Financial Holding Company	**100.0**	100.0
FPIC	Non-Life Insurance Company	**70.0**	70.0
Orion Solutions, Inc. (OSI)	Management Information Technology Consultancy Services	**100.0**	100.0

* *Inactive*
***Liquidated*

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 Group applied amendments on Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Revised 2011) that require reconsolidated statement of previous financial statements and changes in accounting disclosures.

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs, PAS and Philippine Interpretations and Improvements to PFRSs which were adopted as at July 1, 2013:

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not applicable to the Group.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*.

  These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statement of financial position;
  c) The net amounts presented in the consolidated statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32;
     ii. Amounts related to financial collateral (including cash collateral); and

e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Statements,* that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The new standard has no impact to the Group.

- PFRS 11, *Joint Arrangements*
PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly-controlled Entities (JCE) - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The new standard is not applicable to the Group.

- PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 31.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no significant impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
The revised standard includes a number of amendments that range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. On July 1, 2013, the Group adopted the revised standards retrospectively, with permitted exception on sensitivity disclosures for the defined benefit obligation for the comparative period which have not been provided.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in the consolidated statement of comprehensive income in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance. The changes in accounting policies have been applied retrospectively. The effects of adoption of the Revised PAS 19 on the consolidated financial statements are as follows:

	As at June 30, 2014		
	Under previous PAS 19	Increase (decrease)	Under revised PAS 19
Consolidated statement of financial position:			
Retirement benefits liability	₱107,777	(₱8,592)	₱99,185
Remeasurement loss on retirement benefits liability	–	66,736	66,736
Deferred tax liabilities	245,892	1,410	247,302
Deficit	193,361	(69,999)	119,443

	As at June 30, 2013		
	Under previous PAS 19	Increase (decrease)	Under revised PAS 19
Consolidated statement of financial position:			
Retirement benefits liability	₱63,607	₱74,712	₱138,319
Remeasurement loss on retirement benefits plan	–	75,328	75,328
Deferred tax liabilities	169,288	(2,113)	167,175
Deficit	345,718	(2,546)	343,172

	As at July 1, 2012		
	As previously reported	Increase (decrease)	Under revised PAS 19
Consolidated statement of financial position:			
Retirement benefits liability	₱61,825	₱53,187	₱115,012
Remeasurement loss on retirement benefits plan	–	51,709	51,709
Deficit	1,073,928	(1,351)	1,068,658

	For the year ended June 30, 2014	For the year ended June 30, 2013
Consolidated statement of income:		
Retirement benefits costs	₱25,339	₱21,345
Provision for income tax	7,602	6,404
Net income	(17,737)	(14,941)

	For the year ended June 30, 2014	For the year ended June 30, 2013
Consolidated statement of comprehensive income:		
Remeasurement loss on retirement benefits liability	(₱8,592)	(₱23,619)

The net effect of all transitions adjustments are closed to retained earnings on the transition date. The Revised PAS 19 has been applied retrospectively from July 1, 2012, in accordance with its transitional provisions. Consequently, the Group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at July 1, 2012 as adjustment to opening balances.

The application of Revised PAS 19 did not have a material effect on the consolidated statements of cash flows.

Change of Presentation
Upon adoption of the Revised PAS 19, the presentation of the consolidated statement of income was updated to reflect these changes. Net interest is now shown under interest expense line item (previously under personnel costs under operating expenses). This presentation better reflects the nature of net interest since it corresponds to the compounding effect of the long-term net defined benefit liability (net defined benefit asset). In the past, the expected return on plan assets reflected the individual performance of the plan assets, which were regarded as part of the operating activities.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The revised standard is not expected to have an impact on the consolidated financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard is applicable but the Group assess no material effect on the consolidated financial statements.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part or this interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The new standard has no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening consolidated statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective consolidated statement or reclassification of items in the consolidated financial statements.

An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective consolidated statement or reclassification of items in the consolidated financial statements) are not required. As a result, the Group has not included comparative information in respect of the opening consolidated statement of financial position as at July 1, 2012. The amendments affect disclosures only and have no impact on the Group's position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Future Changes in Accounting Policies

The following new and revised standards, amendments to PFRS and Philippine Interpretations will become effective subsequent to June 30, 2014:

Effective for Fiscal Year Beginning July 2014:

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 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 amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  They 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 fair value through profit or loss. The amended standards are not expected to have an impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies*
  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. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- 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. Adoption of this standard will have no impact on the Group's financial position or performance since it has neither derivatives nor hedge accounting transactions.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  PAS 32 clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amended standard is not expected to have an impact on the consolidated financial statements.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 is effective retrospectively for annual periods beginning on or after July 1, 2014. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendment is not relevant to the Group.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition* (Amendments)
  PFRS 2 revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination (*Amendment)
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. This amendment does not apply to the Group as it has no 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* (Amendment)
  PFRS 8 requires entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables* (Amendment)
  PFRS 13, effective for annual period beginning on or after July 1, 2014, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation* (Amendment)
  PAS 16 clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel (*Amendments)
  PAS 24 clarifies that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent Group of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization (*Amendments)
  PAS 38 clarifies that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS consolidated financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the consolidated financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment is not relevant to the Group.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The am endment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. 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 fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at Fair Value through Profit or Loss (FVPL) using the fair value option, 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 respect of the liability's 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 separation 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 impact on the classification and measurement of financial liabilities.

  On hedge accounting, 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 financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 is effective for annual periods beginning on or after January 1, 2014. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Effective date to be determined:

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board 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 impact on the consolidated financial statements of the Group.

The Group does not expect any significant impact in the consolidated financial statements when it adopts the above standards and interpretations. The revised, amended and additional disclosure or accounting changes provided by the standards and interpretations will be included in the Group's consolidated 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 all items of recognized income and expense in two statements: a statement displaying components of consolidated profit or loss (separate consolidated statement of income) and a second statement beginning with consolidated profit or loss and displaying components of other comprehensive income (consolidated statement of comprehensive income).

Financial Instruments - Initial Recognition
Financial assets within the scope of PAS 39 are classified as financial assets at FVPL, loans and receivables, HTM investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets 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.

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).

As at June 30, 2014 and 2013, the Group's financial assets are in the nature of loans and receivables, AFS financial assets and HTM investments. The Group has no financial assets at FVPL as at June 30, 2014 and 2013.

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, 2014 and 2013, the Group's financial liabilities are in the nature of other financial liabilities. As at June 30, 2014 and 2013, the Group has no financial liabilities classified as at FVPL.

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 and amounts owed by related parties.

AFS Financial Assets
AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that 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.

HTM Investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM investments when the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of income. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets and the Group will be precluded from using the HTM investments account for the current period and for the next two succeeding periods from tainting date. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired.

As at June 30, 2014, the Group has no HTM investment. As at June 30, 2013, the Group's HTM investments include investments in government debt securities.

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, rental and other deposits and amounts owed to related parties.

<u>Fair Value of Financial Instruments</u>
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 as explained above.

<u>Offsetting of Financial Instruments</u>
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.

<u>Impairment of Financial Assets</u>
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
AFS financial assets include equity investments and debt securities. Equity investments classified as AFS financial assets are those that are neither classified as 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 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 Company 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.

<u>Inventories</u>
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.

<u>Real Estate Held for Sale and Development</u>
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.

<u>Creditable Withholding Taxes (CWTs)</u>
CWTs which are claimed against income tax due represents excess of the tax payable and are carried over in the succeeding period for the same purpose.

<u>Input Value-added Tax (VAT)</u>
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.

<u>Investment in an Associate</u>
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.

Leasehold Rights

Leasehold rights are stated at cost and are amortized on a straight line basis over the remaining term of the lease from the start of commercial operation.

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:

	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 costs includes purchase price payments for new software and other directly related costs necessary to bring the asset to use.

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.

Real Estate for Sale and Development, Leasehold Rights, 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, leasehold rights, 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.

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.

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.

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 24^{th} 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.

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-forth (24^{th}) 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".

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".

Deficit
Deficit includes accumulated losses attributable to the Group's equity holders.

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 reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. 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:

Rental
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.

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 - net
Revenue from sale of merchandise is 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.

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

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

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized in the consolidated statement of income in the period these are incurred.

Operating Expenses
Operating expenses consist of cost associated with the development and execution of day-to-day operations of the Group. These are generally recognized when the services are incurred or the related expenses arise.

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.

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.

<u>Leases</u>
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.

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.

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.

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 ₱63.2 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 2014 and 2013, the Group recorded recovery from insurance amounting to ₱269.3 million and ₱78.1 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 ₱0.7 million, ₱20.9 million and ₱21.9 million in 2014, 2013 and 2012, respectively. Reversal of impairment losses on receivables amounted to ₱1.3 million, ₱0.4 million and ₱12.2 million in 2014, 2013 and 2012, respectively. Receivables amounted to ₱596.0 million and ₱873.3 million as at June 30, 2014 and 2013, respectively, net of allowance for impairment losses amounting to ₱308.8 million and ₱316.3 million as at June 30, 2014 and 2013, respectively (see Note 5).

There was no provision for impairment loss on amounts owed by related parties recognized in 2014, 2013 and 2012. Reversal of impairment losses on amounts owed by related parties amounted to nil, ₱62.5 million and nil in 2014, 2013 and 2012. Amounts owed by related parties amounted to ₱0.02 million and ₱0.03 million as at June 30, 2014 and 2013, respectively, net of allowance for impairment losses amounting to ₱1.6 million as at June 30, 2014 and 2013 (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 ₱1.8 million, ₱71.0 million, and ₱16.0 million in 2014, 2013 and 2012, respectively. Recovery on allowance for inventory losses amounted to ₱0.2 million in 2014 and nil in 2013 and 2012. Inventories amounted to ₱18.5 million and ₱34.8 million as at June 30, 2014 and 2013, respectively, net of allowance for inventory losses amounting to ₱82.0 million and ₱97.9 million as at June 30, 2014 and 2013, respectively (see Note 6).

Estimating Allowance for Impairment Losses on Real Estate for Sale and Development
The Group maintains an allowance for real estate 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 loss recognized in 2014, 2013 and 2012. Real estate for sale and development amounted to ₱429.5 million and ₱280.2 million as at June 30, 2014 and 2013, respectively (see Note 7).

Estimating Allowances for Impairment Losses of AFS Financial Assets
The Group recognizes impairment losses on AFS financial assets 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 ₱2.6 million, ₱291.5 million and nil in 2014, 2013 and 2012, respectively. The carrying amount of AFS financial assets amounted to ₱1,643.9 million and ₱1,238.3 million as at June 30, 2014 and 2013, respectively, net of allowance for impairment losses amounting to ₱294.10 and ₱291.5 million as at June 30, 2014 and 2013, respectively (see Note 8).

Estimating Allowance for Impairment of HTM Investment
The Group determines impairment of its HTM investment based on its evaluation of objective evidence of impairment which includes observable data that comes to the attention of the Group such as, but not limited to, significant financial difficulty of the counterparty or the probability that the issuer will enter bankruptcy or other financial reorganization.

There was no provision for impairment loss recognized in 2014, 2013 and 2012. The carrying value of HTM investment amounted to nil and ₱2.0 million as at June 30, 2014 and 2013 (see Note 9).

Estimating Allowance for Impairment Losses of Investments in an Associate
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the fair value of investments in associates, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such asset, 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 the investment is impaired. Any resulting impairment loss could have a material adverse impact on the consolidated statement of financial position and consolidated statement of income.

There was no provision for impairment loss recognized in 2014, 2013 and 2012. Investments in an associate amounted to ₱2.6 million as at June 30, 2014 and 2013 (see Note 11).

Estimating Useful Lives of Leasehold Rights, Investment Properties, Property, Plant and Equipment and Software Costs
The estimated useful lives used as bases for depreciating and amortizing the Group's leasehold rights, investment properties, property, plant and equipment and software 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 leasehold rights, investment properties, property, plant and equipment and software costs based on the period over which the assets are expected to be available for use. The estimated useful lives of leasehold rights, investment properties, property, plant and equipment and software 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 increase depreciation and amortization and decrease in the corresponding leasehold rights, investment properties, property, plant and equipment and software costs.

The carrying value of leasehold rights amounted to nil and ₱4.2 million as at June 30, 2014 and 2013, respectively (see Note 27).

The carrying value of investment properties amounted to ₱737.5 million and ₱754.6 million as at June 30, 2014 and 2013, respectively (see Note 12).

The carrying value of property, plant and equipment amounted to ₱672.1 million and ₱704.7 million as at June 30, 2014 and 2013, respectively (see Note 13).

The carrying value of software costs amounted to ₱9.0 million and ₱8.2 million as at June 30, 2014 and 2013, respectively (see Note 14).

Estimating Allowance for Impairment Losses of 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.

Provision for impairment losses on investment properties amounted to nil, ₱6.6 million and nil in 2014, 2013 and 2012, respectively. In 2013, the Group recorded the provision for impairment loss amounting to ₱6.6 million as part of casualty loss in relation to the fire. The carrying value of investment properties amounted to ₱737.5 million and ₱754.6 million as at June 30, 2014 and 2013, respectively, net of allowance for impairment losses amounting to ₱6.3 million and ₱6.6 million as at June 30, 2014 and 2013, respectively (see Note 12).

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

The Group assesses impairment of leasehold rights, 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 value of leasehold rights amounted to nil and ₱4.2 million as at June 30, 2014 and 2013, respectively (see Note 27).

The carrying value of property, plant and equipment amounted to ₱672.1 million and ₱704.7 million as at June 30, 2014 and 2013, respectively (see Note 13).

The carrying value of software costs amounted to ₱9.0 million and ₱8.2 million as at June 30, 2014 and 2013, respectively (see Note 14).

Estimating Allowance for Impairment Losses on Non-financial Other Current and Noncurrent Assets

The Group provides allowance for losses on 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 non-financial other current assets amounted to ₱0.01 million, ₱0.2 million, and ₱0.1 million in 2014, 2013 and 2012, respectively. As at June 30, 2014 and 2013, the carrying value of non-financial other current assets amounted to ₱210.4 million and ₱198.2 million, respectively, net of allowance for impairment losses amounting to ₱2.8 million and ₱3.0 million as at June 30, 2014 and 2013, respectively (see Note 10).

