

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 **31 March 2016**
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: [REDACTED] (SEC Use Only)

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

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 April 2016)*

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,396,455,383
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 nine-month period of fiscal year 2016, the Group reported a consolidated net income of P198.1 million compared to the net loss of P35.2 million in the same period last year. Income was mainly attributable to the gain on sale of investment properties in Mandaue, Cebu and Sto. Tomas, Batangas. For the quarter, net loss posted was at P233.9 million compared to last year's net loss of P36.5 million due to one-time set up of provision for probable losses.

Consolidated revenue for the nine-month period grew by 36%, from P527.3 million to P719.1 million due to sale of land in Sto. Tomas, Batangas. Likewise, rental revenue improved by 13% compared to last year. During the quarter, the Group posted a consolidated revenue of P170.5 million from a net loss of P172.3 million in the same period last year.

On year-to-date, cost and expenses increased by 57% attributable to the cost of real estate sales coupled with higher operating expense and cost of goods and services. Increase in operating expenses was due to increase in personnel cost as a result of the implementation and grant of 29.3 million POPI shares under the Employees Stock Ownership Plan and higher non-recurring professional fees. Increase in Cost of goods and services was due to additional rental to the Philippine National Railways (PNR) arising from the turnover of leasable land and air rights in Phase II with an area of 8.8 hectares.

#### **Tutuban Properties, Inc. (TPI)**

For the nine-month period, revenues from mall operations grew by 6%, from P309.2 million to P329.6 million driven by the growth in night market operations, parking income and improvement in rental rates.

Excluding one-time adjustments, general and administrative expense ratio to revenue is higher by 20% compared to figures for the same period last year mainly attributed to nonrecurring professional fees. Direct operating expenses also increased due to additional rental arising from the turnover by PNR of leasable land and air rights totaling 8.8 hectares. TPI registered a net loss of P187.1 million as against last year's net loss of P0.58 million.

#### **Lepanto Ceramics, Inc. (LCI)**

With the shift of LCI business from manufacturing into leasing of industrial warehouses, rental revenue grew by 51%, to about P22.5 million for the nine-month period. Disposal of existing machineries and remaining tile inventories are also on-going. For the quarter, LCI posted a net loss of P7.6 million compared to the net loss of P5.9 million last year. The net loss was attributable to cost of repair and renovations of the existing facility and set-up of provision for probable losses. For the nine-month period, LCI posted a net loss of P18.7 million compared to last year's net loss of P14.4 million due to higher expenses. Non-cash expense amounted P17.7 million compared to last year's P19.4 million.

Conversion of existing facilities into leasable industrial spaces is in progress. Renovation of existing structures and disposal of existing machineries and equipment are on-going to increase leasable space. The existing facility will be able to provide leasable space of about 79,000 square meters.

### **FLT Prime Insurance Corporation (FPIC)**

Gross Premiums Written for the nine-month period ending March 2016 was down by 12% with the dip in performance of property and accident and health lines. Underwriting cost and expenses also increased by 8% due to higher claims and losses. Net loss was posted at P25.5 million compared to net loss of P2.9 million for the same period last year.

For the quarter, total revenues was posted at P57.2 million compared to last year's P60.7 million, mainly attributable to lower net premiums earned on property insurance compensated by 11% increase in motor car business. Net loss for the quarter was registered at P5.1 million compared to net loss of P1.4 million last year.

### **Financial Condition**

Total Assets of the Group stood at P6.1 billion compared to last year's P4.5 billion. Increase in total assets was primarily due to the payment of deposit for future stock subscription by Ayala Land, Inc. (ALI). Higher Cash and Cash Equivalents were sourced from the proceeds on sale of real estate and investment property. Accordingly, real estate held for sale and development and investment property decreased by 25% and 12%, respectively. Net increase in available-for-sale (AFS) financial assets was due to acquisition and improvement in market value of stocks during the period. Collection of deposit for future stock subscription from ALI was loaned to a third party, hence, the substantial increase in Receivables by 259%. Decrease in inventories was due to disposal of the remaining stocks. Other Current Assets increased due to unutilized creditable withholding tax and input value added tax. Total Current assets was higher than its Total Current Liabilities, which stood at P4.8 billion and P0.7 billion, respectively. Decrease in property, plant and equipment and software costs represents depreciation and amortization during the period. Noncurrent assets decreased due to reclassification of payment to PNR in prior years as expense.

Total liability of the Group increased due to recording of deposit for future stock subscription by ALI. Accounts payable and accrued expenses decreased by 15% due to settlement of claims negated by the set-up of provision for probable losses. Decrease in current portion of rental and other deposits was offset by the noncurrent portion. Net decrease in Retirement benefits liability was due to contribution to the retirement fund as of the period. The Parent company collected portion of its subscription receivable. Unrealized valuation gain on AFS financial assets was mainly due to higher market value as of the reporting period. In November 2015, the Parent Company granted to qualified employees an Employees Stock Ownership Plan at an option price of P1.00 per share, hence, Equity Reserve was recorded under Equity section of the Statement of Financial Position amounting to P27.1 million.

### **Financing Through Loans**

As of 31 March 2016, the Group has no outstanding loan from any financial institution.

**The top 5 Key Performance Indicators of the Company are as follows:**

<b>Ratios</b>	<b>Formula</b>	<b>31-Mar-16</b>	<b>31-Mar-15</b>	<b>30-Jun-15</b>
Current Ratio	<u>Current Assets</u>	6.94:1	3.46:1	3.52:1
	Current liabilities	4,830,933 / 696,319	2,991,891 / 864,504	2,870,126 / 815,492
Debt to Equity Ratio	<u>Total Liabilities</u>	0.960:1	0.644:1	0.641:1
	Equity	2,966,120 / 3,090,643	1,739,881 / 2,702,016	1,714,830 / 2,673,903
Capital Adequacy Ratio	<u>Equity</u>	0.505:1	0.599:1	0.599:1
	Total Assets	3,090,643 / 6,121,457	2,702,016 / 4,513,129	2,673,903 / 4,461,073
Book Value per Share	<u>Equity</u>	1.305	1.142	1.129
	Total # of shares	3,090,643 / 2,367,149	2,702,016 / 2,367,149	2,673,903 / 2,367,149
Income per Share	<u>Net Income</u>	0.084	-0.015	-0.11
	Total # of Shares	198,669 / 2,367,149	-35,196 / 2,367,149	(262,236) / 2,367,149

**Current ratio** shows the Group's ability to meet its short term financial obligation. As of 31 March 2016, the Group has P6.94 worth of current assets for every peso of current liabilities as compared to P3.52 as of 30 June 2015. 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 2015, debt to equity ratio increased by 50% as a result of the increase in total liabilities due to deposit for future stock subscription coupled by an income recognized during the period.

**Capital Adequacy Ratio** is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Company. As of 31 March 2016, the Group's Capital Adequacy Ratio is 0.505 compared to last year's 0.599. Decrease was attributable to higher Assets 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 31 March 2016, the Group has book value per share of P1.305 higher by 16% compared to 30 June 2015.

**Income per share** is calculated by dividing net income by the weighted average number of shares issued and outstanding. As of 31 March 2016, the Group reported a P0.084 income per share as compared to negative P0.015 last year.

**(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 Company and its subsidiaries' 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.