There was no provision for impairment losses on non-financial other noncurrent assets recognized in 2014, 2013 and 2012. As at June 30, 2014 and 2013, the carrying value of non-financial other noncurrent assets amounted to ₱100.6 million and ₱84.4 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 ₱267.0 million and ₱594.6 million as at June 30, 2014 and 2013, 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 ₱25.3 million and ₱21.3 million and ₱19.5 million in 2014, 2013 and 2012, respectively. As at June 30, 2014 and 2013, the retirement benefits liability of the Group amounted to ₱99.2 million and ₱138.3 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 ₱62.6 million and ₱70.2 million as at June 30, 2014 and 2013, 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 ₱1,236.6 million and ₱1,195.5 million as at June 30, 2014 and 2013, 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, 2014 and 2013 amounted to ₱3,250.4 million and ₱3.399.0 million, respectively, while the fair values of financial liabilities as at June 30, 2014 and 2013 amounted to ₱876.4 million and ₱1236.0 million, respectively (see Note 31).

4. Cash and Cash Equivalents

	2014	2013
	(In Thousands)	
Cash on hand and in banks	**₱98,623**	₱99,869
Short-term investments	**280,006**	546,008
	₱378,629	₱645,877

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 ₱1.0 million, ₱0.3 million, and ₱0.4 million in 2014, 2013 and 2012, respectively. Interest earned from short-term investments amounted to ₱4.8 million, ₱5.5 million, and ₱6.4 million in 2014, 2013 and 2012, respectively (see Note 22).

5. Receivables

	2014	2013
	(In Thousands)	
Trade debtors	**₱141,187**	₱156,644
Insurance receivables	**506,857**	785,325
Others	**256,760**	247,604
	904,804	1,189,573
Less allowance for impairment losses	**308,758**	316,281
	₱596,046	₱873,292

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 60 to 180 days' term.

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱167.8 million as at June 30, 2014 and 2013. 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 non-interest 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 amounted to ₱6.97 million

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 June 30, 2011	₱58,147	₱11,441	₱192,912	₱262,500
Provisions (Note 20)	17,619	–	4,254	21,873
Reversal	(5,685)	(3,865)	(2,667)	(12,217)
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	90,439	7,755	218,087	316,281
Provisions (Note 20)	146	586	–	732
Write-off	(2)	–	(6,968)	(6,970)
Recovery	(1,285)	–	–	(1,285)
At June 30, 2014	₱89,298	₱8,341	₱211,119	₱308,758

Interest earned from trade receivables amounted to ₱0.07 million, ₱0.05 million and ₱0.2 million in 2014, 2013 and 2012, respectively (see Note 22).

6. Inventories

	2014	2013
	(In Thousands)	
At NRV:		
Finished goods	**₱17,773**	₱31,908
Factory supplies and spare parts	**701**	2,902
	₱18,474	₱34,810

Movements in the allowance for inventory losses are as follows:

	2014	2013	2012
		(In Thousands)	
Beginning balances	**₱97,893**	₱33,526	₱36,385
Provisions (Note 20)	**1,813**	70,952	15,986
Recovery	**(225)**	–	–
Reversal	**(4,360)**	–	–
Write-off	**(13,105)**	(6,586)	(18,845)
	₱82,016	₱97,892	₱33,526

Inventories charged to operations amounted to ₱34.2 million, ₱136.4 million, and ₱187.5 million in 2014, 2013 and 2012, respectively (see Note 20).

7. Real Estate Held for Sale and Development

	2014	2013
	(In Thousands)	
Land for development	**₱395,509**	₱246,181
Homelands	**33,998**	33,998
	₱429,507	₱280,179

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, 2014 and 2013 are as follows:

	2014	2013
	(In Thousands)	
Land cost	**₱299,239**	₱152,031
Construction overhead and other related costs	**73,917**	73,438
Professional fees	**17,932**	17,932
Taxes	**4,421**	2,780
	₱395,509	₱246,181

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:

	2014	2013
	(In Thousands)	
Balances at beginning of year	**₱280,179**	₱279,120
Additions	**149,328**	141
Repossessions	**–**	918
Balances at end of year	**₱429,507**	₱280,179

In October 2013, OPDI purchased 58,883 square meters parcel of land situated in Alimanguan, Sto. Nino, San Vicente, Palawan amounting to ₱148.83 million.

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

	2014	2013
	(In Thousands)	
Listed equity securities	**₱1,390,601**	₱1,299,221
Nonlisted equity securities	**299,661**	31,532
Quoted debt securities	**241,655**	187,832
Unquoted debt securities	**6,082**	11,200
	₱1,937,999	₱1,529,785
Allowance for impairment losses	**294,101**	291,501
	₱1,643,898	₱1,238,284

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 ₱594.1 million from the reclassification of Cyber Bay investment (see Note 11).

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:

	2014	2013
	(In Thousands)	
Balances at beginning of year	**₱291,501**	₱–
Provisions	**2,600**	291,501
Balances at end of year	**₱294,101**	₱291,501

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

	Equity Holders	Non-Controlling Interests	Total
		(In Thousands)	
June 30, 2011	₱52,432	₱1,269	₱53,701
Gain recognized directly in equity	95,223	3,346	98,569
Gain transferred from equity to consolidated statement of income	(84,620)	–	(84,620)
July 1, 2012	63,035	4,615	67,650
Gain (loss) recognized directly in equity	65,070	(2,499)	62,571
Gain 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

Proceeds from the sale of AFS financial assets amounted to ₱222.9 million, ₱293.4 million and ₱152.8 million in 2014, 2013 and 2012, respectively, with a corresponding gain on sale of ₱159.2 million, ₱147.3 million and ₱110.9 million in 2014, 2013 and 2012, respectively.

Interest earned from AFS financial assets amounted to ₱7.8 million and ₱22.0 million and ₱21.4 million in 2014, 2013 and 2012, respectively.

Dividend income received on AFS financial assets amounted to ₱4.0 million, ₱1.3 million and ₱0.9 million in 2014, 2013 and 2012, respectively.

9. HTM Investments

HTM investments at amortized cost amounted to nil and ₱2.0 million as at June 30, 2014 and 2013, respectively.

HTM investments 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.

These are investments in government debt securities with interest rate of 9.0% in 2013. These investments matured in July 2013.

Interest earned from HTM investments amounted to nil in 2014 and ₱0.2 million in 2013 and 2012 (see Note 22).

10. **Other Current Assets**

	2014	2013
	(In Thousands)	
CWTs	**₱185,961**	₱175,421
Input VAT	**25,784**	23,492
Prepayments	**1,464**	2,253
	213,209	201,166
Less allowance for impairment losses	**2,819**	2,970
	₱210,390	₱198,196

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.

Movements in the allowance for impairment losses are as follows:

	2014	2013	2012
		(In Thousands)	
Balances at beginning of year	**₱2,970**	₱6,239	₱18,765
Provisions (Note 20)	**61**	193	120
Write-off	**(212)**	(3,462)	(12,646)
Balances at end of year	**₱2,819**	₱2,970	₱6,239

11. **Investments in an Associate**

	2014	2013
	(In Thousands)	
Acquisition costs:		
Balances at beginning of year	**₱5,959**	₱1,416,101
Additions	–	15,666
Reclassification (Note 8)	–	(1,425,808)
Balances at end of year	**5,959**	5,959
Accumulated equity in net losses of associates:		
Balances at beginning of year	**(3,371)**	(160,052)
Equity in net income of associates	**(24)**	32
Reclassification (Note 8)	–	156,649
Balances at end of year	**(3,395)**	(3,371)
	₱2,564	₱2,588

As discussed in Note 8, the investment in Cyber Bay amounting to ₱544.2 million net of accumulated equity in net losses of associates and allowance for impairment losses of ₱156.6 million and ₱725.0 million, respectively, was reclassified to AFS financial asset starting November 13, 2012.

Summarized combined financial statement information of the associate follows:

	2014	2013
	(In Thousands)	
Current assets	**₱10,098**	₱10,150
Noncurrent assets	**21**	65
Total liabilities	**297**	268
Revenue	**450**	693
Costs and expenses	**524**	543
Net income (loss)	**(125)**	167

12. **Investment Properties**

As at June 30, 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	**1,537,382**	**414**	**1,537,796**
Depreciation and amortization (Note 20)	**32,167**	**138**	**32,305**
Write-off	**(1,205)**	**–**	**(1,205)**
At end of year	**1,568,344**	**552**	**1,568,896**
Balance	**612,697**	**131,072**	**743,769**
Less: Allowance for impairment losses	**6,281**	**–**	**6,281**
Net book values	**₱606,416**	**₱131,072**	**₱737,488**

As at June 30, 2013

	Buildings and Improvements	Land and Improvements	Total
		(In Thousands)	
Cost			
At beginning of year	₱2,187,055	₱131,624	₱2,318,679
Additions	58,486	–	58,486
Write-off (Note 1)	(78,144)	–	(78,144)
At end of year	2,167,397	131,624	2,299,021
Accumulated Depreciation and Amortization			
At beginning of year	1,528,556	276	1,528,832
Depreciation and amortization (Note 20)	30,511	138	30,649
Write-off (Note 1)	(21,685)	–	(21,685)
At end of year	1,537,382	414	1,537,796
Balance	630,015	131,210	761,225
Less: Allowance for impairment losses	6,621	–	6,621
Net book values	₱623,394	₱131,210	₱754,604

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 3.

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.

TPI 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 on August 8, 2014, the appraised values of the TPI's investment properties amounted to ₱3,639.7 million as at June 30, 2014 and 2013.

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, 2014 and 2013, the net book values of these properties follow:

	2014	2013
	(In Thousands)	
At net book value:		
Original cost	**₱318,859**	₱339,138
Revaluation reserve	**264,911**	279,326
	₱583,770	₱618,464

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 Management written-off the Bonifacio Plaza

In 2014, the Company written-off the remaining carrying value of Boni Plaza amounting to ₱0.3 million and the allowance for impairment loss recognized in 2013 amounting to ₱0.3 million as the demolition of CB1 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:

	2014	2013
	(In Thousands)	
Beginning balance	**₱6,621**	₱–
Write-off	**(340)**	–
Provision	**–**	6,621
	₱6,281	₱6,621

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 ₱402.5 million, ₱419.8 million, and ₱491.5 million in 2014, 2013 and 2012, respectively. Direct operating expenses incurred for investment properties amounted to ₱210.1 million, ₱233.9 million, and ₱269.4 million in 2014, 2013 and 2012, respectively.

13. **Property, Plant and Equipment**

As at June 30, 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	₱6,891	₱2,088,175	₱38,663	₱87,034	₱8,692	₱6,994	₱2,236,449
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	2,087,856	39,484	89,557	8,692	7,093	2,239,630
Accumulated Depreciation and Amortization							
At beginning of year	6,317	2,056,135	29,203	79,740	4,187	1,365	2,176,947
Depreciation and amortization (Note 20)	200	5,132	3,842	3,161	217	2,042	14,594
Disposals	–	–	(882)	(270)	–	–	(1,152)
At end of year	6,517	2,061,267	32,163	82,631	4,404	3,407	2,190,389
Net Book Values	₱431	₱26,589	₱7,321	₱6,926	₱4,288	₱3,686	₱49,241

	Land and Improvements	**Buildings and Improvements**	**Total**
		(In Thousands)	
At revalued amounts:			
At beginning of year	**₱339,582**	**₱694,441**	**₱1,034,023**
Additions	**–**	**4,790**	**4,790**
At end of year	**339,582**	**699,231**	**1,038,813**
Accumulated depreciation and amortization			
At beginning of year	**18,357**	**370,481**	**388,838**
Depreciation and amortization (Note 20)	**680**	**26,453**	**27,133**
At end of year	**19,037**	**396,934**	**415,971**
Net book values	**₱320,545**	**₱302,297**	**₱622,842**

As at June 30, 2013

	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	₱21,415	₱2,090,733	₱44,026	₱84,083	₱8,692	₱1,063	₱2,250,012
Additions	439	2,039	3,573	4,768	–	6,099	16,918
Disposals	–	–	(8,936)	(382)	–	–	(9,318)
Retirements	(9,963)	–	–	(411)	–	–	(10,374)
Write-off	–	(1,614)	–	(887)	–	–	(2,501)
Reclassification	(5,000)	(2,983)	–	(137)	–	(167)	(8,287)
At end of year	6,891	2,088,175	38,663	87,034	8,692	6,995	2,236,450
Accumulated Depreciation and Amortization							
At beginning of year	16,214	2,055,838	34,634	77,089	3,970	–	2,187,745
Depreciation and amortization (Note 20)	66	5,521	3,505	4,208	217	1,402	14,919
Disposals	–	–	(8,936)	(382)	–	–	(9,318)
Retirements	(9,963)	–	–	(402)	–	–	(10,365)
Write-off	–	(5,224)	–	(773)	–	–	(5,997)
Reclassification	–	–	–	–	–	(38)	(38)
At end of year	6,317	2,056,135	29,203	79,740	4,187	1,364	2,176,946
Net Book Values	₱574	₱32,040	₱9,460	₱7,294	₱4,505	₱5,631	₱59,504

	Land and Improvements	Buildings and Improvements	Total
		(In Thousands)	
At revalued amounts:			
At beginning of year	₱339,662	₱686,255	₱1,025,917
Revaluations	(80)	8,186	8,106
At end of year	339,582	694,441	1,034,023
Accumulated depreciation and amortization			
At beginning of year	17,543	343,677	361,220
Depreciation and amortization (Note 20)	814	26,092	26,906
Revaluations	–	712	712
At end of year	18,357	370,481	388,838
Net book values	₱321,225	₱323,960	₱645,185

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 2014, 2013 and 2012 amounting to ₱0.2 million, ₱1.2 million and ₱1.3 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. dated July 23, 2013, exceeds its carrying cost. Asian Appraisal Company, Inc. is an industry specialist in valuing these types of properties. The aggregate fair value of land and improvements and buildings and improvements of LCI, a subsidiary, amounted to ₱622.8 million and ₱645.2 million as at June 30, 2014 and 2013, respectively.

Had land and improvements and buildings and improvements been carried at cost, the net book values of these assets would be ₱329.8 million and ₱381.1 million as at June 30, 2014 and 2013, respectively.

As at June 30, 2014 and 2013, the Group continues to utilize fully depreciated property, plant and equipment with an aggregate acquisition cost amounting to ₱1,884.6 million and ₱1,891.2 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	Write- off	Casualty Loss
		(In Thousands)		
Cluster Building 1	₱454	₱431	₱23	₱23
Cluster Building 2	211	199	12	12
TPI-Offices	1,836	1,704	132	132
	₱2,501	₱2,334	₱167	₱167

14. **Software Costs**

	2014	2013
	(In Thousands)	
At cost:		
Beginning balances	**₱28,968**	₱25,551
Additions	**4,183**	3,095
Reclassification	**–**	322
Ending balances	**33,151**	28,968
Accumulated amortization:		
Beginning balances	**20,790**	17,045
Amortization (Note 20)	**3,404**	3,707
Reclassification	**–**	38
Ending balances	**24,194**	20,790
Net book values	**₱8,957**	₱8,178

15. **Other Noncurrent Assets**

	2014	2013
	(In Thousands)	
Refundable deposits	**₱27,313**	₱30,161
Deferred acquisition cost	**25,641**	20,649
Deferred reinsurance premiums	**24,059**	33,338
Prepaid expenses	**16,177**	5,415
Deferred input VAT	**9,697**	10,929
Unclaimed claims reserve fund	**6,380**	–
Others	**18,665**	14,078
	₱127,932	₱114,570

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

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.

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.

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

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**

	2014	2013
	(In Thousands)	
Claims payables	**₱266,951**	₱594,620
Reserves for unearned premiums	**111,909**	122,655
Accrued expenses	**93,690**	124,099
Nontrade payables	**62,529**	69,801
Trade payables	**46,997**	45,830
Due to reinsurers and ceding companies	**29,132**	29,899
Others	**62,175**	72,685
	₱673,383	₱1,059,589

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 for certain provisions amounting to nil, ₱243.3 million, and ₱44.9 million in 2014, 2013 and 2012, 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 ₱199.3 million (see Note 18).

17. **Rental and Other Deposits**

	2014			2013		
	Due within One Year	**Beyond One Year**	**Total**	Due within One Year	Beyond One Year	Total
			(In Thousands)			
Rental deposits	**₱50,453**	**₱4,979**	**₱55,432**	₱31,411	₱16,256	₱47,667
Security deposits	**70,757**	**18,619**	**89,376**	55,447	32,112	87,559
Deferred rent	**34,998**	**12,796**	**47,794**	25,073	19,508	44,581
Customer deposits	**1,317**	**4,563**	**5,880**	1,557	2,303	3,860
Construction bond	**4,192**	**3,621**	**7,813**	3,340	4,411	7,751
Other deposits	**4,938**	**3,510**	**8,448**	3,676	4,065	7,741
	₱166,655	**₱48,088**	**₱214,743**	₱120,504	₱78,655	₱199,159

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.

Customer deposits consist of priority premiums paid by tenants which serve as their reservation deposits. Discounted security deposits amounted to ₱9.1 million and ₱5.0 million as June 30, 2014 and 2013, respectively (see Note 27).

Deferred rent pertains to rent received in advance amounted to ₱47.8 million and ₱44.6 million as at June 30, 2014 and 2013, respectively.

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	Terms	Conditions
			(In Thousands)		
Amounts owed by related parties:					
Under common control					
Guoman Philippines, Inc	**2014**	**₱–**	**₱1,626**	Demandable and collectible on demand	Unsecured, non-interest bearing, with impairment, of ₱1,610, and unguaranteed
	2013	₱2	₱1,626		
Genez Investments Corp.	**2014**	–	**6**	Demandable and collectible on demand	Unsecured, non-interest bearing, no impairment, and unguaranteed
	2013	–	6		
Hongway Holdings, Inc.	**2014**	–	–	Demandable and collectible on demand	Unsecured, non-interest bearing, no impairment, and unguaranteed
	2013	5	3		
	2013	–	–		
Total	**2014**	**₱3**	**₱1,632**		
Total	2013	₱7	₱1,635		

	2014	2013
	(In Thousands)	
Amounts owed by related parties	**₱1,632**	₱1,635
Less allowance for impairment losses	**1,610**	1,610
	₱22	₱25

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

	2014	2013	2012
		(In Thousands)	
Balances at beginning of year	**₱1,610**	₱87,995	₱87,995
Reversal during the year	**–**	(62,462)	–
Write-off during the year	**–**	(257)	–
Reclassification (Note 5)	**–**	(23,666)	–
Balances at end of year	**₱1,610**	₱1,610	₱87,995

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.

Category		Amount/Volume	Outstanding Balance	Terms	Conditions
Amounts owed to related parties:			(In Thousands)		
Under common control					
OYL Overseas, Limited	**2014**	**₱–**	**₱–**	Demandable and payable on demand	Unsecured, non-interest bearing, and unguaranteed
	2013	₱–	₱2,673		

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 ₱1,499.8 million and ₱2,630. 2 million (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 ₱71.8 million, ₱73.2 million and ₱82.1 million in 2014, 2013 and 2012, 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:

	2014	2013
	(In Thousands)	
Carrying value	**₱70,434**	₱87,795
Fair value	**71,709**	87,711

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

	2014	2013
Cash	**31.4%**	19.9%
Equity	**65.2%**	17.5%
Fixed income	**3.3%**	62.4%
Others	**0.1%**	0.2%
	100.0%	100.0%

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, 2014 and 2013 the Parent Company has unpaid subscription in Cyber Bay amounting to ₱481.7 million which is presented as "Subscriptions Payable" in the consolidated statements of financial position. Cyber Bay under "AFS financial assets" amounted to ₱930.0 million and ₱846.7 million as at June 30, 2014 and 2013, respectively, net of allowance for impairment losses amounted to ₱291.5 million as at June 30, 2014 and 2013.

20. Cost of Goods Sold, Services and Operating Expenses

	2014	2013	2012
		(In Thousands)	
Personnel expenses (Note 21)	**₱210,231**	₱220,132	₱223,301
Rental (Note 27)	**90,819**	92,546	118,910
Share in CUSA related expenses	**89,356**	116,736	134,913
Depreciation and amortization (Notes 12, 13, 14 and 27)	**81,675**	85,107	79,740
Taxes and licenses	**37,873**	21,300	21,050
Materials used and changes in inventories (Note 6)	**34,158**	136,398	187,517
Professional and legal fees	**21,563**	21,553	16,959
Janitorial and security services	**10,436**	10,809	7,604
Communication and transportation	**10,236**	11,488	14,925
Insurance	**8,249**	8,002	10,396
Marketing expenses	**7,852**	24,462	32,705
Supplies and repairs	**7,158**	23,486	44,545
Representations	**1,955**	3,359	1,968
Provision for impairment losses - net of recovery (Notes 5, 6 and 10)	**1,096**	91,682	37,979
Utilities and fuel	**–**	89,154	189,623
Others	**16,818**	13,366	4,307
	₱629,475	₱969,580	₱1,126,442

21. Personnel Expenses

	2014	2013	2012
		(In Thousands)	
Compensation and employee benefits	**₱191,008**	₱205,886	₱211,511
Retirement benefits costs (Note 23)	**19,223**	14,246	11,790
	₱210,231	₱220,132	₱223,301

22. Interest Expense and Bank Charges - net

	2014	2013	2012
Interest income:		(In Thousands)	
Short-term investments (Note 4)	**₱4,770**	₱5,535	₱6,448
Cash in banks (Note 4)	**978**	315	405
Receivables (Note 5)	**71**	46	166
HTM investments (Note 9)	**–**	180	180
	5,819	6,076	7,199
Interest expense and bank charges:			
Retirement benefits liability (Note 23)	**6,116**	7,109	7,747
Bank charges	**1,394**	662	205
Interest expense	**175**	–	–
Others	**–**	150	112
	7,685	7,921	8,064
	(₱1,866)	(₱1,845)	(₱865)

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 1, 2013 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:

	June 30, 2014	June 30, 2013 (As restated, see Note 2)	July 1, 2012 (As restated, see Note 2)
		(In Thousands)	
Retirement benefits liability:			
Present value of obligation (PVO)	**₱242,467**	₱231,516	₱190,820
Fair value of plan assets	**(143,282)**	(93,197)	(75,808)
Unfunded obligation	**₱99,185**	₱138,319	₱115,012

	June 30, 2014	June 30, 2013 (As restated, see Note 2)	July 1, 2012 (As restated, see Note 2)
		(In Thousands)	
Retirement benefits costs:			
Current service cost	**₱20,843**	₱16,093	₱11,774
Interest cost - net (Note 22)	**6,116**	7,109	7,747
Past service cost - nonvested	**–**	–	16
Past service cost	**(1,620)**	(1,857)	–
	₱25,339	₱21,345	₱19,537

Movements in the retirement benefits liability are as follows:

	June 30, 2014	June 30, 2013 (As restated, see Note 2)	July 1, 2012 (As restated, see Note 2)
	(In Thousands)		
Balances at beginning of year	**₱138,319**	₱115,012	₱71,558
Benefit expense	**25,339**	21,345	19,537
Actuarial losses (gains) - net	**(8,592)**	23,619	51,709
Actual contributions	**(55,881)**	(21,657)	(27,792)
Balances at end of year	**₱99,185**	₱138,319	₱115,012

Changes in the PVO are as follows:

	June 30, 2014	June 30, 2013 (As restated, see Note 2)	July 1, 2012 (As restated, see Note 2)
		(In Thousands)	
Balances at beginning of year	**₱231,516**	₱190,820	₱145,827
Current service cost	**20,843**	16,093	11,774
Interest cost	**10,980**	11,695	12,159
Benefits paid	**(9,648)**	(14,680)	(13,384)
Actuarial loss	**(7,497)**	29,445	34,428
Past service cost	**(3,727)**	(1,857)	16
Balances at end of year	**₱242,467**	₱231,516	₱190,820

Changes in fair value of plan assets are as follows:

	June 30, 2014	June 30, 2013 (As restated, see Note 2)	July 1, 2012 (As restated, see Note 2)
		(In Thousands)	
Balances at beginning of year	**₱93,197**	₱75,808	₱55,039
Actual contributions	**55,881**	20,247	27,792
Interest income	**4,864**	4,586	4,412
Actuarial gain on plan assets	**1,095**	7,236	1,949
Benefits paid	**(11,755)**	(14,680)	(13,384)
Balances at end of year	**₱143,282**	₱93,197	₱75,808

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

	2014	2013	2012
Cash	**31.4%**	19.9%	2.4%
Equity	**65.2%**	17.5%	4.4%
Fixed income	**3.3%**	62.4%	92.6%
Others	**0.1%**	0.2%	0.6%
	100.0%	**100.0%**	100.0%

The Group expects to contribute ₱23.0 million to the retirement plan in 2014.

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

	2014	2013	2012
Discount rates	**5.2%**	5.0%	7.0%
Expected rates of return on plan assets	**6.0%**	8.0%	8.0%
Salary increase rate	**7.5%**	7.0%	7.0%

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

	2014	2013	2012	2011	2010
			(In Thousands)		
Defined benefit obligation	**₱242,467**	₱231,516	₱190,820	₱111,059	₱121,407
Plan assets	**143,282**	93,197	75,808	43,403	36,829
Unfunded obligation	**₱99,185**	₱138,319	115,012	67,656	84,578
Experience adjustment on plan liabilities - loss (gain)	**(21,676)**	6,256	(3,275)	(789)	13,750
Experience adjustment on plan assets - gain (loss)	**4,565**	4,714	(727)	3,339	(6,479)
Change in actuarial assumptions	**(3,919)**	20,793	15,615	620	2,065

24. Income Taxes

The Group's current provision for income tax in 2014 and 2013 represents regular corporate income tax.

	2014	2013	2012
		(In Thousands)	
Current	**₱10,105**	₱5,974	₱14,781
Final	**1,485**	3,417	3,776
Deferred	**70,360**	(3,801)	5,716
	₱81,950	₱5,590	₱24,273

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

	2014	2013	2012
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	**(1.7)**	(2.4)	(26.9)
Expired NOLCO	**0.8**	1.4	48.4
Movement in unrecognized deferred income tax assets	**(9.6)**	(8.1)	(23.8)
Interest income subjected to final taxes	**(0.1)**	(0.4)	(6.9)
Expired MCIT	**0.1**	0.1	0.9
Exempt income from dividend	**–**	–	(0.2)
Dilution loss on reversal of allowance	**–**	3.6	–
Other nontaxable income	**0.5**	7.7	(2.1)
At effective tax rates	**3.1%**	0.3%	19.4%

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

	2014	2013
	(In Thousands)	
Deferred income tax assets:		
Casualty loss	**₱18,974**	₱18,974
Deferred rent	**14,338**	13,374
Allowance for impairment losses on receivables	**11,976**	11,976
Retirement benefits liability	**8,041**	15,088
Unamortized past service cost	**6,704**	3,253
Unearned rent	**317**	–
Unamortized deferred costs	–	5,505
Others	**2,268**	2,066
	62,618	70,236
Deferred income tax liabilities:		
Revaluation increment on property, plant, and equipment	**(108,100)**	(111,362)
Recovery on insurance	**(98,382)**	(23,426)
Revaluation reserve on investment properties	**(79,474)**	(83,798)
Undepreciated capitalized rent, interest and customs duties	**(6,466)**	(10,319)
Accrued rent income	**(1,696)**	(4)
Remeasurement gain on retirement	**(9,280)**	(12,351)
Retirement plan assets	**(611)**	–
Unrealized gain on valuation of AFS	**(165)**	(58)
` Unrealized foreign exchange gain	**(5)**	(12)
	(304,179)	(241,330)
	(₱241,561)	(₱171,094)

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:

	2014	2013
	(In Thousands)	
NOLCO	**₱342,585**	₱302,473
Allowance for impairment losses on receivables, other current assets, inventories and others	**674,971**	678,169
Retirement benefits liability	**93,181**	88,026
Loss on remeasurement of retirement benefits plan	**84,606**	103,435
Unamortized past service cost	**37,927**	19,889
MCIT	**1,856**	3,189
Accrued rent	**909**	112
Provision for probable losses	**508**	–
Unrealized foreign exchange losses	**93**	54
Excess of reserve for unearned premiums	–	187
	₱1,236,636	₱1,195,534

As at June 30, 2014, the Group has NOLCO that can be claimed as deduction from future taxable income as follows:

NOLCO:

Year incurred	Available until	Balance (In Thousands)
2012	2015	₱92,636
2013	2016	137,731
2014	2017	112,218
		₱342,585

The following are the movements in NOLCO as at June 30, 2014 and 2013:

	2014	2013
	(In Thousands)	
Balances at beginning of year	**₱302,473**	₱249,836
Additions	**112,218**	137,731
Expirations	**(72,106)**	(85,094)
Balances at end of year	**₱342,585**	₱302,473

As at June 30, 2014, the Group has MCIT that can be used against payment of regular income tax as follows:

Year incurred	Available until	Balance (In Thousands)
2012	2015	₱1,178
2013	2016	464
2014	2017	214
		₱1,856

The following are the movements in MCIT as at June 30, 2014 and 2013:

	2014	2013
	(In Thousands)	
Balances at beginning of year	**₱3,189**	₱4,597
Additions	**214**	1,060
Expirations	**(1,547)**	(2,468)
Balances at end of year	**₱1,856**	₱3,189

The Group did not avail of the optional standard deduction in 2014, 2013 and 2012.