**Breakdown on the contribution of POPI's subsidiaries  
(on a per type of business basis) to POPI's net income  
as provided below:**

Parent Company (holding Co.)	-	159.64%
Real estate and property development	-	-33.32%
Financial services	-	-12.85%
Manufacturing	-	- 8.79%
Others	-	- 4.68%
		-----
		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:



**NIMFA AMBROSIA L. PEREZ-PARAS**

Assistant Corporate Secretary

Date: 16 May 2016



**RHODORA ESTRELLA B. REVILLA**

Chief Finance Officer

Date: 16 May 2016

**PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES**

**Unaudited Interim Consolidated Financial Statements  
March 31, 2016 and June 30, 2015**

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

	UNAUDITED March 31, 2016	AUDITED June 30, 2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	P319,530	P151,763
Receivables (Note 5)	1,780,077	496,116
Inventories (Note 6)	10,231	12,006
Real estate held for sale and development (Note 7)	321,825	430,103
Amounts owed by related parties (Note 18)	57	9
Available-for-sale (AFS) financial assets (Note 8)	2,089,062	1,507,408
Financial assets at fair value through profit or loss (FVPL) (Note 9)	17,970	27,992
Other current assets (Note 10)	292,181	244,729
<b>Total Current Assets</b>	<b>4,830,933</b>	<b>2,870,126</b>
<b>Noncurrent Assets</b>		
Investment in associate (Note 11)	1,960	2,571
Investment properties (Note 12)	1,164,884	1,329,022
Property, plant and equipment (Note 13)	34,232	46,328
Software costs (Note 14)	7,092	8,800
Other noncurrent assets (Note 15)	82,356	204,226
<b>Total Noncurrent Assets</b>	<b>1,290,524</b>	<b>1,590,947</b>
<b>TOTAL ASSETS</b>	<b>P6,121,457</b>	<b>P4,461,073</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 16)	P564,689	P667,262
Current portion of rental and other deposits (Note 17)	131,630	148,230
<b>Total Current Liabilities</b>	<b>696,319</b>	<b>815,492</b>
<b>Noncurrent Liabilities</b>		
Rental and other deposits – net of current portion (Note 17)	102,050	85,331
Retirement benefits liability (Note 21)	81,693	96,975
Deferred rent income	792	792
Deferred income tax liabilities – net	197,342	234,565
Deposit for future stock subscription	1,406,250	-
Subscriptions payable (Note 19)	481,675	481,675
<b>Total Noncurrent Liabilities</b>	<b>2,269,802</b>	<b>899,338</b>
<b>Total Liabilities</b>	<b>2,966,120</b>	<b>1,714,830</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock - P1 par value		
Authorized - 2,400,000,000 shares		
Issued and subscribed - 2,378,342,673 shares (net of subscriptions receivable of P248,187 and P297,237 as at March 31, 2016 and June 30, 2015)	2,130,156	2,069,912
Additional paid-in capital	829,904	829,904
Equity reserves (Note 23)	27,469	-
Treasury shares	(21,916)	(21,916)
Revaluation increment on property, plant and equipment (Note 12)	244,622	244,622
Unrealized valuation gain (losses) on AFS financial assets	123,372	2,066
Loss on re-measurement of retirement benefit liability	(71,077)	(72,481)
Deficit	(171,887)	(378,204)
	<b>3,090,643</b>	<b>2,673,903</b>
<b>Non-Controlling Interests</b>	<b>64,694</b>	<b>72,340</b>
<b>Total Equity</b>	<b>3,155,337</b>	<b>2,746,243</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P6,121,457</b>	<b>P4,461,073</b>

*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)

	QUARTER ENDED MARCH 31		NINE MONTHS PERIOD ENDED MARCH 31	
	2016	2015	2016	2015
<b>REVENUES</b>				
Real estate sales	-	-	173,887	-
Rental	111,338	103,754	354,412	329,289
Insurance premiums and commissions	57,587	62,354	167,116	174,354
Gain on sale of AFS investments (Note 8)	308	2,067	4,328	6,920
Merchandise sales - net	830	1,665	2,836	6,782
Service income	5,367	4,500	13,506	11,778
Interest income on investments	3,409	2,825	9,993	7,935
Dividend income	374	2,561	1,751	5,164
	<b>179,214</b>	<b>179,726</b>	<b>727,830</b>	<b>542,222</b>
<b>COST AND EXPENSES</b>				
Operating expenses (Note 20)	99,475	88,845	353,367	268,361
Cost of goods sold and services	181,532	86,716	321,009	204,010
Cost of real estate sold	-	-	143,704	-
Insurance underwriting deductions	52,462	44,765	141,945	132,000
	<b>333,469</b>	<b>220,326</b>	<b>960,025</b>	<b>604,371</b>
<b>OTHER INCOME (CHARGES)</b>				
Others - net	1,491	1,767	5,665	26,214
Interest and others - net	2,237	847	3,535	1,792
Foreign exchange gains (losses) - net	23	30	102	69
Gain on sale of assets	1,393	-	506,310	111
Reversal of provision for inventory loss	1,069	-	2,666	-
Reversal of provision for impairment losses	(3,115)	(4,709)	(3,115)	2,651
Provision for probable losses	(138,460)	-	(138,460)	-
Impairment loss	(10,662)	-	(10,662)	-
Unrealized gain (loss) on FVPL	-	-	(183)	-
Rehabilitation expenses	-	-	-	(519)
	<b>(146,024)</b>	<b>(2,065)</b>	<b>365,858</b>	<b>30,318</b>
	<b>479,493</b>	<b>222,391</b>	<b>594,168</b>	<b>574,053</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(300,279)</b>	<b>(42,664)</b>	<b>133,662</b>	<b>(31,829)</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	<b>(66,906)</b>	<b>(6,151)</b>	<b>(65,007)</b>	<b>3,366</b>
<b>NET INCOME (LOSS)</b>	<b>(233,373)</b>	<b>(36,513)</b>	<b>198,669</b>	<b>(35,196)</b>
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the company	(229,471)	(36,346)	206,315	(34,304)
Noncontrolling interests	(3,902)	(167)	(7,647)	(892)
	<b>(233,373)</b>	<b>(36,513)</b>	<b>198,668</b>	<b>(35,196)</b>
<b>EARNINGS (LOSS) PER SHARE (Note 22)</b>				
Basic, for income for the period attributable to ordinary equity holders of the parent	(0.097)	(0.015)	0.087	(0.014)

See Accompanying Notes to Consolidated Financial Statements



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

	QUARTER ENDED MARCH 31		NINE MONTHS PERIOD	
	2016	2015	2016	2015
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>(67,972)</b>	<b>(36,513)</b>	<b>364,069</b>	<b>(35,196)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent period:				
Unrealized valuation gain (loss) on AFS investments	<b>129,845</b>	<b>(50,264)</b>	<b>124,795</b>	<b>(305,285)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>61,873</b>	<b>(86,777)</b>	<b>488,864</b>	<b>(340,481)</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the company	<b>65,839</b>	<b>(93,061)</b>	<b>501,148</b>	<b>(344,878)</b>
Noncontrolling interests	<b>(3,966)</b>	<b>6,284</b>	<b>(12,284)</b>	<b>4,398</b>
	<b>61,873</b>	<b>(86,777)</b>	<b>488,864</b>	<b>(340,481)</b>