25. **Earnings Per Share**

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

	2014	2013	2012
		(In Thousands)	
a. Net income attributable to equity holders of the Parent	**₱210,618**	₱728,630	₱94,408
b. Weighted average number of shares	**2,367,149**	2,367,149	2,367,149
Basic earnings per share (a/b)	**₱0.09**	₱0.31	₱0.04

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:

2014

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
				(In Thousands)				
Revenue	**₱2,979**	**₱552,562**	**₱237,094**	**₱22,526**	**₱9,551**	**₱824,712**	**₱–**	**₱824,712**
Cost and expenses	**(25,637)**	**(431,981)**	**(248,836)**	**(95,223)**	**(18,671)**	**(820,348)**	**4,339**	**(816,009)**
Other income (charges)	**2,972**	**289,438**	**(2,629)**	**(5,899)**	**(393)**	**283,489**	**(4,339)**	**279,150**
Income (Loss) before income tax	**(19,686)**	**410,019**	**(14,371)**	**(78,596)**	**(9,513)**	**287,853**	**–**	**287,853**
Provision for income tax	**95**	**83,432**	**1,232**	**(3,490)**	**681**	**81,950**	**–**	**81,950**
Net income (loss)	**(₱19,781)**	**₱326,587**	**(₱15,603))**	**(₱75,106)**	**(10,194)**	**₱205,903**	**₱–**	**₱205,903**
Segment assets	**₱2,641,421**	**₱2,275,700**	**₱891,177**	**₱929,981**	**₱50,624**	**₱6,788,903**	**(₱1,962,913)**	**₱4,825,990**
Segment liabilities	**690,675**	**602,730**	**671,888**	**323,446**	**187,110**	**2,475,849**	**(764,195)**	**1,711,654**

2013

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
				(In Thousands)				
Revenue	₱3,397	₱562,841	₱232,282	₱255,288	₱5,287	₱1,059,095	₱–	₱1,059,095
Cost and expenses	(38,907)	(520,923)	(246,459)	(425,404)	(183,950)	(1,415,643)	260,149	(1,155,494)
Other income (charges)	367,809	15,859	(8,161)	1,126,900	13,263	1,515,670	(692,468)	823,202
Income (Loss) before income tax	332,299	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)	₱332,182	₱54,766	(₱24,803)	₱956,953	(165,566)	₱1,153,532	(432,319)	₱721,213
Segment assets	₱2,546,405	₱1,943,020	₱1,135,473	₱997,437	₱69,384	₱6,691,720	(₱1,830,189)	₱4,861,531
Segment liabilities	710,272	561,904	893,610	674,277	184,690	3,024,753	(971,560)	2,053,193

2012

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
				(In Thousands)				
Revenue	₱5,239	₱515,039	₱216,051	₱490,355	₱85,180	₱1,311,864	₱–	₱1,311,864
Cost and expenses	(103,718)	(459,227)	(188,571)	(585,828)	(24,661)	(1,362,005)	98,446	(1,263,559)
Other income (charges)	14,247	43,018	662	36,614	78	94,619	(16,753)	77,866
Income (Loss) before income tax	(84,232)	98,830	28,142	(58,859)	60,597	44,478	81,693	126,171
Provision for income tax	342	22,824	2,872	(2,039)	274	24,273	–	24,273
Net income (loss)	(₱84,574)	₱76,006	₱25,270	(₱56,820)	₱60,323	₱20,205	₱81,693	₱101,898
Segment assets	₱2,265,609	₱1,968,962	₱610,247	₱1,107,519	₱254,144	₱6,206,481	(₱1,859,524)	₱4,346,957
Segment liabilities	740,225	596,936	352,344	1,859,744	187,231	3,736,480	(1,571,058)	2,165,422

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 ₱90.8 million, ₱92.5 million and ₱118.9 million in 2014, 2013 and 2012, respectively (see Note 20).

As at June 30, 2014 and 2013, the aggregate annual commitments on these existing lease agreements for the succeeding years are as follows:

	2014	2013
	(In Thousands)	
Less than one (1) year	**₱121,991**	₱109,982
More than one (1) year but not more than five (5) years	**620,835**	612,035
More than five (5) years	**3,238,920**	3,304,023
	₱3,981,746	₱4,026,040

Leasehold rights pertaining to the leased property has a book value of nil and ₱4.2 million as at June 30, 2014 and 2013, respectively. Movements in the carrying value of the rights are presented below.

	2014	2013
	(In Thousands)	
Beginning balances	**₱4,239**	₱13,165
Amortization (Note 20)	**(4,239)**	(8,926)
Net book values	**₱–**	₱4,239

<u>Group as a Lessor</u>
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 ₱9.1 million and ₱5.0 million as at June 30, 2014 and 2013, respectively.

The table below shows the movement analysis of the carrying value of noncurrent security deposits as at June 30, 2014:

	2014	2013
	(In Thousands)	
Undiscounted amount at beginning of year	**₱5,663**	₱5,663
Additions	**4,578**	–
	10,241	5,663
Discount on security deposit:		
Balance at beginning of year	**688**	734
Addition	**628**	–
Accretion of interest	**(195)**	(46)
Balance at end of year	**1,121**	688
Net carrying value	**₱9,120**	₱4,975

Accretion of interest for the fiscal year ended June 30, 2014 is included under "Other Income (Charges)" in the consolidated statement of income.

	2014	2013
	(In Thousands)	
Beginning of year	**₱684**	₱–
Additions	**627**	734
Amortization	**(204)**	(50)
Balance at end of year	**₱1,107**	₱684

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. 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, HTM 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:

2014

	Neither past due nor impaired			
	High grade	**Standard grade**	**Past due or individually impaired**	**Total**
		(In Thousands)		
Loans and Receivables:				
Cash and cash equivalents	**₱353,677**	**₱–**	**₱–**	**₱353,677**
Receivables:				
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**
Deposits (under "Other noncurrent assets")	**27,214**	**–**	**99**	**27,313**
AFS Financial Assets:				
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**
	₱2,424,008	**₱196,849**	**₱604,568**	**₱3,225,425**

2013

	Neither past due nor impaired		Past due or	
	High grade	Standard grade	individually impaired	Total
		(In Thousands)		
Loans and Receivables:				
Cash and cash equivalents	₱645,277	₱–	₱–	₱645,277
Receivables:				
Trade debtors	23,043	34,647	98,954	156,644
Insurance receivables	686,841	31,194	67,290	785,325
Others	30,830	2,567	214,207	247,604
Amounts owed by related parties	25	–	1,610	1,635
Deposits (under "Other noncurrent assets")	30,062	–	99	30,161
AFS Financial Assets:				
Listed equity securities	1,007,720	–	291,501	1,299,221
Quoted debt securities	187,832	–	–	187,832
Unquoted debt securities	11,200	–	–	11,200
Nonlisted equity securities	31,532	–	–	31,532
HTM Investments	2,000	–	–	2,000
	₱2,656,362	₱68,408	₱673,661	₱3,398,431

The tables below show the aging analyses of financial assets per class that the Group held as at June 30, 2014 and 2013. A financial asset is past due when a counterparty has failed to make payment when contractually due.

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)				
Loans and Receivables:							
Cash and cash equivalents	**₱353,677**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱353,677**
Receivables:							
Trade debtors	**43,998**	**2,480**	**251**	**–**	**5,160**	**89,298**	**141,187**
Insurance receivables	**315,135**	**–**	**–**	**–**	**183,380**	**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**
AFS Financial Assets							
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**
	₱2,427,845	**₱2,480**	**₱251**	**₱–**	**₱190,357**	**₱604,492**	**₱3,225,425**

2013

	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Individually impaired	Total
			(In Thousands)				
Loans and Receivables:							
Cash and cash equivalents	₱645,277	₱–	₱–	₱–	₱–	₱–	₱645,277
Receivables:							
Trade debtors	57,690	–	2,882	1,057	4,398	90,617	156,644
Insurance receivables	718,035	12,836	8,010	4,882	33,986	7,576	785,325
Others	33,397	–	–	–	3,527	210,680	247,604
Amounts owed by related parties	25	–	–	–	–	1,610	1,635
Deposits (under "Other noncurrent assets")	30,062	–	–	–	–	99	30,161
AFS Financial Assets							
Listed equity securities	1,007,720	–	–	–	–	291,501	1,299,221
Quoted debt securities	187,832	–	–	–	–	–	187,832
Unquoted debt securities	11,200	–	–	–	–	–	11,200
Nonlisted equity securities	31,532	–	–	–	–	–	31,532
HTM Investments	2,000	–	–	–	–	–	2,000
	₱2,724,770	₱12,836	₱10,892	₱5,939	₱41,911	₱602,083	₱3,398,431

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, 2014 and 2013 based on contractual undiscounted payments:

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**

2013

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Total
			(In Thousands)		
Accounts payable and accrued expenses	₱901,694	₱27,152	₱9,960	₱95,349	₱1,034,155
Rental and other deposits	27,419	32,356	60,729	78,655	199,159
Amounts owed to related parties	2,673	–	–	–	2,673
	₱931,786	₱59,508	₱70,689	₱174,004	₱1,235,987

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, 2014 and 2013. Included in the table are the Group's assets and liabilities at carrying amounts:

	2014		2013	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
		(In Thousands)		
Financial Asset:				
Cash in banks				
USD	**$18**	**₱786**	$40	₱1,728
Financial Liability:				
Accounts payable				
USD	**2**	**87**	973	42,034
EUR	**1**	**60**	–	–
GBP	**1**	**75**	–	–
Net financial asset		**₱564**		(₱40,306)

As at June 30 2014 and 2013, the exchange rates of other currencies to Philippine Peso are as follows:

	2014	2013
USD	**₱43.65**	₱43.20
EUR	**59.76**	56.49
GBP	**74.59**	66.10

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/₱ exchange rate (holding all other variables constant) as at June 30, 2014 and 2013.

	Increase/ decrease in currency rate	Effect on income (loss) before income tax
	(In Thousands)	
2014		
USD	**+0.69%**	**(₱11.04)**
	-0.59%	**9.44**
EUR	**+1.14%**	**(1.14)**
	-0.82%	**0.82**

(Forward)

	Increase/ decrease in currency rate	Effect on income (loss) before income tax
	(In Thousands)	
GBP	**+1.70%**	**(1.70)**
	-0.73%	**0.73**
2013		
USD	+0.62%	578.46
	-0.27%	(251.91)

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	Effect on Equity
	(In Thousands)	
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)
2012		
Upper Limit	+19.10%	40,739
Lower Limit	(19.10%)	(40,739)

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, 2014 and 2013 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	(₱2,572)
	(155)	2,572
2012	+141	(₱1,871)
	(141)	1,871

<u>Capital Management</u>
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, 2014 and 2013.
As at June 30, 2014 and 2013, the Group considers the following accounts as capital:

	2014	2013
	(In Thousands)	
Capital stock	**₱2,066,357**	₱2,066,357
Additional paid-in capital	**829,904**	829,904
	₱2,896,261	₱2,896,261

The Group is not subject to externally imposed capital requirements.

30. **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, 2014 and 2013 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/to Related Parties
The carrying amounts receivables, accounts payable and accrued expenses and amounts owed by/to 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 non current 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, 2014 and 2013. 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.

HTM Investments
HTM investments are based on quoted price.

31. **Fair Value**

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

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - Other techniques for which all inputs that have significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 - Techniques that use inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at June 30, 2014:

	Fair value measurement using		
	Quoted prices in active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		(In Thousands)	
Assets for which fair values are disclosed			
Loans and Receivables			
Cash and cash equivalents	₱–	₱378,629	₱–
Receivables	–	–	–
Trade debtors	–	51,889	–
Insurance receivables	–	498,516	–
Others	–	45,691	–
Real estate for sale and development	–	–	429,507
Amounts owed by related parties	–	22	–
Refundable deposits under noncurrent assets	–	27,313	–
Assets for which fair values are measured			
AFS financial assets	1,338,155	304,743	–
Investment properties	–	–	3,639,697
	₱1,338,155	₱1,306,803	₱4,069,204
Liabilities for which fair values are disclosed			
Other Financial Liabilities			
Accounts payable and accrued expenses	₱–	₱674,490	₱–
Rental and other deposits	–	214,743	–
	₱–	₱889,233	₱–

During the year, there are no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

32. Other Matters

Certain accounts in the 2013 financial statements were reclassified to conform with the 2014 presentation.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Prime Orion Philippines, Inc. and Subsidiaries
20th Floor LKG Tower,
6801 Ayala Avenue, 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, 2014 and 2013 and for each of the three years in the period ended June 30, 2014, included in this form 17-A, and have issued our report thereon dated October 2, 2014. 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.

Alicia O. Lu

Alicia O. Lu
Partner
CPA Certificate No. 0062493
SEC Accreditation No. 0661-AR-2 (Group A),
March 13, 2014, valid until March 12, 2017
Tax Identification No. 102-090-613
BIR Accreditation No. 08-001998-66-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225183, January 2, 2014, Makati City

October 2, 2014

SCHEDULE I
PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE OF EFFECTIVE STANDARDS AND
INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
JUNE 30, 2014

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at June 30, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Recoverable Amount Disclosures for Non-financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment- Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
	the Legal Form of a Lease			
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective July 1, 2014 onwards.

Prime Orion Philippines, Inc. and Subsidiaries
20th Floor LKG Tower, 6801 Ayala Avenue, Makati City

SCHEDULE II
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF JUNE 30, 2014

(Figures based on functional currency audited financial statements)

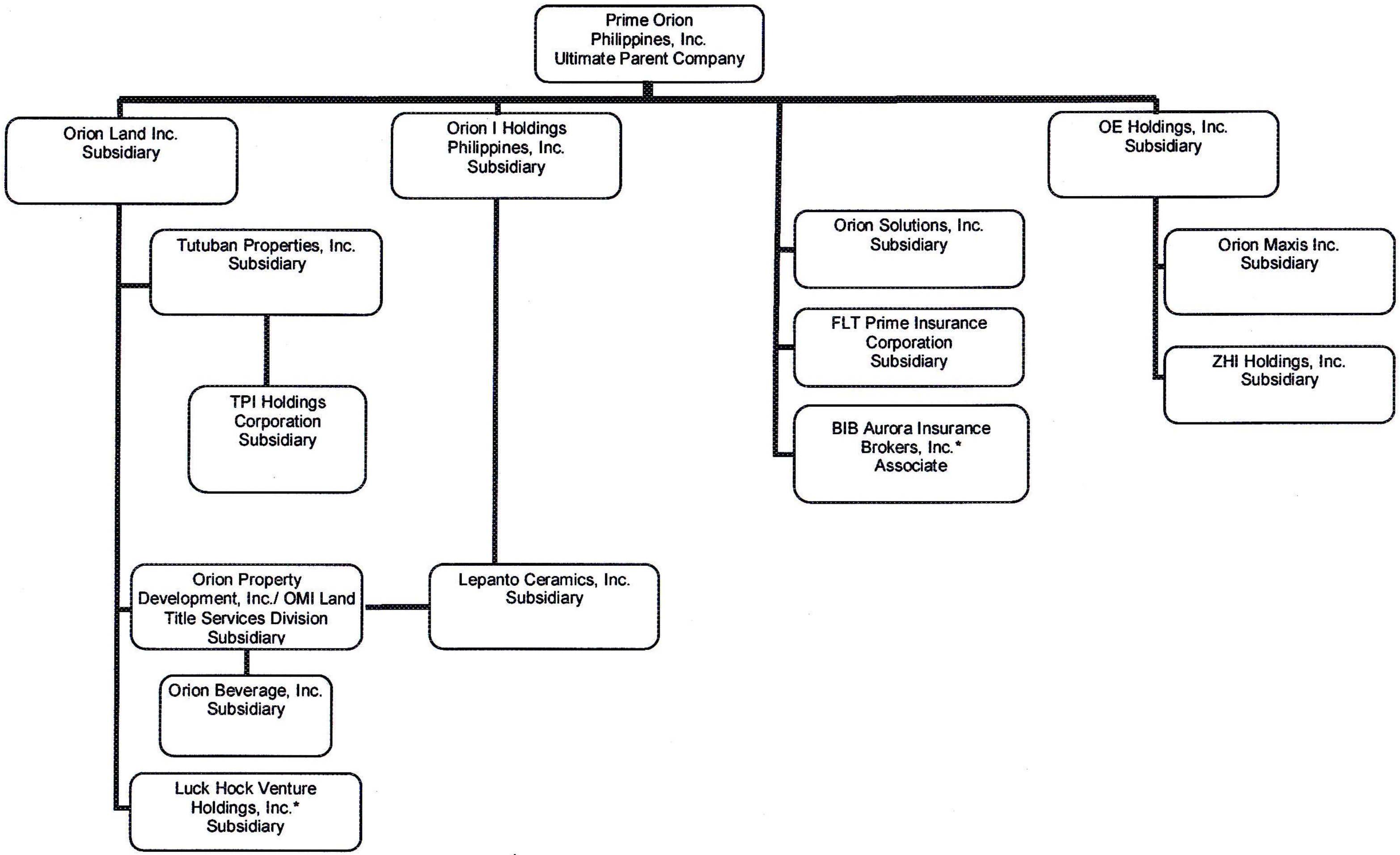
		Amounts (In Thousands)
Unappropriated Retained Earnings, *as adjusted to available, as of 30 June 2013, as restated*		(343,172)
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	205,903	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	(24)	
Unrealized foreign exchange gain-net (except those attributable to Cash & Cash Equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	185,438	
Recognized deferred tax asset that increased the net income	7,767	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	193,181	
Add: Non-Actual Losses		
Depreciation on revaluation increment (after tax)	22,025	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss of fair value adjustment of investment proprty (after tax)	-	
Sub-total	22,025	
Net Income actually earned during the period		**34,747**
Add (Less):		
Dividend declarations during the period		-
Appropriations of retained Earnings during the period		-
Reversals of appropriations		-
Effects of prior period adjustments		-
Treasury shares		-
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**(308,425)**

Prime Orion Philippines, Inc. and Subsidiaries
20th Floor LKG Tower, 6801 Ayala Avenue, Makati City

SCHEDULE III
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED

	Formula	2014	As restated 2013
Return on assets	Net Income / Average Assets	0.04	0.16
Return on equity	Net Income / Average Equity	0.07	0.30
Gross profit margin	Gross profit / Total Revenues	0.48	0.29
Net profit margin	Net income / Sales revenue	9.33	2.82
Cost to income ratio	Cost and expenses / Revenues	0.99	1.09
Current ratio	Current Assets / Current Liabilities	3.90	2.77
Quick ratio	Current Assets less Inventory / Current Liabilites	3.88	2.74
Solvency ratio	After tax net profit + Depreciation / Long Term Liabilities + Short Term Liabilities	0.17	0.39
Asset to equity ratio	Total Assets / Equity	1.59	1.78
Debt to equity ratio	Total Liability / Equity	0.56	0.75
Interest rate coverage ratio	EBITDA / Interest expense		not applicable

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS AT JUNE 30, 2014



*Inactive

110302014001258

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000163671
Company Name	PRIME ORION PHILS. INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	110302014001258
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2014
No. of Days Late	0
Department	CFD
Remarks	

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **30 September 2014**

2. Commission Identification Number 163671 3. BIR Tax Identification No **320-000-804-342**

PRIME ORION PHILIPPINES, INC.

4. Exact name of issuer as specified in its charter

Makati City, Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

20/F LKG Tower, 6801 Ayala Avenue, Makati City **1226**

7. Address of issuer's principal office Postal Code

(632) 884-1106

8. Issuer's telephone number, including area code

N/A

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

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

(As of 30 October 2014)

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,367,149,383
Outstanding Loans (consolidated)	-0-

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

Yes [√] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes [√] No [ ]

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

Yes [√] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Results of Operations

For the first quarter of fiscal year (FY) 2015, the Group reported a consolidated Net Income of P3.8 million compared to the Net Loss of P41.3 million for the same period last year, attributed mainly to the improved performance of the insurance business.

Consolidated revenue growth of 6% during the quarter was mainly due to the 22% and 5% increase in Net Premiums Earned (NPE) and Rental Revenue, respectively, although negated by the decline in merchandise sales. Total Revenue posted was at P167.8 million, up from last year's P158.2 million.

Total cost and expenses decreased by 12% mainly attributable to the lower operating expenses, depreciation and amortization, and underwriting cost of insurance business. Operating expenses decreased due to lower marketing costs, contracted services, taxes and licenses. Leasehold rights were fully amortized last year; hence, Depreciation and Amortization decreased by 25%. Likewise, Underwriting Cost improved by 19%, from last year's P53.4 million to P43.3 million due to lower claims and losses and excess of loss treaty cover during the period.

Tutuban Properties, Inc. (TPI)

TPI registered a Net Income of P3.8 million from last year's minimal loss of P205 thousand. Revenues from mall operations grew by 4%, from P92.8 million to P96.5 million attributed to the growth in parking and night market operations.

Cost and operating expenses remained at P95 million. CUSA related expenses decreased by 9%, negated by higher operating expenses.

Lepanto Ceramics, Inc. (LCI)

LCI posted a Net Income of P6.8 million compared to last year's Net Loss of P21.1 million. The Net Income was primarily attributed to the gain on disposal of unutilized equipment coupled by lower operating cost. Operating cost decreased due to lower personnel cost, taxes, licenses and utilities. Cash flows from operations remained positive. As at the end of the quarter, LCI has accumulated Cash and Cash Equivalents and Available-for-Sale (AFS) investments amounting to P78 million.

FLT Prime Insurance Corporation (FPIC)

During the quarter, FPIC recovered from a net loss of P15.6 million for the same period last year to post a Net Income of P5.2 million. The improvement was due to the 18% growth in Total Revenues as NPE increased by 22% compared to last year.

Moreover, underwriting cost percentage to NPE decreased by 33% due to the decrease in excess loss treaty cover. General and administrative expenses also decreased due to the lower personnel costs.

Financial Condition

Total Assets of the Group stood at P4.7 billion compared to last year's P4.8 billion. Reduction in Total Assets was attributable to the decline in market value of AFS investments. While AFS investments increased, as a result of the new acquisition of investments during the period, Cash and Cash Equivalents was reduced by 50%. The decrease in Receivables was due to the collection of Insurance Receivables.

Total Current Assets were higher than Total Current Liabilities, which stood at P3.2 billion and P0.9 billion, respectively. Inventories decreased due to the sale of remaining stocks. Similarly, the decrease in Investment properties, property, plant and equipment and software costs represent depreciation and amortization during the period.

Total Liabilities of the Group increased due to the increase in Accounts Payable and Accrued Expenses coupled by the increase in rental and other deposits. The unrealized valuation loss on AFS investments represents decline in its market value as of the reporting period.

Financing Through Loans

As of 30 September 2014, the Group has no outstanding loan from any financial institution.

The top 5 Key Performance Indicators of the Group are as follows:

Ratios	Formula	30-Sep-14	30-Sep-13	30-Jun-14
Current Ratio	Current Assets / Current liabilities	3.63:1 3,189,373 / 877,941	2.51:1 3,141,542 / 1,250,582	3.90:1 3,276,966 / 840,038
Debt to Equity Ratio	Total Liabilities / Equity	0.606:1 1,753,574 / 2,894,072	0.771:1 2,015,777 / 2,615,650	0.563:1 1,711,654 / 3,042,197
Capital Adequacy Ratio	Equity / Total Assets	0.613:1 2,894,072 / 4,721,422	0.557:1 2,615,650 / 4,699,777	0.630:1 3,042,197 / 4,825,990
Book Value per Share	Equity / Total # of shares	1.2226 2,894,072 /2,367,149	1.1050 2,615,650 /2,367,149	1.2852 3,042,197 /2,367,149
Income per Share	Net Income / Total # of Shares	0.002 5,386 / 2,367,149	-0.017 (41,334) / 2,367,149	0.087 205,903 / 2,367,149

Current ratio shows the Group's ability to meet its short term financial obligations. As of 30 September 2014, the Group has P3.63 worth of Current Assets for every peso of Current Liabilities as compared to P3.90 as of 30 June 2013. The Group has sufficient current assets to support its Current Liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholders' fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 30 June 2014, debt to equity ratio increased by 8% as a result of the decline in market value of AFS financial assets.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Group. As of 30 September 2014, the Group's Capital Adequacy Ratio is 0.613 compared to last year's 0.630. The decrease was attributable to reduced Equity for the period.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 30 September 2014, the Group has a book value per share of P1.2226 lower by 5% compared to the book value per share as of 30 June 2014.

Income per share is calculated by dividing Net Income by the weighted average number of shares issued and outstanding. As of 30 September 2014, the Group reported a P0.002 income per share as compared to last year's P0.017 loss per share.

(i) Any known trends, demands, commitments, events or uncertainties that will have a material impact on issuer's liability.

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

(ii) Events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation

There are no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

(iii) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no known off-balance sheet transactions, arrangements, obligations (including contingent obligations), during the period.

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

The Group has not entered into any material commitment for capital expenditure.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales or revenues or income from continuing operations should be described.

There are no known trends, events or uncertainties that have material impact on net sale/revenues/income from continuing operation.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

The Group did not recognize income or loss during the period that did not arise from continuing operations.

(vii) Causes of Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%).

Causes of any material changes from period to period of FS is included in the Financial Condition.

(viii) Any seasonal aspects that had a material effect on the financial condition or results of operations.

There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

% of contribution of subsidiaries to Consolidated Net Income on a per type of business basis

Parent company (Holding company)	-30.08%
Real estate and property development	86.93%
Financial services	96.01%
Manufacturing	-19.25%
Others	-33.61%
Total Net Income	100.00%

SIGNATURES

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

Issuer:
PRIME ORION PHILIPPINES, INC.
By:

DAISY L. PARKER
Corporate Secretary
Date: 30 October 2014

RONALD P. SUGAPONG
Treasurer
Date: 30 October 2014

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PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

Unaudited Interim Consolidated Financial Statements
September 30, 2014 and June 30, 2014

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value and Number of Shares)

	UNAUDITED September 30, 2014	AUDITED June 30, 2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱189,302**	₱378,629
Receivables (Note 5)	**534,774**	596,046
Inventories (Note 6)	**16,473**	18,474
Real estate held for sale and development (Note 7)	**430,066**	429,507
Amounts owed by related parties (Note 17)	**21**	22
Available-for-sale (AFS) financial assets (Note 8)	**1,810,829**	1,643,898
Other current assets (Note 9)	**207,907**	210,390
Total Current Assets	**3,189,373**	3,276,966
Noncurrent Assets		
Investment in associate (Note 10)	**2,564**	2,564
Leasehold rights (Note 22)	**-**	-
Investment properties (Note 11)	**729,700**	737,488
Property, plant and equipment (Note 12)	**664,260**	672,083
Software costs (Note 13)	**8,535**	8,957
Other noncurrent assets (Note 14)	**126,990**	127,932
Total Noncurrent Assets	**1,532,049**	1,549,024
TOTAL ASSETS	**₱4,721,422**	₱4,825,990
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 15)	**₱713,269**	₱673,383
Current portion of rental and other deposits (Note 16)	**164,672**	166,655
Total Current Liabilities	**877,941**	840,038
Noncurrent Liabilities		
Rental and other deposits – net of current portion	**62,320**	48,088
Retirement benefits liability (Note 19)	**94,715**	99,185
Deferred rent income	**1,107**	1,107
Deferred income tax liabilities - net	**235,816**	241,561
Subscriptions payable	**481,675**	481,675
Total Noncurrent Liabilities	**875,632**	871,616
Total Liabilities	**1,753,574**	1,711,654
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 ₱300,792 as at		
September 30 and June 30, 2014)	**2,066,357**	2,066,357
Additional paid-in capital	**829,904**	829,904
Revaluation increment on property, plant and equipment (Note 12)	**252,233**	252,233
Unrealized valuation gain (losses) on AFS financial assets	**(68,159)**	83,801
Re-measurement loss on retirement plans (Note 19)	**(66,736)**	(66,736)
Deficit	**(119,527)**	(123,362)
	2,894,072	3,042,197
Non-Controlling Interests	**73,777**	72,139
Total Equity	**2,967,849**	3,114,336
TOTAL LIABILITIES AND EQUITY	**₱4,721,422**	₱4,825,990