*See Accompanying Notes to Consolidated Financial Statements*

**PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE NINE MONTHS ENDED MARCH 31, 2016 AND 2015**

**(Amounts in Thousands)**

	Capital Stock	Additional Paid In Capital	Treasury Shares	Revaluation Increment on Property, Plant and Equipment	Equity Reserve - Share based	Unrealized Valuation Gain (Loss) on AFS Investments	Remeasurement Gain (loss) on Retirement Plans	Retained Earnings (Deficit)	Non- Controlling Interests	Total
Balances at June 30, 2014	2,066,357	829,904		252,233	-	83,801	(66,736)	(123,362)	72,139	3,114,336
Net income for the period	-	-		-	-	-		(34,304)	(892)	(35,196)
Other comprehensive income (loss):										
Unrealized valuation loss on AFS investments	-	-		-	-	(305,285)	-	-	(16)	(305,301)
Actuarial gain recognized in OCI				-			(38)			(38)
Total Comprehensive income (loss) as restated	-	-	-	-	-	(305,285)	(38)	(34,304)	(908)	(340,535)
Unrealized gain transferred from equity to consolidated statement of income	-	-		-	-	(552)	-	-	-	(552)
<b>Balances at March 31, 2015</b>	<b>2,066,357</b>	<b>829,904</b>	<b>-</b>	<b>252,233</b>	<b>-</b>	<b>(222,036)</b>	<b>(66,775)</b>	<b>(157,666)</b>	<b>71,231</b>	<b>2,773,248</b>
Balances at June 30, 2015	2,069,912	829,904	(21,916)	244,622	-	2,066	(72,481)	(378,204)	72,340	2,746,243
Net loss for the period	-	-		-	-	-		206,315	(7,647)	198,668
Other comprehensive income (loss) for the period										
Actuarial gain (loss) recognized in OCI							1,404			1,404
Unrealized valuation loss on AFS investments	-	-		-	-	124,795	-	-	-	124,795
Total Comprehensive income (loss) for the period	-	-	-	-	-	124,794	1,404	206,315	(7,647)	324,866
Collection of subscription receivables	60,244									60,244
Share based payments					27,469					27,469
Unrealized gain transferred from equity to consolidated statement of income	-	-		-	-	(3,487)	-	-	-	(3,487)
<b>Balances at March 31, 2016</b>	<b>2,130,156</b>	<b>829,904</b>	<b>(21,916)</b>	<b>244,622</b>	<b>27,469</b>	<b>123,372</b>	<b>(71,077)</b>	<b>(171,887)</b>	<b>64,694</b>	<b>3,155,337</b>

*See accompanying Notes to Consolidated Financial Statements*

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

	<b>NINE MONTHS ENDED MARCH 31</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>133,662</b>	(31,829)
Adjustments for:		
Gain on sale of:		
AFS financial assets (Note 8)	<b>(4,328)</b>	(6,920)
Property, plant and equipment	<b>(6,727)</b>	(111)
FVPL investment	-	-
Investment property	<b>(499,583)</b>	-
Accounts written off	<b>114</b>	-
Share based expense	<b>27,469</b>	-
Provision for (reversal of) impairment losses on:		
Receivables (Note 5)	<b>552</b>	(6,249)
Inventories (Note 6)	<b>(2,666)</b>	(123)
Other current assets	<b>137,850</b>	34
AFS financial assets (Note 8)	<b>3,115</b>	4,709
Investment in associates	<b>610</b>	-
Movement of retirement liability	<b>16,119</b>	13,216
Depreciation and amortization (Notes 12, 13, 14 and 22)	<b>60,028</b>	59,566
Interest income	<b>(16,084)</b>	(10,053)
Dividend income (Note 8)	<b>(1,751)</b>	(5,164)
Interest expense and bank charges	<b>2,555</b>	326
Unrealized foreign exchange losses (gains) - net	<b>(102)</b>	(69)
<b>Operating income (loss) before working capital changes</b>	<b>(149,166)</b>	17,331
Decrease (increase) in:		
Receivables	<b>(1,284,627)</b>	98,291
Inventories	<b>4,423</b>	5,646
Real estate held for sale and development	<b>108,278</b>	(594)
Other current assets	<b>(120,296)</b>	(10,864)
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>(139,691)</b>	17,383
Rental and other deposits	<b>118</b>	21,283
<b>Net cash flows from (used in) operations</b>	<b>(1,580,960)</b>	148,477
Interest received	<b>16,084</b>	10,053
Interest paid	<b>(2,555)</b>	(326)
<b>Net cash flows from (used in) in operating activities</b>	<b>(1,567,432)</b>	158,204

(Forward)

**NINE MONTHS ENDED MARCH 31**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Contributions to retirement fund	<b>(29,997)</b>	(23,625)
Proceeds from sale of:		
AFS financial assets	<b>9,046</b>	74,704
Property, plant and equipment	<b>18,775</b>	111
Investment properties	<b>623,968</b>	-
Acquisitions of:		
Investment properties (Note 12)	<b>(8,124)</b>	(5,810)
AFS financial assets (Note 8)	<b>(463,463)</b>	(240,917)
Software cost (Note 14)	<b>(1,376)</b>	(3,001)
Property, plant and equipment (Note 13)	<b>(3,726)</b>	(23,379)
Decrease (increase) in:		
Other noncurrent assets	<b>121,871</b>	410
Amounts owed by related parties	<b>(48)</b>	-
FVPL investments	<b>29</b>	-
Dividends received (Note 8)	<b>1,751</b>	5,164
<b>Net cash flows used in investing activities</b>	<b>268,705</b>	(216,343)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Collection of deposit for future stock subscriptions	<b>1,406,250</b>	-
Collection of subscriptions	<b>60,244</b>	-
<b>Net cash flows from financing activities</b>	<b>1,466,494</b>	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>167,767</b>	(58,139)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>151,763</b>	378,629
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)</b>	<b>319,530</b>	320,490

*See Accompanying Notes to Consolidated Financial Statements*

# **PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **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 24).

#### Status of Operations

On April 1, 2015, TPI signed a Memorandum of Understanding (MOU) with the Department of Transportation and Communication (DOTC) and Philippine National Railways (PNR) to formalize the agreement to cooperate in the finalization and implementation of plans to North-South Railway Project (NSRP) within a period of six (6) months. The NSRP involves construction of the North Line (Bulacan to Tutuban) and South Line (Tutuban to Albay) with the transfer station located at Tutuban Center.

On August 14, 2015, the Group entered into an agreement with Ayala Land, Inc. (ALI) whereby ALI will subscribe to 2,500,000,000 common shares of stock of the Group or 51.36% equity interest in the Group (which will come from Group's increase in authorized capital stock) for a total consideration of ₱5.625 billion, subject to certain terms and conditions. The Group, through its wholly-owned subsidiary, TPI, owns Tutuban Center in Manila City. With the entry of ALI, the Group will be able to benefit from the expertise and resources of ALI and optimize the development of its property assets, especially Tutuban Center. Tutuban Center, which sits on a 20-hectare property, will be the location of the North South Railway Project Transfer Station which will interconnect with the LRT 2 West Station. On February 24, 2016, ALI paid 25% subscription amounting to P1.41 billion recognized as Deposit for future stock subscription in the Statement of Financial Position.

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

On August 18, 2015, TPIHC, a subsidiary, sold its investment properties located at Sto Tomas, Batangas with an aggregate area of 191,414 square meters for a total consideration of ₱270.58 million.

On August 18, 2015, OPDI, a subsidiary, entered into a Deed of Absolute Sale with Majestic Landscape Corporation covering the sale of several parcels of land situated in Brgy. Sto. Tomas in the province of Batangas with an aggregate area of 124,780 square meters for a total consideration amounting to ₱203.83 million.

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

The unaudited interim consolidated financial statements of the Group as at March 31, 2016 and June 30, 2015 and for the quarter and nine months ended March 31, 2016 and 2015 were approved and authorized for issuance by the BOD on May 16, 2016.

## 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 March 31, 2016 and June 30, 2015:

Subsidiaries	Nature of Business	Effective Percentage of Ownership	
		March 31, 2016	June 30, 2015
<b>Real Estate, Property Development and Others:</b>			
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
<b>Manufacturing and Distribution:</b>			
OIHPI and Subsidiaries:			
OIHPI	Financial Holding Company	100.0	100.0
LCI	Manufacture of Ceramic Floor and Wall Tiles	100.0	100.0

Subsidiaries	Nature of Business	Effective Percentage of Ownership	
		March 31, 2016	June 30, 2015

**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 PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at July 1, 2015.

*Annual Improvements to PFRSs (2010-2012 cycle)*

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

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*  
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting

period, the service condition is not satisfied.

- *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2015. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- *PAS 24, Related Party Disclosures - Key Management Personnel*

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

#### *Annual Improvements to PFRSs (2011-2013 cycle)*

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

- *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- *PFRS 13, Fair Value Measurement - Portfolio Exception*

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 or (PFRS 9, as applicable).



- *PAS 40, Investment Property*

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

#### Standards and Interpretations Issued but not yet Effective

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

#### *Effective Date to be Determined:*

- *PFRS 9, Financial Instruments - Classification and Measurement (2010 version)*

PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39.

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

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

- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

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

The following new standards and amendments issued by the IASB were already adopted by the FRSC and approved by the BOA.

*Effective January 1, 2016:*

- **Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)**  
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at FVPL. It is not expected that this amendment would be relevant to the Group since the Group would not qualify to be an investment entity under PFRS 10.
- **PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***  
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments will not have any effect on the Group's consolidated financial statements.
- **PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)**  
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group.
- **PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)**  
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

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

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group as the Group does not have any bearer plants.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

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

*Annual Improvements to PFRSs (2012-2014 cycle)*

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

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

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

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

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of

financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*  
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*  
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*Effective January 1, 2018:*

- PFRS 9, *Financial Instruments - Hedge Accounting* and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)  
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

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

assessing the effect of adopting this standard.

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

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

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

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

#### Summary of Significant Accounting and Financial Reporting Policies

##### Presentation of Financial Statements

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

##### Financial Instruments - Initial Recognition

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

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

As at March 31, 2016 and June 30, 2015, the Group's financial assets are in the nature of loans and receivables, financial assets at FVPL and AFS financial assets. The Group has no financial assets classified as HTM investments as at March 31, 2016 and June 30, 2015.

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

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

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

As at March 31, 2016 and June 30, 2015, the Group's financial liabilities are in the nature of other financial liabilities. As at March 31, 2016 and June 30, 2015, the Group has no financial liabilities classified as at FVPL and derivatives designated as hedging instruments in an effective hedge.

#### Financial Instruments - Subsequent Measurement

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

##### *Loans and Receivables*

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

The Group's loans and receivables include cash and cash equivalents, receivables, amounts owed by related parties and refundable deposits (included under "Other noncurrent assets"; see Notes 4, 5, 15 and 18).

##### *AFS Financial Assets*

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

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

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

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

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

### *Financial Assets at FVPL*

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

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

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

### *Other Financial Liabilities*

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

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

### Fair Value Measurement

The Group measures financial instruments, such as financial assets at FVPL, at fair value at each end of the reporting period.

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

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

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

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

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

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

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

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

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

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

#### Impairment of Financial Assets

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

#### *Financial Assets Carried at Amortized Cost*

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



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

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

#### *AFS Financial Assets Carried at Fair Values*

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

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

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

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

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

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

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

### Derecognition of Financial Instruments

#### *Financial Assets*

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

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

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

#### *Financial Liabilities*

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

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

### Offsetting of Financial Instruments

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

### Inventories

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

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

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

#### Real Estate Held for Sale and Development

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

#### Other Current Assets

Other current assets consists creditable withholding taxes (CWTs), input value added tax (VAT), unclaimed claims for reserve fund and prepayments.

#### *CWTs*

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

#### *Input VAT*

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

#### *Prepayments*

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

#### Investment in an Associate

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

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

When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated

statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in an associate. 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 in net income (loss) 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).

#### 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 and plant facilities 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 amortization 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.

#### Property, Plant and Equipment

##### *Land and Improvements and Buildings and Improvements at Revalued Amount*

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

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

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

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

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

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.

#### Other Noncurrent Assets

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

#### *Deferred Acquisition Costs*

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

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

## Impairment of Nonfinancial Assets

### *Inventories*

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

### *Investment in an Associate*

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

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

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

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

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

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

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

exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

#### *Nonfinancial Other Current and Noncurrent Assets*

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

#### Product Classification

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

#### *Recognition and Measurement*

##### a) Premium Revenue

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

##### b) Insurance Contract Liabilities

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

#### *Provision for Unearned Premiums*

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

#### *Claims Provision and Incurred but not Reported (IBNR) losses*

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the financial reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.



Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money and includes IBNR losses. No provision for equalization or catastrophic reserves is recognized. The liability is derecognized when the contract expires, is discharged or is cancelled.

#### *Liability Adequacy Test*

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

#### c) Reinsurance Assets

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

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

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

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

#### Rental and Other Deposits

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

#### Subscriptions Payable

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

#### Capital Stock

Common shares are classified as equity.

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

#### Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not

recognized in the consolidated statement of income for the year in accordance with PFRS.

#### Revenue Recognition

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

#### *Rent and Other Charges*

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

#### *Insurance Premiums and Commissions - net*

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

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

#### *Gain on Sale of AFS Financial Assets*

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

#### *Merchandise Sales and Sale of Assets*

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

#### *Interest Income*

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

#### *Service Fees*

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

### *Dividend Income*

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

### Cost and Expenses

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

### *Operating Expenses*

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

### *Cost of Goods Sold and Services*

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

### Earnings Per Share

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

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

### Income Taxes

#### *Current Income Tax*

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

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

#### *Deferred Income Tax*

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

#### Retirement Benefits Costs

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

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

#### *Employee Leave Entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the

employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.

### Leases

#### *Determination of Whether an Arrangement Contains a Lease*

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

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

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

#### *Operating Lease Commitments - Group as a Lessor*

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

#### *Operating Lease Commitments - Group as a Lessee*

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

### Foreign Currency Translation

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

### Claims

The liabilities for unpaid claim costs (including incurred but not reported losses) and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims. The

method of determining such estimates and establishing reserves is continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense for the period in which the estimates are changed or payments are made. Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvaged recoverables and deducted from the liability for unpaid claims. The unpaid claim costs are accounted as Claims payable under “Accounts payable and accrued expenses” account in the consolidated statement of financial position.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

#### Contingencies

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

#### Segment Reporting

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

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

#### Events After the End of the Reporting Period

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

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### **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 Classification of Investment Properties*

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

#### *Assessment Whether an Agreement is a Finance or Operating Lease*

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

#### *Assessing Operating Lease Commitments - Group as Lessor*

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

#### *Assessing Operating Lease Commitments - Group as Lessee*

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

### Estimates and Assumptions

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



beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Estimating 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 ₱0.55 million and ₱0.70 million as at March 31, 2016 and 2015, respectively. The carrying values of the receivables amounted to ₱1,780.08 million and ₱496.12 million as at March 31, 2016 and June 30, 2015, respectively, net of allowance for impairment losses amounting to ₱298.47 million and ₱301.89 million as at March 31, 2016 and June 30, 2015, respectively (see Note 5).