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Three Months Ended September 30	
	2014	2013
REVENUE		
Rental (Note 11)	**₱96,794**	₱91,877
Merchandise sales - net	**1,829**	8,312
Insurance premiums and commissions - net	**61,501**	50,937
Gain on sale of AFS financial assets (Note 8)	**1,734**	2,853
Interest income on investments (Notes 4 and 8)	**3,143**	1,965
Service fees	**1,632**	820
Dividend income (Note 8)	**1,174**	1,450
	167,807	158,214
COSTS AND EXPENSES		
Operating expenses (Note 18)	**79,870**	95,579
Cost of goods sold and services	**53,500**	51,647
Commission expense and other underwriting expenses	**43,337**	53,437
	176,707	200,663
OTHER INCOME (CHARGES)		
Rehabilitation expenses	**(483)**	(2,280)
Interest and others - net	**541**	1,574
Foreign exchange gains (losses) - net	**62**	5
Gain on sale of asset	**75**	-
Others – net	**16,118**	2,055
	16,313	1,354
INCOME (LOSS) BEFORE INCOME TAX	**7,413**	(41,096)
PROVISION FOR INCOME TAX - Net	**2,027**	238
NET INCOME (LOSS)	**₱5,386**	(₱41,334)
ATTRIBUTABLE TO:		
Equity holders of the Parent	**₱3,835**	(₱36,650)
Non-controlling interests	**1,551**	(4,684)
	₱5,386	(₱41,334)
EARNINGS PER SHARE (Note 20)		
Basic and diluted, for income for the period attributable to ordinary equity holders of the Parent	**₱0.002**	(₱0.017)

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Three Months Ended September 30	
	2014	2013
NET INCOME (LOSS)	**₱5,386**	(₱41,334)
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Unrealized valuation gains (losses) on AFS financial assets (Note 8)	**(152,069)**	(103,396)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱146,683)**	(₱144,730)
ATTRIBUTABLE TO:		
Equity holders of the Parent	**(₱148,436)**	(₱137,647)
Non-controlling interests	**1,753**	(7,083)
	(₱146,683)	(₱144,730)

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(Amounts in Thousands)

	Capital Stock	Additional Paid In Capital	Revaluation Increment on Property, Plant and Equipment	Unrealized Valuation Gain (Loss) on AFS Investments	Remeasurement Gain (loss) on Retirement Plans	Deficit	Non-Controlling Interests	Total
Balances at June 30, 2013, as previously stated	2,066,357	829,904	259,844	(4,762)	-	(345,718)	75,592	2,881,216
Effect of adoption of amendments to PAS 19 - net of tax	-	-	-	-	(51,526)	2,221	-	(49,304)
Balances at June 30, 2013, as restated	2,066,357	829,904	259,844	(4,762)	(51,526)	(343,496)	75,592	2,831,912
Net income (loss) for the period	-	-	-	-		(36,650)	(4,684)	(41,334)
Other comprehensive income (loss):								
Unrealized valuation loss on AFS investments	-	-	-	(103,396)	-	-	(2,558)	(105,953)
Total Comprehensive income (loss) as restated	-	-	-	(103,396)	-	(36,650)	(7,242)	(147,287)
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	(625)	-	-	-	(625)
Balances at September 30, 2013	**2,066,357**	**829,904**	**259,844**	**(108,783)**	**(51,526)**	**(380,146)**	**68,350**	**2,684,000**
Balances at June 30, 2014	2,066,357	829,904	252,233	83,801	(66,736)	(123,362)	72,139	3,114,336
Net loss for the period	-	-	-	-		3,835	1,551	5,387
Other comprehensive income (loss) for the period								
Unrealized valuation loss on AFS investments	-	-	-	(152,070)	-	-	86	(151,984)
Total Comprehensive income (loss) for the period	-	-	-	(152,070)	-	3,835	1,638	(146,597)
Effect of adoption of amendments to PAS 19 - net of tax (Note 20)					-			-
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	110	-	-	-	110
Balances at September 30, 2014	**2,066,357**	**829,904**	**252,233**	**(68,159)**	**(66,736)**	**(119,527)**	**73,777**	**2,967,849**

See accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Three Months Ended September 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱7,413**	(₱41,096)
Adjustments for:		
Gain on sale of property, plant and equipment	**(75)**	–
Gain on sale of AFS financial assets (Note 8)	**(1,734)**	(2,853)
Provision for impairment losses on:		
Receivables (Note 5)	**298**	135
Depreciation and amortization (Notes 11, 12 and 13)	**19,806**	20,374
Interest income	**(3,826)**	(3,718)
Dividend income (Note 8)	**(1,174)**	(1,450)
Interest expense and bank charges	**143**	180
Unrealized foreign exchange losses (gains) - net	**(62)**	(5)
Operating income (loss) before working capital changes	**20,789**	(28,433)
Decrease (increase) in:		
Receivables	**60,973**	37,358
Inventories	**2,001**	9,509
Real estate held for sale and development	**(559)**	–
Other current assets	**456**	(4,343)
Increase (decrease) in:		
Accounts payable and accrued expenses	**29,817**	4,797
Rental and other deposits	**12,249**	5,742
Net cash flows generated from (used in) operations	**125,726**	24,631
Interest paid	**(143)**	(180)
Interest received	**3,826**	3,718
Net cash flows from (used in) operating activities	**129,409**	28,169
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	**75**	
Proceeds from sale of AFS financial assets	**87,771**	736
Acquisitions of:		
Investment properties (Note 11)	**(581)**	(3,311)
AFS financial assets (Note 8)	**(404,928)**	(64,786)
Software cost (Note 13)	**(534)**	(920)
Property, plant and equipment (Note 12)	**(2,656)**	(1,793)
Decrease (increase) in:		
Other noncurrent assets	**942**	(11,831)
Amounts owed by related parties	**1**	(2)
HTM investments	**-**	(8,000)
Dividends received (Note 8)	**1,174**	1,450
Net cash flows from investing activities	**(318,736)**	(88,457)
CASH FLOWS FROM FINANCING ACTIVITY		
Decrease in amounts owed to related parties	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(189,327)**	(60,288)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**378,629**	663,821
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)	**₱189,302**	₱603,533

See accompanying 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 registered office address is 20th Floor LKG Tower, 6801 Ayala Avenue, Makati City. The Parent Company's primary purpose is 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.

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 21).

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 the Financial Rehabilitation and Insolvency Act of 2010, to arrest its 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 and directing the Rehabilitation Receiver (RR) 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 Republic Act No. 10142.

On December 20, 2012, the Court issued an Order approving the Third Amended and Restated 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) Creditor will condone its claims in excess of the market value of LCI'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.

On August 12, 2013, LCI filed a Motion to Amend the 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 ₱373.6 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 and Collateral Trust Indenture, or in the amount of₱677.5 million.

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, a Motion for Termination of Rehabilitation Proceedings was submitted to the court. The following were enumerated in the filed motion, claiming that LCI complied with the Third Amended and Restated RP:

a. Payment to claimants – LCI has already paid 50% of its obligation to Class 1 creditors amounting to ₱0.7 million. Class 2 creditor has already been paid in full. Meanwhile, Class 3 creditors have been paid ₱34.2 million or 86% of the claim. The unclaimed payments were deposited to Metropolitan Bank and Trust Company (MBTC) as "Unclaimed Claims Reserve 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 (see Note 15).

b. Conversion of shares -LCI's 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 the LCI's collateral assets. Included in the debts condoned are loans listed in the books of the LCI as Deposit for Future Subscription amounting to ₱373.6 million.

On August 28, 2014, the Court granted LCI's Motion for Termination of Rehabilitation Proceedings and declared LCI's rehabilitation successful.

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.

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 November 2012, TPI opened Orion Hotel, a 2.5-star hotel located at the third level of the Tutuban Primeblock Building. The hotel provides lodging and other services to the public on a commercial basis.

The consolidated financial statements of the Group as at September 30, 2014 and June 30, 2014 and for the three months ended September 30, 2014 and 2013 were approved and authorized for issuance by the BOD on October 29, 2014.

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 AFS investments, land, land improvements, building and building improvements under “property, plant and equipment” which are carried at fair values. The consolidated financial statements are presented in Philippine peso, which is the Group’s functional and presentation currency. All values are rounded off to the nearest thousand (₱000) except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

Subsidiaries	Nature of Business	Effective Percentage of Ownership	
		September 30, 2014	June 30, 2014
Real Estate, Property Development and Others:			
Orion Land, Inc. (OLI) and Subsidiaries:			
OLI	Real Estate and Investment Holding Company	**100.0**	100.0
TPI and Subsidiaries:			
TPI	Real Estate, Mall Operations	**100.0**	100.0
TPI Holdings Corporation (TPIHC)	Investment Holding Company	**100.0**	100.0
Orion Property Development, Inc. (OPDI) and Subsidiaries:			
OPDI	Real Estate Development	**100.0**	100.0
Orion Beverage, Inc. (OBI) *	Manufacturing	**100.0**	100.0
Luck Hock Venture Holdings, Inc.	Other Business Activities	**60.0**	60.0
Manufacturing and Distribution:			
OIHPI and Subsidiaries:			
OIHPI	Financial Holding Company	**100.0**	100.0

Subsidiaries	Nature of Business	Effective Percentage of Ownership	
		September 30, 2014	June 30, 2014
LCI	Manufacture of Ceramic Floor and Wall Tiles	**100.0**	100.0
Financial Services and Others:			
OE Holdings, Inc. (OEHI) and Subsidiaries:			
OEHI	Wholesale and Trading	**100.0**	100.0
Orion Maxis Inc. (OMI)	Marketing and Administrative Services	**100.0**	100.0
ZHI Holdings, Inc. (ZHI)	Financial Holding Company	**100.0**	100.0
FPIC	Non-Life Insurance Company	**70.0**	70.0
Orion Solutions, Inc. (OSI)	Management Information Technology Consultancy Services	**100.0**	100.0

* *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 PFRSs, PAS and Philippine Interpretations and Improvements to PFRSs which were adopted as at July 1, 2014:

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not applicable to the Group.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial*

Instruments: Presentation.

These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statement of financial position;
c) The net amounts presented in the consolidated statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32;
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Statements,* that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretation Committee (SIC)12, *Consolidation - Special Purpose Entities.* PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The new standard has no impact to the Group.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly-controlled Entities (JCE) - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The new standard is not applicable to the Group.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides

guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no significant impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The revised standard is not expected to have an impact on the consolidated financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard is applicable but the Group assess no material effect on the consolidated financial statements.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is

required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part or this interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The new standard has no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening consolidated statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective consolidated statement or reclassification of items in the consolidated financial statements.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 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 amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  They 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 fair value through profit or loss. The amended standards are not expected to have an impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies*
  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. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- 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. Adoption of this standard will have no impact on the Group's financial position or performance since it has neither derivatives nor hedge accounting transactions.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  PAS 32 clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amended standard is not expected to have an impact on the consolidated financial statements.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 is effective retrospectively for annual periods beginning on or after July 1, 2014. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendment is not relevant to the Group.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary

amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition* (Amendments)
  PFRS 2 revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination (*Amendment)
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. This amendment does not apply to the Group as it has no 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* (Amendment)
  PFRS 8 requires entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables* (Amendment)
  PFRS 13, effective for annual period beginning on or after July 1, 2014, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation* (Amendment)
  PAS 16 clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel (*Amendments)
PAS 24 clarifies that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent Group of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization (*Amendments)
PAS 38 clarifies that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS consolidatedfinancial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the consolidated financial statements of the joint arrangement itself. The

amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment is not relevant to the Group.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

<u>Future Changes in Accounting Policies</u>
The following new and revised standards, amendments to PFRS and Philippine Interpretations will become effective subsequent to June 30, 2015:

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. 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 fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at Fair Value through Profit or Loss (FVPL) using the fair value option, 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 respect of the liability's 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 separation 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 impact on the classification and measurement of financial liabilities.

  On hedge accounting, 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 financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 is effective for annual periods beginning on or after January 1, 2018. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Effective date to be determined:

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board 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 impact on the consolidated financial statements of the Group.

The Group does not expect any significant impact in the consolidated financial statements when it adopts the above standards and interpretations. The revised, amended and additional disclosure or accounting changes provided by the standards and interpretations will be included in the Group’s consolidated 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 all items of recognized income and expense in two statements: a statement displaying components of consolidated profit or loss (separate consolidated statement of income) and a second statement beginning with consolidated profit or loss and displaying components of other comprehensive income (consolidated statement of comprehensive income).

Financial Instruments - Initial Recognition
Financial assets within the scope of PAS 39 are classified as financial assets at FVPL, loans and receivables, HTM investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets 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.

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).

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

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 September 30, 2014 and June 30, 2014, the Group's financial liabilities are in the nature of other financial liabilities. As at September 30, 2014 and June 30, 2014, the Group has no financial liabilities classified as at FVPL.

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 and amounts owed by related parties.

AFS Financial Assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that 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.

HTM Investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM investments when the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of income. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets and the Group will be precluded from using the HTM investments account for the current period and for the next two succeeding periods from tainting date. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired.

As at September 30, 2014 and June 30, 2014, the Group has no HTM investment.

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, rental and other deposits and amounts owed to related parties.

<u>Fair Value of Financial Instruments</u>
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 26.

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 as explained above.

<u>Offsetting of Financial Instruments</u>
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.

<u>Impairment of Financial Assets</u>
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
AFS financial assets include equity investments and debt securities. Equity investments classified as AFS financial assets are those that are neither classified as 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 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 Company 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.

<u>Inventories</u>
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.

<u>Real Estate Held for Sale and Development</u>
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.

<u>Creditable Withholding Taxes (CWTs)</u>
CWTs which are claimed against income tax due represents excess of the tax payable and are carried over in the succeeding period for the same purpose.