There was no provision for impairment loss on amounts owed by related parties as at March 31, 2016 and 2015. The carrying values of amounts owed by related parties amounted to ₱57 thousand and ₱9 thousand as at March 31, 2016 and June 30, 2015, respectively, net of allowance for impairment losses amounting to ₱1.63 million as at March 31, 2016 and June 30, 2015 (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.

There was no provision for inventory losses as at March 31, 2016 and 2015. The carrying values of inventories amounted to ₱10.23 million and ₱12.01 million as at March 31, 2016 and June 30, 2015, respectively, net of allowance for inventory losses amounting to ₱68.95 million and ₱71.61 million as at March 31, 2016 and June 30, 2015, respectively (see Note 6).

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

The Group maintains an allowance for impairment losses on real estate held for sale and development. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the real estate held for sale and development. These factors include, but are not limited to, the physical condition and location of real estate held 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 held for sale and development item is held.

There was no impairment losses on real estate held for sale and development recognized in March 31, 2016 and 2015. The carrying values of real estate held for sale and development amounted to ₱321.83 million and ₱430.10 million as at March 31, 2016 and June 30, 2015, respectively (see Note 7).

#### *Estimating Allowance for Impairment Losses of AFS Financial Assets and Financial Assets at FVPL*

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

Provision for impairment losses on AFS financial assets amounted to ₱3.11 million and ₱4.71 million in March 2016 and 2015, respectively. The fair values of AFS financial assets amounted to ₱2,089.06 million and ₱1,507.41 million as at March 31, 2016 and June 30, 2015, respectively, net of allowance for impairment losses amounting to ₱538.40 million and ₱535.29 million as at March 31, 2016 and June 30, 2015, respectively (see Note 8).

There was no provision for impairment losses on financial assets at FVPL recognized as at March 31, 2016 and 2015. The fair values of the financial assets at FVPL amounted to ₱17.97 million and ₱27.99 million, respectively, as at March 31, 2016 and June 30, 2015 (see Note 9).

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

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of investment in an associate and 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 in an associate amounted to ₱0.61 million and nil as at March 31, 2016 and 2015, respectively. The carrying values of the investment in an associate amounted to ₱1.96 million and ₱2.57 million as at March 31, 2016 and June 30, 2015, respectively (see Note 11).

There was no provision for impairment losses on investment properties recognized as at March 31, 2016 and 2015. The carrying value of investment properties amounted to ₱1,164.88 million and ₱1,329.02 million as at March 31, 2016 and June 30, 2015, respectively,

net of allowance for impairment losses amounting to ₱12.83 million (see Note 12).

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

The estimated useful lives used as bases for depreciating and amortizing the Group's 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 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 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 increases depreciation and amortization and decrease in the corresponding investment properties, property, plant and equipment and software costs.

There were no changes in the estimated useful lives of investment properties. The carrying values of investment properties amounted to ₱1,164.88 million and ₱1,329.02 million as at March 31, 2016 and June 30, 2015, respectively, net of accumulated depreciation and amortization amounting to ₱2.08 million and ₱2.04 million as at March 31, 2016 and June 30, 2015, respectively, net of allowance for impairment losses on investment properties amounting to ₱12.83 million (see Note 12).

There were no changes in the estimated useful lives of property and equipment. The carrying values of property, plant and equipment amounted to ₱34.23 million and ₱46.33 million as at March 31, 2016 and June 30, 2015, respectively, net of accumulated depreciation and amortization amounting to ₱2.15 million and ₱2.21 million as at March 31, 2016 and June 30, 2015, respectively (see Note 13).

There were no changes in the estimated useful lives of software costs. The carrying values of software costs amounted to ₱7.09 million and ₱8.80 million as at March 31, 2016 and June 30, 2015, respectively, net of accumulated amortization amounting to ₱30.22 million and ₱27.14 million as at March 31, 2016 and June 30, 2015, respectively (see Note 14).

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

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

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

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

materially affect the consolidated financial statements.

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

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

The carrying values of property, plant and equipment amounted to ₱34.23 million and ₱46.33 million as at March 31, 2016 and June 30, 2015, respectively, net of accumulated depreciation and amortization amounting to ₱2.15 million and ₱2.21 million as at March 31, 2016 and June 30, 2015, respectively (see Note 13).

The carrying values of software costs amounted to ₱7.09 million and ₱8.80 million as at March 31, 2016 and June 30, 2015, respectively, net of accumulated amortization amounting to ₱30.23 million and ₱27.14 million as at March 31, 2016 and June 30, 2015, respectively (see Note 14).

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

The Group provides allowance for losses on nonfinancial 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 nonfinancial other current and noncurrent assets.

There was no provisions for impairment losses on nonfinancial other current assets recognized as at March 31, 2016 and 2015. The carrying values of nonfinancial other current assets amounted to ₱292.18 million and ₱244.73 million, respectively, as at March 31, 2016 and June 30, 2015, net of allowance for impairment losses amounting to ₱2.90 million as at March 31, 2016 and June 30, 2015 (see Note 10).

There was no provision for impairment losses on nonfinancial other noncurrent assets recognized as at March 31, 2016 and 2015. As at March 31, 2016 and June 30, 2015, the carrying values of nonfinancial other noncurrent assets amounted to ₱60.08 million and ₱184.59 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 ₱79.98 million and ₱230.61 million as at March 31, 2016 and June 30, 2015, 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 ₱16.14 million and ₱11.11 million in March 31, 2016 and 2015, respectively. As at March 31, 2016 and June 30, 2015, the retirement benefits liability of the Group amounted to ₱81.69 million and ₱96.98 million, respectively.

*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.

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#### 4. Cash and Cash Equivalents

	<b>March 31, 2016</b>	June 30, 2015
	(In Thousands)	
Cash on hand and in banks	<b>₱296,879</b>	₱56,304
Short-term investments	<b>22,651</b>	95,459
	<b>₱319,530</b>	₱151,763

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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

	March 31, 2016	June 30, 2015
	(In Thousands)	
Trade debtors	<b>₱144,652</b>	₱140,907
Insurance receivables	<b>248,400</b>	416,290
Others	<b>1,685,491</b>	240,804
	<b>2,078,543</b>	798,001
Less allowance for impairment losses	<b>298,466</b>	301,885
	<b>₱1,780,077</b>	₱496,116

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 ₱160.5 million as at March 31, 2016 and June 30, 2015. These receivables are collateralized by the shares of stock of Cyber Bay owned by CLC. The receivables from CLC are fully provided with allowance.

On February 29, 2016, POPI lend to a third party a total amount of ₱1.41 billion recorded as Other receivables.

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, 2015	₱87,873	₱8,759	₱205,253	₱301,885
Accounts written off			(3,971)	(3,971)
Provisions (recovery) during the period (Note 20)	-	552	-	552
At March 31, 2016	₱87,873	₱9,311	₱201,282	₱298,466

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## 6. Inventories

	<b>March 31, 2016</b>	June 30, 2015
	(In Thousands)	
At NRV:		
Finished goods	<b>₱9,549</b>	₱11,130
Factory supplies and spare parts	<b>682</b>	682
Materials in transit	–	194
	<b>₱10,231</b>	₱12,006

Movements in the allowance for inventory losses are as follows:

	<b>March 31, 2016</b>	June 30, 2015
	(In Thousands)	
Beginning balances	<b>₱71,614</b>	₱82,016
Reversal	<b>(2,666)</b>	(8,970)
Write-off	–	(1,432)
	<b>₱68,948</b>	₱71,614

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## 7. Real Estate Held for Sale and Development

	<b>March 31, 2016</b>	June 30, 2015
	(In Thousands)	
Land for development	<b>₱279,292</b>	₱395,549
Held for sale	<b>42,533</b>	34,554
	<b>₱321,825</b>	₱430,103

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 March 31, 2016 and June 30, 2015 are as follows:

	<b>March 31, 2016</b>	June 30, 2015
Land cost	<b>₱252,558</b>	₱299,239
Construction overhead and other related costs	<b>22,870</b>	73,957
Professional fees	–	17,932
Taxes	<b>3,864</b>	4,421
	<b>₱279,292</b>	₱395,549

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

	<b>March 31, 2016</b>	June 30, 2015
Balances at beginning of the period	<b>₱430,103</b>	₱429,507
Additions	<b>4,418</b>	39
Repossessions	–	557
Disposals	<b>(112,696)</b>	–
Balances at end of the period	<b>₱321,825</b>	₱430,103

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## 8. AFS Financial Assets

	March 31, 2016	June 30, 2015
	(In Thousands)	
Listed equity securities	P1,341,875	P1,249,196
Nonlisted equity securities	963,446	518,889
Quoted debt securities	311,086	258,206
Unquoted debt securities	11,058	16,405
	<b>2,627,465</b>	2,042,696
Allowance for impairment losses	538,403	535,288
	<b>P2,089,062</b>	P1,507,408

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.

As at March 31, 2016 and 2015, the Group sold certain listed equity securities and recognized a gain on sale of P4.33 million and P6.92 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.

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## 9. Financial Assets at FVPL

The Group has 25,000 and 143,600 redeemable preferred shares with a fair value amounted to P17.97 million and P27.99 million as at March 31, 2016 and June 30, 2015, respectively.

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## 10. Other Current Assets

	March 31, 2016	June 30, 2015
	(In Thousands)	
CWTs	P233,345	P198,258
Input VAT	32,601	28,330
Prepayments	22,756	14,656
Unclaimed claims reserve fund	6,380	6,380
	<b>295,082</b>	247,624
Less allowance for impairment losses	2,901	2,895
	<b>P292,181</b>	P244,729

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

Unclaimed claims reserve fund pertains to fund deposited to MBTC for payment for Class 3 creditors of LCI.



Movements in the allowance for impairment losses are as follows:

	<b>March 31, 2016</b>	June 30, 2015
	(In Thousands)	
Balances at beginning of the period	<b>₱2,895</b>	₱2,819
Provisions	<b>6</b>	76
Balances at end of the period	<b>₱2,901</b>	₱2,895

## 11. Investments in Associate

	<b>March 31, 2016</b>	June 30, 2015
	(In Thousands)	
Acquisition costs:		
Balances at beginning of the period	<b>₱5,959</b>	₱5,959
Additions	-	-
Balances at end of the period	<b>5,959</b>	5,959
Accumulated equity in net losses of an associate:		
Balances at beginning of the period	<b>(₱3,388)</b>	(3,395)
Equity in net loss of an associate	-	7
Balances at end of the period	<b>(3,388)</b>	(3,388)
	<b>₱2,571</b>	₱2,571
Allowance for impairment losses	<b>611</b>	-
	<b>₱1,960</b>	₱2,571

## 12. Investment Properties

### As at March 31, 2016

	<b>Buildings and Improvements</b>	<b>Land and Improvements</b>	<b>Total</b>
	(In Thousands)		
Cost			
At beginning of year	₱2,907,380	₱470,331	₱3,377,711
Additions	7,990	134	8,124
Reclassification	246	-	246
Disposals	-	(124,838)	(124,838)
At end of period	<b>2,915,616</b>	<b>345,627</b>	<b>3,261,243</b>
Accumulated Depreciation and Amortization			
At beginning of year	₱2,015,949	₱19,906	₱2,035,855
Depreciation and amortization (Note 18)	47,037	633	47,670
At end of period	<b>2,062,986</b>	<b>20,539</b>	<b>2,083,525</b>
	<b>852,630</b>	<b>325,088</b>	<b>1,177,718</b>
Less: Allowance for impairment losses	12,834	-	12,834
Net Book Value	<b>₱839,796</b>	<b>₱325,088</b>	<b>₱1,164,884</b>

As at June 30, 2015

	Buildings and Improvements	Land and Improvements	Total
	(In Thousands)		
Cost			
At beginning of year	₱2,181,041	₱131,624	₱2,312,665
Additions	33,960	237	34,197
Reclassification	692,379	338,470	1,030,849
At end of year	2,907,380	470,331	3,377,711
<i>Forward</i>			
Accumulated Depreciation and Amortization			
At beginning of year	1,561,791	552	1,562,343
Depreciation and amortization (Note 20)	60,643	829	61,472
Reclassification (Note 13)	393,515	18,525	412,040
At end of year	2,015,949	19,906	2,035,855
Balance	891,431	450,425	1,341,856
Less: Allowance for impairment losses	12,834	–	12,834
Net book values	₱878,597	₱450,425	₱1,329,022

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).

### 13. Property, Plant and Equipment

#### As at March 31, 2016

	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Condominium Units and Improvements	Hotel Equipment	Total
(In Thousands)							
<b>Cost</b>							
At beginning of year	₱7,227	₱2,096,590	₱40,937	₱91,644	₱8,692	₱8,533	₱2,253,623
Additions	–	728	1,558	1,385	–	55	3,726
Disposals	–	(68,092)	(7,897)	–	–	–	(75,989)
At end of year	7,227	2,029,226	34,598	93,029	8,692	8,588	2,181,360
<b>Accumulated Depreciation and Amortization</b>							
At beginning of year	6,725	2,069,817	34,598	85,754	4,622	5,779	2,207,295
Depreciation and amortization (Note 20)	181	3,775	1,706	2,141	163	1,308	9,274
Disposals	–	(62,593)	(6,847)	–	–	–	(69,440)
At end of year	6,906	2,010,999	29,457	87,895	4,785	7,087	2,147,129
<b>Net Book Values</b>	<b>₱321</b>	<b>₱18,227</b>	<b>₱5,141</b>	<b>₱5,134</b>	<b>₱3,907</b>	<b>₱1,501</b>	<b>₱34,232</b>