<u>Input Value-added Tax (VAT)</u>
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.

<u>Investment in an Associate</u>
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).

Leasehold Rights

Leasehold rights are stated at cost and are amortized on a straight line basis over the remaining term of the lease from the start of commercial operation.

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. 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.

<u>Property, Plant and Equipment</u>

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:

	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 costs includes purchase price payments for new software and other directly related costs necessary to bring the asset to use.

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.

Real Estate for Sale and Development, Leasehold Rights, 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, leasehold rights, 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.

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.

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.

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 24^{th} 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.

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-forth (24^{th}) 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”.

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”.

Deficit
Deficit includes accumulated losses attributable to the Group’s equity holders.

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 reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. 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:

Rental
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.

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 - net
Revenue from sale of merchandise is 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.

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

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

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized in the consolidated statement of income in the period these are incurred.

Operating Expenses
Operating expenses consist of cost associated with the development and execution of day-to-day operations of the Group. These are generally recognized when the services are incurred or the related expenses arise.

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.

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.

<u>Leases</u>

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.

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.

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.

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.

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.

<u>Estimates and Assumptions</u>
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.

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 2014, the Group recorded recovery from insurance amounting to ₱269.3 million.

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 ₱0.2 million and ₱0.1 million in September 2014 and 2013, respectively. Receivables amounted to ₱534.8 million and ₱596.0 million as at September 30, 2014 and June 30, 2014, respectively, net of allowance for impairment losses amounting to ₱309.1 million and ₱308.8 million as at September 30, 2014 and June 30, 2014, respectively (see Note 5).

There was no provision for impairment loss on amounts owed by related parties recognized in September 2014 and 2013. Amounts owed by related parties amounted to ₱0.02 million as at September 30, 2014 and June 30, 2014, respectively, net of allowance for impairment losses amounting to ₱1.6 million as at September 30, 2014 and June 30, 2014 (see Note 17).

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.

There was no provision for inventory losses in September 2014 and 2013. Inventories amounted to ₱16.5 million and ₱18.5 million as at September 30, 2014 and June 30, 2014, respectively, net of allowance for inventory losses amounting to ₱82.0 million as at September 30, 2014 and June 30, 2014 (see Note 6).

Estimating Allowance for Impairment Losses on Real Estate for Sale and Development
The Group maintains an allowance for real estate 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 loss recognized in September 2014, 2013 and 2012. Real estate for sale and development amounted to ₱430.1 million and ₱429.5 million as at September 30, 2014 and June 30, 2014, respectively (see Note 7).

Estimating Allowances for Impairment Losses of AFS Financial Assets
The Group recognizes impairment losses on AFS financial assets 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.

There was no provision for impairment losses on AFS financial assets in September 2014 and 2013. The carrying amount of AFS financial assets amounted to ₱1,810.8 million and ₱1,643.9 million as at September 30, 2014 and June 30, 2014, respectively, net of allowance for impairment losses amounting to ₱294.10 as at September 30, 2014 and June 30, 2014, respectively (see Note 8).

Estimating Allowance for Impairment of HTM Investment
The Group determines impairment of its HTM investment based on its evaluation of objective evidence of impairment which includes observable data that comes to the attention of the Group such as, but not limited to, significant financial difficulty of the counterparty or the probability that the issuer will enter bankruptcy or other financial reorganization.

The Group has no HTM investment as at September 30, 2014 and June 30, 2014.

Estimating Allowance for Impairment Losses of Investments in an Associate
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the fair value of investments in associates, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such asset, 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 the investment is impaired. Any resulting impairment loss could have a material adverse impact on the consolidated statement of financial position and consolidated statement of income.

There was no provision for impairment loss recognized in September 2014 and 2013. Investments in an associate amounted to ₱2.6 million as at September 30, 2014 and June 30, 2014 (see Note 10).

Estimating Useful Lives of Leasehold Rights, Investment Properties, Property, Plant and Equipment and Software Costs
The estimated useful lives used as bases for depreciating and amortizing the Group's leasehold rights, investment properties, property, plant and equipment and software 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 leasehold rights, investment properties, property, plant and equipment and software costs based on the period over which the assets are expected to be available for use. The estimated useful lives of leasehold rights, investment properties, property, plant and equipment and software 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 increase depreciation and amortization and decrease in the corresponding leasehold rights, investment properties, property, plant and equipment and software costs.

The carrying value of leasehold rights amounted to nil as at September 30, 2014 and June 30, 2014 (see Note 22).

The carrying value of investment properties amounted to ₱729.7 million and ₱737.5 million as at September 30, 2014 and June 30, 2014, respectively (see Note 11).

The carrying value of property, plant and equipment amounted to ₱664.3 million and ₱672.1 million as at September 30, 2014 June 30, 2014, respectively (see Note 12).

The carrying value of software costs amounted to ₱8.5 million and ₱9.0 million as at September 30, 2014 June 30, 2014, respectively (see Note 13).

Estimating Allowance for Impairment Losses of 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 losses on investment properties in September 2014 and 2013. The carrying value of investment properties amounted to ₱729.7 million and ₱737.5 million as at September 30, 2014 June 30, 2014, respectively, net of allowance for impairment losses amounting to ₱6.3 million as at September 30, 2014 and June 30, 2014 (see Note 11).

Estimating Allowance for Impairment Losses of Leasehold Rights, Property, Plant and Equipment, and Software Costs
The Group assesses impairment of leasehold rights, 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 value of leasehold rights amounted to nil as at September 30, 2014 and June 30, 2014, respectively (see Note 22).

The carrying value of property, plant and equipment amounted to ₱664.3 million and ₱672.1 million as at September 30, 2014 and June 30, 2014, respectively (see Note 12).

The carrying value of software costs amounted to ₱8.5 million and ₱9.0 million as at September 30, 2014 and June 30, 2014, respectively (see Note 13).

Estimating Allowance for Impairment Losses on Non-financial Other Current and Noncurrent Assets
The Group provides allowance for losses on 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.

There was no provision for impairment losses on non-financial other current assets in September 2014 and 2013. As at September 30, 2014 and June 30, 2014, the carrying value of non-financial other current assets amounted to ₱207.9 million and ₱210.4 million, respectively, net of allowance for impairment losses amounting to ₱2.8 million as at September 30, 2014 and June 30, 2014 (see Note 9).

There was no provision for impairment losses on non-financial other noncurrent assets recognized in September 2014 and 2013. As at September 30, 2014 and June 30, 2014, the carrying value of non-financial other noncurrent assets amounted to ₱99.7 million and ₱100.6 million, respectively (see Note 14).

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 ₱266.7 million and ₱267.0 million as at September 30, 2014 and June 30, 2014, respectively (see Note 15).

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 ₱5.7 million and ₱5.6 million in September 2014 and 2013, respectively. As at September 30, 2014 and June 30, 2014, the retirement benefits liability of the Group amounted to ₱94.7 million and ₱99.2 million, respectively (see Note 19).

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.

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.

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.

4. Cash and Cash Equivalents

	September 30, 2014	June 30, 2014
	(In Thousands)	
Cash on hand and in banks	**₱98,618**	₱98,623
Short-term investments	**90,684**	280,006
	₱189,302	₱378,629

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.

5. **Receivables**

	September 30, 2014	June 30, 2014
	(In Thousands)	
Trade debtors	**₱136,784**	₱141,187
Insurance receivables	**446,721**	506,857
Others	**260,327**	256,760
	843,831	904,804
Less allowance for impairment losses	**309,057**	308,758
	₱534,774	₱596,046

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 60 to 180 days' term.

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱167.8 million as at September 30, 2014 and June 30, 2014. 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 non-interest bearing and are generally collectible on demand.

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

	Trade debtors	Insurance receivables	Others	Total
		(In Thousands)		
At June 30, 2014	₱89,298	₱8,341	₱211,119	₱308,758
Provisions during the period (Note 18)	–	298	–	298
At September 30, 2014	₱89,298	₱8,639	₱211,119	₱309,057

6. **Inventories**

	September 30, 2014	June 30, 2014
	(In Thousands)	
At NRV:		
Finished goods	**₱15,772**	₱17,773
Factory supplies and spare parts	**701**	701
	₱16,473	₱18,474

Movements in the allowance for inventory losses are as follows:

	September 30, 2014	June 30, 2014
	(In Thousands)	
Beginning balances	**₱82,016**	₱97,893
Provisions (Note 20)	**–**	1,813
Recovery	**–**	(225)
Reversal	**–**	(4,360)
Write-off	**–**	(13,105)
	₱82,016	₱82,016

7. **Real Estate Held for Sale and Development**

	September 30, 2014	June 30, 2014
	(In Thousands)	
Batangas and Calamba lands	**₱395,512**	₱395,509
Homelands	**34,554**	33,998
	₱430,066	₱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 September 30, 2014 and June 30, 2014 are as follows:

	September 30, 2014	June 30, 2014
Land cost	**₱299,239**	₱299,239
Construction overhead and other related costs	**73,920**	73,438
Professional fees	**17,932**	17,932
Taxes	**4,421**	4,421
	₱395,512	₱395,509

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

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

	September 30, 2014	June 30, 2014
Balances at beginning of the period	**₱429,507**	₱280,179
Additions	**559**	149,328
Repossessions	–	–
Balances at end of the period	**₱430,066**	₱429,507

In October 2013, OPDI purchased 58,883 square meters parcel of land situated in Alimanguan, Sto. Nino, San Vicente, Palawan amounting to ₱148.83 million.

8. AFS Financial Assets

	September 30, 2014	June 30, 2014
	(In Thousands)	
Listed equity securities	**₱1,207,583**	₱1,390,601
Nonlisted equity securities	**363,367**	299,661
Quoted debt securities	**527,898**	241,655
Unquoted debt securities	**6,082**	6,082
	₱2,104,930	₱1,937,999
Allowance for impairment losses	**294,101**	294,101
	₱1,810,829	₱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 latest available transaction price at the end of the reporting period.

On September 30, 2014 and 2013, the Group sold certain listed equity securities and recognized a gain on sale of ₱1.7 million and ₱2.9 million, respectively.

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.

9. Other Current Assets

	September 30, 2014	June 30, 2014
	(In Thousands)	
CWTs	**₱184,786**	₱185,961
Input VAT	**24,889**	25,784
Prepayments	**1,052**	1,464
	210,727	213,209
Less allowance for impairment losses	**2,819**	2,819
	₱207,907	₱210,390

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

Movements in the allowance for impairment losses are as follows:

	September 30, 2014	June 30, 2014
	(In Thousands)	
Balances at beginning of the period	**₱2,819**	₱2,970
Provisions	–	61
Write-off	–	(212)
Balances at end of the period	**₱2,819**	₱2,819

10. **Investments in Associate**

	September 30, 2014	June 30, 2014
	(In Thousands)	
Acquisition costs:		
Balances at beginning of the period	**₱5,959**	₱5,959
Additions	**–**	–
Balances at end of the period	**5,959**	5,959
Accumulated equity in net losses of associates:		
Balances at beginning of the period	**(₱3,395)**	(3,371)
Equity in net income of associates	**–**	(24)
Balances at end of the period	**(3,395)**	(3,395)
	₱2,564	₱2,564

11. **Investment Properties**

<u>As at September 30, 2014</u>

	Buildings and Improvements	**Land and Improvements**	**Total**
		(In Thousands)	
Cost			
At beginning of year	**₱2,182,245**	**₱131,624**	**₱2,313,869**
Additions	**581**	**–**	**581**
Reclassification	**-**	**–**	**-**
At end of period	**2,182,826**	**131,624**	**2,314,451**
Accumulated Depreciation and Amortization			
At beginning of year	**₱1,569,549**	**₱552**	**₱1,570,101**
Depreciation and amortization (Note 18)	**8,335**	**34**	**8,370**
At end of period	**1,577,884**	**586**	**1,578,470**
	604,942	**131,038**	**735,981**
Less: Allowance for impairment losses	**(6,281)**	**–**	**(6,281)**
Net Book Value	**₱598,661**	**₱131,038**	**₱729,700**

<u>As at June 30, 2014</u>

	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

	Buildings and Improvements	Land and Improvements	Total
		(In Thousands)	
Accumulated Depreciation and Amortization			
At beginning of year	1,537,382	414	1,537,796
Depreciation and amortization (Note 18)	32,167	138	32,305
Write-off	(1,205)	–	(1,205)
At end of year	1,568,344	552	1,568,896
Balance	612,697	131,072	743,769
Less: Allowance for impairment losses	6,281	–	6,281
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).

12. Property, Plant and Equipment

As at September 30, 2014

	Condominium Units	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Hotel Equipment	Total
At cost							
At beginning of year	8,692	6,948	2,087,856	39,484	89,557	7,093	**2,239,630**
Additions	-	-	825	-	1,624	84	**2,532**
Disposals	-	-	(491)	-	-	-	**(491)**
At end of the period	8,692	6,948	2,088,190	39,484	91,180	7,176	2,241,671
Accumulated depreciation and amortization							
At beginning of year	4,404	6,517	2,061,267	32,163	82,631	3,407	**2,190,389**
Depreciation and amortization (Note 19)	54	47	1,314	980	780	534	**3,710**
Disposals	-	-	(491)	-	-	-	**(491)**
At end of the period	4,459	6,564	2,062,091	33,143	83,411	3,941	2,193,608
Net book value	**4,233**	**384**	**26,099**	**6,341**	**7,769**	**3,235**	**48,063**

	Land and Improvements	**Buildings and Improvements**	**Total**
		(In Thousands)	
At revalued amounts:			
At beginning of year	**₱339,583**	**₱699,232**	**₱1,038,815**
Addition	**–**	**125**	**125**
At end of period	**339,583**	**699,357**	**1,038,940**
Accumulated depreciation and amortization			
At beginning of year	**19,037**	**396,935**	**415,972**
Depreciation and amortization (Note 18)	**170**	**6,600**	**6,770**
At end of period	**19,207**	**403,534**	**422,741**
Net book values	**₱320,376**	**₱295,822**	**₱616,198**

As at June 30, 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	₱6,891	₱2,088,175	₱38,663	₱87,034	₱8,692	₱6,994	₱2,236,449
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	2,087,856	39,484	89,557	8,692	7,093	2,239,630
Accumulated Depreciation and Amortization							
At beginning of year	6,317	2,056,135	29,203	79,740	4,187	1,365	2,176,947
Depreciation and amortization (Note 18)	200	5,132	3,842	3,161	217	2,042	14,594
Disposals	–	–	(882)	(270)	–	–	(1,152)
At end of year	6,517	2,061,267	32,163	82,631	4,404	3,407	2,190,389
Net Book Values	₱431	₱26,589	₱7,321	₱6,926	₱4,288	₱3,686	₱49,241

	Land and Improvements	Buildings and Improvements	Total
		(In Thousands)	
At revalued amounts:			
At beginning of year	₱339,582	₱694,441	₱1,034,023
Additions	–	4,790	4,790
At end of year	339,582	699,231	1,038,813
Accumulated depreciation and amortization			
At beginning of year	18,357	370,481	388,838
Depreciation and amortization (Note 18)	680	26,453	27,133
At end of year	19,037	396,934	415,971
Net book values	₱320,545	₱302,297	₱622,842

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

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. dated

July 23, 2013, exceeds its carrying cost. Asian Appraisal Company, Inc. is an industry specialist in valuing these types of properties.