#### As at June 30, 2015

	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Condominium Units and Improvements	Hotel Equipment	Total
(In Thousands)							
<b>Cost</b>							
At beginning of year	₱6,948	₱2,095,822	₱39,484	₱89,557	₱8,692	₱7,093	₱2,247,596
Additions	279	1,260	2,301	2,087	–	1,440	7,367
Disposals	–	(492)	(848)	–	–	–	(1,340)
At end of year	7,227	2,096,590	40,937	91,644	8,692	8,533	2,253,623
<b>Accumulated Depreciation and Amortization</b>							
At beginning of year	6,517	2,065,198	32,163	82,631	4,404	3,407	2,194,320
Depreciation and amortization (Note 20)	208	5,110	3,283	3,123	218	2,372	14,314
Disposals	–	(491)	(848)	–	–	–	(1,339)
At end of year	6,725	2,069,817	34,598	85,754	4,622	5,779	2,207,295
<b>Net Book Values</b>	<b>₱502</b>	<b>₱26,773</b>	<b>₱6,339</b>	<b>₱5,890</b>	<b>₱4,070</b>	<b>₱2,754</b>	<b>₱46,328</b>

	Land and Improvements	Buildings and Improvements	Total
(In Thousands)			
<b>At revalued amounts:</b>			
At beginning of year	₱338,470	₱692,379	₱1,030,849
Reclassification (Note 12)	(338,470)	(692,379)	(1,030,849)
At end of year	–	–	–
<b>Accumulated depreciation and amortization</b>			
At beginning of year	18,525	393,515	412,040
Reclassification (Note 12)	(18,525)	(393,515)	(412,040)
At end of year	–	–	–
<b>Net book values</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>

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. (Asian Appraisal) dated July 23, 2013, exceeds its carrying cost. Asian Appraisal is an industry specialist in valuing these types of properties. Revaluation increment in properties amounted to P244.62 million as at March 31, 2016 and June 30, 2015.

In 2015, LCI transferred its land and improvements and buildings and improvements at revalued amounts from property, plant and equipment to investment property valued at cost to reflect the change in use of the properties on July 1, 2014 (see Note 12).

Movement of revaluation increment are as follows:

	<b>March 31, 2016</b>	June 30, 2015
	(In Thousands)	
Beginning balance	<b>P-</b>	P252,233
Reclassification (see Note 12)	-	(252,233)
<b>Balances at end of year</b>	<b>P-</b>	<b>P-</b>

#### **14. Software Costs**

	<b>March 31, 2016</b>	June 30, 2015
	(In Thousands)	
At cost:		
Beginning balances	<b>P35,940</b>	P32,135
Additions	<b>1,376</b>	3,805
Ending balances	<b>37,316</b>	35,940
Accumulated amortization:		
Beginning balances	<b>27,140</b>	23,178
Amortization (Note 18)	<b>3,084</b>	3,962
Ending balances	<b>30,224</b>	27,140
<b>Net book values at cost</b>	<b>P7,092</b>	<b>P8,800</b>

#### **15. Other Noncurrent Assets**

	<b>March 31, 2016</b>	June 30, 2015
	(In Thousands)	
Advance rental	<b>P3</b>	P115,264
Deferred acquisition cost	<b>21,880</b>	22,395
Deferred reinsurance premiums	<b>16,492</b>	22,141
Refundable deposits	<b>22,279</b>	19,637
Deferred input VAT	<b>7,643</b>	9,111
Spare parts and supplies	<b>7,575</b>	8,630
Prepaid expenses	<b>5,073</b>	3,363
Others	<b>1,411</b>	3,685
	<b>P82,356</b>	P204,226

Deferred acquisition cost pertains to the unamortized acquisition costs incurred during the period

that are related to securing new insurance contracts and or renewing existing insurance contracts

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

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

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

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

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

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## 16. Accounts Payable and Accrued Expenses

	<b>March 31, 2016</b>	June 30, 2015
		(In Thousands)
Claims payables	<b>₱79,978</b>	₱230,608
Reserves for unearned premiums	<b>103,225</b>	106,092
Accrued expenses	<b>241,143</b>	118,437
Nontrade payables	<b>39,197</b>	91,689
Trade payables	<b>49,653</b>	49,197
Due to reinsurers and ceding companies	<b>32,993</b>	41,865
Others	<b>18,500</b>	29,374
	<b>₱564,689</b>	₱667,262

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.



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)		
<i>Amounts owed by related parties:</i>					
<i>Under common control</i>					
Guoman Philippines, Inc.	<b>March 31, 2016</b>	<b>48</b>	<b>1,675</b>	Demandable and collectible on demand	Unsecured, non-interest bearing, with impairment of ₱1,610, and unguaranteed
	June 30, 2015	2	1,628		
Genez Investments Corp.	<b>March 31, 2016</b>	-	<b>6</b>	Demandable and collectible on demand	Unsecured, non-interest bearing, no impairment, and unguaranteed
	June 30, 2015	-	6		
Hong Way Holdings, Inc.	<b>March 31, 2016</b>	-	-	Demandable and collectible on demand	Unsecured, non-interest bearing, no impairment, and unguaranteed
	June 30, 2015	2	-		
<b>Total</b>	<b>March 31, 2016</b>	<b>₱48</b>	<b>₱1,682</b>		
Total	June 30, 2015	₱2	₱1,634		

	<b>March 31, 2016</b>	June 30, 2015
	(In Thousands)	
Amounts owed by related parties	<b>₱1,682</b>	₱1,634
Less allowance for impairment losses	<b>1,625</b>	1,625
	<b>₱57</b>	<b>₱9</b>

Allowance for impairment losses on amounts owed by related parties amounted to ₱1.6 million as at March 31, 2016 and June 30, 2015.

## 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 March 31, 2016 and June 30, 2015, the Parent Company has unpaid subscription in Cyber Bay amounting to ₱481.68 million, which is presented as "Subscriptions Payable" in the consolidated statements of financial position. Cyber Bay under "AFS financial assets" amounted to ₱735.69 million and ₱610.76 million as at March 31, 2016 and June 30, 2015, respectively, net of allowance for impairment losses amounted to ₱527.48 million as at March 31, 2016 and June 30, 2015 (see Note 8).

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## 20. Operating Expenses

	<b>March 31, 2016</b>	March 31, 2015
	(In Thousands)	
Personnel expenses	<b>₱191,752</b>	₱148,028
Rental and utilities	<b>14,872</b>	14,650
Depreciation and amortization (Notes 12, 13 and 14)	<b>36,648</b>	45,120
Taxes and licenses	<b>11,900</b>	13,492
Professional and legal fees	<b>55,881</b>	16,976
Insurance	<b>2,887</b>	2,590
Janitorial and security services	<b>6,536</b>	4,625
Communication and transportation	<b>6,095</b>	6,799
Marketing expenses	<b>1,509</b>	1,687
Supplies and repairs	<b>4,638</b>	4,084
Provision for impairment losses (Note 5)	<b>552</b>	1,021
Membership, Fees and Dues	<b>12,095</b>	2,274
Representations	<b>1,896</b>	1,228
Others	<b>6,106</b>	5,787
	<b>₱353,367</b>	₱268,361

Others consist mainly of various charges that are individually immaterial.



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## 21. Retirement Plan

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

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

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## 22. Earnings (Loss) Per Share

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

	March 31, 2016	March 31, 2015
a. Net income attributable to equity holders of the Parent	<b>₱206,315</b>	(₱34,304)
b. Weighted average number of shares	<b>2,367,149</b>	2,367,149
Basic earnings per share (a/b)	<b>₱0.087</b>	(₱0.014)

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## 23. Employee Stock Ownership Plan

On 10 November 2015, the Securities and Exchange Commission approved the exemption from the registration requirement of the issuance of the 32 million common shares of stock under the POPI Group Employees Stock Ownership Plan (ESOWN). On 16 November 2015, the Parent Company granted to qualified employees of the Group the stock option under Tranche 1 of the ESOWN at an option price of P1.00 per share. Grantees may avail within 30 days from the Grant date. Initial payment of the subscription shall be 5%, the grantees may opt to settle the subscription within the 10-year period. Grantees also have the option to fully pay after the one year holding period. Total number of shares availed of under Tranche 1 of the ESOWN was 29,305,800.