13. **Software Costs**

	September 30, 2014	June 30, 2014
	(In Thousands)	
At cost:		
Beginning balances	**₱33,151**	₱28,968
Additions	**534**	4,183
Ending balances	**33,685**	33,151
Accumulated amortization:		
Beginning balances	**24,194**	20,790
Amortization (Note 18)	**956**	3,404
Ending balances	**25,150**	24,194
Net book values at cost	**₱8,535**	₱8,957

14. **Other Noncurrent Assets**

	September 30, 2014	June 30, 2014
	(In Thousands)	
Refundable deposits	**₱25,709**	₱27,313
Deferred acquisition cost	**25,813**	25,641
Deferred reinsurance premiums	**25,163**	24,059
Prepaid expenses	**10,857**	16,177
Deferred input VAT	**9,250**	9,697
Unclaimed claims reserve fund	**6,380**	6,380
Others	**23,818**	18,665
	₱126,990	₱127,932

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

Rental deposits include rental and security deposits paid which are refundable at the end of the contract.

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

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

Deposit in real estate property represents initial payment on the purchase of property in San Vicente, Palawan.

Unclaimed claims reserve fund pertains to fund deposited to MBTC for payment for Class 3 creditors of LCI.

15. Accounts Payable and Accrued Expenses

	September 30, 2014	June 30, 2013
	(In Thousands)	
Claims payables	**₱266,725**	₱266,951
Reserves for unearned premiums	**112,553**	111,909
Accrued expenses	**114,605**	93,690
Nontrade payables	**73,503**	62,529
Trade payables	**54,440**	46,997
Due to reinsurers and ceding companies	**29,132**	29,132
Others	**62,311**	62,175
	₱713,269	₱673,383

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.

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.

16. Rental and Other Deposits

	September 30, 2014			June 30, 2014		
	Due within One Year	**Beyond One Year**	**Total**	Due within One Year	Beyond One Year	Total
			(In Thousands)			
Rental deposits	**₱44,085**	**₱5,413**	**₱49,498**	₱50,453	₱4,979	₱55,432
Security deposits	**69,373**	**19,680**	**89,053**	70,757	18,619	89,376
Deferred rent	**38,509**	**25,403**	**63,912**	34,998	12,796	47,794
Customer deposits	**3,713**	**4,563**	**8,276**	1,317	4,563	5,880
Construction bond	**4,082**	**3,682**	**7,763**	4,192	3,621	7,813
Other deposits	**4,910**	**3,579**	**8,490**	4,938	3,510	8,448
	₱164,672	**₱62,320**	**₱226,992**	₱166,655	₱48,088	₱214,743

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.

Customer deposits consist of priority premiums paid by tenants which serve as their reservation deposits.

17. 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	Terms	Conditions
			(In Thousands)		
Amounts owed by related parties:					
Under common control					
Guoman Philippines, Inc.	**September 30, 2014**	**-**	**1,625**	Demandable and collectible on demand	Unsecured, non-interest bearing, with impairment of ₱1,610, and unguaranteed
	June 30, 2014	1	1,626		
Genez Investments Corp.	**September 30, 2014**	**–**	**6**	Demandable and collectible on demand	Unsecured, non-interest bearing, no impairment, and unguaranteed
	June 30, 2014	–	6		
Hong Way Holdings, Inc.	**September 30, 2014**	**-**	**-**	Demandable and collectible on demand	Unsecured, non-interest bearing, no impairment, and unguaranteed
	June 30, 2014	2	–		
Total	**September 30, 2014**	**₱-**	**₱1,631**		
Total	June 30, 2014	₱3	₱1,632		

	September 30, 2014	June 30, 2014
	(In Thousands)	
Amounts owed by related parties	**₱1,631**	₱1,632
Less allowance for impairment losses	**1,610**	1,610
	₱21	₱22

Allowance for impairment losses on amounts owed by related parties amounted to₱1.6 million as at September 30, 2014 and June 30, 2014.

18. Operating Expenses

	September 30, 2014	September 30, 2013
Personnel expenses	₱43,339	₱45,298
Provision for impairment loss (Notes 5)	298	135
Rent and utilities	4,780	5,777
Depreciation and amortization (Notes 12, 13, 14 and 23)	15,191	20,374
Marketing expenses	433	2,434
Supplies and repairs	1,051	2,432
Professional and legal fees	3,346	3,238
Taxes and licenses	4,384	5,763
Communication and transportation	2,165	2,391
Insurance	1,108	1,604
Representations	263	365
Others	3,512	5,768
	₱79,870	₱95,579

Others consist mainly of various charges that are individually immaterial.

19. 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 1, 2013 was determined using the projected unit credit method in accordance with PAS 19.

20. Earnings (Loss) Per Share

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

	September 30, 2014	September 30, 2013
a. Net income (loss) attributable to equity holders of the Parent	**₱3,835**	(₱36,650)
b. Weighted average number of shares	**2,367,149**	2,367,149
Basic earnings per share (a/b)	**₱0.002**	(₱0.016)

21. 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:

September 30, 2014	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Eliminations	Consolidated
Revenue	1,100	99,485	64,064	2,375	784	167,807	-	167,807
Cost and expenses	(4,521)	(96,975)	(58,587)	(15,717)	(2,595)	(178,395)	1,688	(176,706)
Other income (charges)	1,801	3,866	27	12,305	2	18,001	(1,688)	16,313
Income (Loss) before income tax	(1,620)	6,376	5,504	(1,037)	(1,810)	7,413	0	7,414
Provision for income tax	-	1,694	333	-	-	2,027	-	2,027
Net income (loss)	**(1,620)**	**4,682**	**5,171**	**(1,037)**	**(1,810)**	**5,386**	**0**	**5,386**
OTHER INFORMATION								
Segment assets	**2,718,223**	**2,310,174**	**787,418**	**795,479**	**50,719**	**6,662,013**	**(1,940,591)**	**4,721,422**
Segment liabilities	**692,748**	**631,684**	**562,669**	**325,649**	**188,036**	**2,400,786**	**(647,213)**	**1,753,574**

September 30, 2013	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Eliminations	Consolidated
Revenue	276	93,184	55,263	8,312	1,179	158,213	-	158,213
Cost and expenses	(4,352)	(95,408)	(70,599)	(27,894)	(3,086)	(201,340)	677	(200,663)
Other income (charges)	905	2,837	34	(1,862)	117	2,031	(677)	1,354
Income (Loss) before income tax	(3,172)	612	(15,302)	(21,444)	(1,790)	(41,096)	-	(41,096)
Provision for income tax	-	(74)	312	-	-	238	-	238
Net income (loss)	(3,172)	686	(15,614)	(21,444)	(1,790)	(41,334)	-	(41,334)
June 30, 2014								
OTHER INFORMATION								
Segment assets	**2,641,421**	**2,275,699**	**891,177**	**929,981**	**50,624**	**6,788,903**	**(1,962,913)**	**4,825,990**
Segment liabilities	**690,675**	**602,730**	**671,888**	**323,446**	**187,110**	**2,475,850**	**(764,195)**	**1,711,655**

Geographical Segments
The Group does not have geographical segments.

22. 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.

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

	September 30, 2014	June 30, 2014
	(In Thousands)	
Less than one (1) year	**₱112,607**	₱121,991
More than (one) 1 year but not more than (five) 5 years	**638,760**	620,835
More than (five) 5 years	**3,136,540**	3,238,920
	₱3,887,907	₱3,981,746

Leasehold rights pertaining to the leased property has a book value of nil as at September 30, 2014 and June 30, 2014. Movements in the carrying value of the rights are presented below.

	September 30, 2014	June 30, 2014
	(In Thousands)	
Beginning balances	**₱-**	₱4,239
Amortization	**-**	(4,239)
Net book values	**₱-**	₱-

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.

23. **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.

24. 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, HTM investments 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:

September 30, 2014

	Neither past due nor impaired		Past due or	
	High Grade	Standard Grade	individually impaired	Total
Financial assets:				
Loans and Receivables				
Cash and cash equivalents	188,775	-	-	188,775
Receivables				
Trade debtors	38,879	-	97,905	136,784
Insurance receivables	250,623	65,466	130,632	446,721
Others	54,311	-	206,016	260,327
Amounts owed by related parties	21	-	1,610	1,631
AFS Investments				
Listed equity securities	913,482	-	294,101	1,207,583
Quoted debt securities	363,367	-	-	363,367
Unquoted debt securities	6,083	-	-	6,083
Nonlisted equity securities	527,898	-	-	527,898
	2,343,439	65,466	730,264	3,139,169

June 30, 2014

	Neither past due nor impaired		Past due or	
	High grade	Standard grade	individually impaired	Total
		(In Thousands)		
Loans and Receivables:				
Cash and cash equivalents	₱353,677	₱–	₱–	₱353,677
Receivables:				
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
Deposits (under "Other noncurrent assets")	27,214	–	99	27,313
AFS Financial Assets:				
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
	₱2,424,008	₱196,849	₱604,568	₱3,225,425

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

September 30, 2014

	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Individually impaired	Total
Financial assets:							
Loans and Receivables							
Cash and cash equivalents	188,775	-	-	-	-	-	188,775
Receivables							
Trade debtors	38,879	2,709	1,691	1,250	3,270	88,985	136,784
Insurance receivables	316,088	38,355	7,042	12,753	56,436	16,048	446,721
Others	54,311	1,992	-	-	-	204,024	260,327
Amounts owed by related parties	21	-	-	-	-	1,610	1,631
AFS Investments							
Listed equity securities	913,482	-	-	-	-	294,101	1,207,583
Quoted debt securities	363,367	-	-	-	-	-	363,367
Unquoted debt securities	6,083	-	-	-	-	-	6,083
Nonlisted equity securities	527,898	-	-	-	-	-	527,898
	2,408,905	43,056	8,733	14,003	59,705	604,768	3,139,169

June 30, 2014

	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Individually impaired	Total
			(In Thousands)				
Loans and Receivables:							
Cash and cash equivalents	₱353,677	₱–	₱–	₱–	₱–	₱–	₱353,677
Receivables:							
Trade debtors	43,998	2,480	251	–	5,160	89,298	141,187
Insurance receivables	315,135	–	–	–	183,380	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
AFS Financial Assets							
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
	₱2,427,845	₱2,480	₱251	₱–	₱190,357	₱604,492	₱3,225,425

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 September 30, 2014 and June 30, 2014 based on contractual undiscounted payments:

<u>September 30, 2014</u>

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Total
Accounts payable and accrued expenses	**₱500,709**	**₱593**	**₱118,703**	**₱94,370**	**₱714,376**
Rental and other deposits	**51,781**	**50,588**	**62,303**	**62,320**	**226,992**
	₱552,490	**₱51,181**	**₱181,006**	**₱156,690**	**₱941,368**

<u>June 30, 2014</u>

	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 primarily from movements of the Philippine Peso against the US Dollar. 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 US Dollar.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱45.00 to US$1.00 and ₱43.48 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at September 30, 2014 and June 30, 2014, respectively**.**

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

	September 30, 2014		June 30, 2014	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
		(In Thousands)		
Financial Asset:				
Cash in banks	**$55**	**₱2,463**	$48	₱2,087
Financial Liability:				
Accounts payable	**4**	**178**	2	87
Net financial asset	**$51**	**₱2,285**	$46	₱2,000

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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 investments.

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.

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rate relates to quoted debt instruments.

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

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 September 30, 2014 and June 30, 2014.

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

	September 30, 2014	June 30, 2014
Capital stock	**₱2,066,357**	₱2,066,357
Additional paid-in capital	**829,904**	829,904
	₱2,896,261	₱2,896,261

The Group is not subject to externally imposed capital requirements.

25. **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 September 30, 2014 and June 30, 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/to Related Parties
The carrying amounts receivables, accounts payable and accrued expenses and amounts owed by/to 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 non-current 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 September 30, 2014 and June 30, 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.

26. Fair Value

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

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 -Other techniques for which all inputs that have significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 - Techniques that use inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at September 30, 2014:

	Fair value measurement using		
	Quoted prices in active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs(Level 3)**
		(In Thousands)	
Assets for which fair values are disclosed			
Loans and Receivables			
Cash and cash equivalents	₱–	₱189,302	₱–
Receivables			
Trade debtors	–	47,799	–
Insurance receivables	–	430,673	–
Others	–	56,303	–
Real estate for sale and development	–	–	430,066
Amounts owed by related parties	–	21	–
Refundable deposits under noncurrent assets	–	27,313	–
Assets for which fair values are measured			
AFS financial assets	1,276,849	533,981	–
Investment properties	–	–	3,639,697
	₱1,276,849	₱1,285,392	₱4,069,763

	Fair value measurement using		
	Quoted prices in active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs(Level 3)**
		(In Thousands)	
Liabilities for which fair values are disclosed			
Other Financial Liabilities			
Accounts payable and accrued expenses	₱–	₱714,376	₱–
Rental and other deposits	–	226,992	–
	₱–	₱941,368	₱–

During the year, there are no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As at September 30, 2014

	AMOUNT
Current	38,532
1 to 30 days	2,180
31 to 60 days	1,320
61 to 90 days	2,267
Over 90 days	92,485
Total receivable-trade	**136,784**
Advances to Employees	8,677
Insurance receivable	446,771
Others	251,599
Total non-trade receivable	**707,048**
Total receivable	**843,832**
Allowance for doubtful accounts	**(309,057)**
	534,774