The fair market value of the stock options granted under the ESOWN are estimated as at the grant date using the Binomial option pricing model, taking into account the terms and conditions under the ESOWN. As of 31 March 2016, the Group recognized a total share-based expense amounted to P27.1 million which was included in operating expenses in the Consolidated Statement of Income. Moreover, Equity reserves was also recognized.

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## **24. 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:

**March 31, 2016**

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
				(In Thousands)				
Revenue	₱2,607	₱522,086	₱175,628	₱25,583	₱1,926	₱727,830	₱-	₱727,830
Cost and expenses	(67,328)	(636,694)	(196,794)	(50,228)	(9,432)	(960,477)	452	(960,025)
Other income (charges)	335,929	(18,280)	(2,426)	7,238	(1,751)	320,710	45,147	365,857
Income (Loss) before income tax	271,208	(132,889)	(23,592)	(17,407)	(9,257)	88,063	45,599	133,662
Provision for income tax	-	(66,883)	1,872	5	-	(65,007)	-	(65,007)
Net income (loss)	271,208	(66,006)	(25,464)	(17,412)	(9,257)	153,070	45,599	198,668

**March 31, 2016**

Segment assets	4,467,839	2,250,628	553,944	775,233	51,826	8,099,471	(1,978,014)	6,121,457
Segment liabilities	2,098,086	648,521	276,833	337,854	199,826	3,561,120	(594,999)	2,966,121

**March 31, 2015**

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
				(In Thousands)				
Revenue	₱53,019	₱332,146	₱182,900	₱7,516	₱1,739	₱577,320	(₱50,000)	₱527,320
Cost and expenses	(25,898)	(341,992)	(178,332)	(50,487)	(9,734)	(606,442)	2,071	(604,370)
Other income (charges)	1,725	20,158	(4,120)	29,508	23	467,294	(2,073)	45,221
Income (Loss) before income tax	28,846	10,312	449	(13,463)	(7,971)	18,172	(50,002)	(31,829)
Provision for income tax	-	(15)	3,382	-	-	3,366	-	3,366
Net income (loss)	₱28,846	₱10,327	(₱2,933)	(₱13,463)	(₱7,971)	₱14,806	(₱50,002)	(₱35,196)

**June 30, 2015**

Segment assets	₱2,577,618	₱2,306,905	₱761,126	₱790,404	₱54,840	₱6,490,893	(₱2,029,820)	₱4,461,073
Segment liabilities	693,724	640,939	532,229	333,761	196,110	2,396,763	(681,933)	1,714,830

**Geographical Segments**

The Group does not have geographical segments.

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## 25. 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 2015 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 March 31, 2016 and June 30, 2015, the aggregate annual commitments on these existing lease agreements for the succeeding years are as follows:

	<b>March 31, 2016</b>	June 30, 2015
		(In Thousands)
Less than one (1) year	<b>₱153,936</b>	₱137,614
More than (one) 1 year but not more than (five) 5 years	<b>769,678</b>	689,402
More than (five) 5 years	<b>2,527,109</b>	3,056,840
	<b>₱3,450,723</b>	₱3,883,856

### 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.

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## 26. 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.

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## 27. 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:

**March 31, 2016**

	<u>Neither past due nor impaired</u>		<u>Past due or</u>	
	<u>High Grade</u>	<u>Standard Grade</u>	<u>individually impaired</u>	<u>Total</u>
<b>Financial assets:</b>				
<i>Loans and Receivables</i>				
Cash and cash equivalents	318,808	-	-	318,808
<b>Receivables</b>				
Trade debtors	33,363	-	111,289	144,652
Insurance receivables	126,844	10,648	110,908	248,400
Others	1,490,127	-	195,364	1,685,492
Amounts owed by related parties	57	-	1,625	1,682
Deposits (under "Other noncurrent assets")	22,279	-	-	22,279
<i>AFS Investments</i>				
Listed equity securities	803,473	-	538,403	1,341,876
Quoted debt securities	311,086	-	-	311,086
Unquoted debt securities	11,058	-	-	11,058
Nonlisted equity securities	963,446	-	-	963,446
<b>Financial assets at FVPL</b>	<b>17,970</b>			<b>17,970</b>
	<b>4,098,510</b>	<b>10,648</b>	<b>957,589</b>	<b>5,066,747</b>

June 30, 2015

	Neither past due nor impaired		Past due or	Total
	High grade	Standard grade	individually impaired	
(In Thousands)				
<i>Loans and Receivables:</i>				
Cash and cash equivalents	₱151,035	₱–	₱–	₱151,035
<i>Receivables:</i>				
Trade debtors	8,118	33,429	95,066	136,613
Insurance receivables	400,122	–	16,168	416,290
Others	26,749	3,838	193,452	224,039
Amounts owed by related parties	9	–	1,625	1,634
Deposits (under "Other noncurrent assets")	19,338	200	99	19,637
<i>AFS Financial Assets:</i>				
Listed equity securities	713,908	–	535,288	1,249,196
Quoted debt securities	258,206	–	–	258,206
Unquoted debt securities	16,405	–	–	16,405
Nonlisted equity securities	518,889	–	–	518,889
<i>Financial Assets at FVPL</i>	27,992	–	–	27,992
	<b>₱2,140,771</b>	<b>₱37,467</b>	<b>₱841,698</b>	<b>₱3,019,936</b>

The tables below show the aging analyses of financial assets per class that the Group held as at March 31, 2016 and June 30, 2015. A financial asset is past due when a counterparty has failed to make payment when contractually due.

March 31, 2016

	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days		
(In Thousands)							
<i>Loans and Receivables:</i>							
Cash and cash equivalents	₱318,808	₱–	₱–	₱–	₱–	₱–	₱318,808
<i>Receivables:</i>							
Trade debtors	33,363	4,274	1,069	1,012	16,618	88,316	144,652
Insurance receivables	137,492	764	566	1,402	91,456	16,720	248,400
Others	1,490,127	1,934	–	–	–	193,430	1,685,491
Amounts owed by related parties	57	–	–	–	–	1,625	1,682
Deposits (under "Other noncurrent assets")	22,279	–	–	–	–	–	22,279
<i>AFS Financial Assets</i>							
Listed equity securities	803,473	–	–	–	–	538,403	1,341,876
Quoted debt securities	311,086	–	–	–	–	–	311,086
Unquoted debt securities	11,058	–	–	–	–	–	11,058
Nonlisted equity securities	963,446	–	–	–	–	–	963,446
<i>Financial asset at FVPL</i>	17,970	–	–	–	–	–	17,970
	<b>₱4,109,159</b>	<b>₱6,972</b>	<b>₱1,635</b>	<b>₱2,414</b>	<b>₱108,074</b>	<b>₱838,494</b>	<b>₱5,066,748</b>

June 30, 2015

	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days		
(In Thousands)							
<i>Loans and Receivables:</i>							
Cash and cash equivalents	₱151,035	₱-	₱-	₱-	₱-	₱-	₱151,035
<i>Receivables:</i>							
Trade debtors	41,547	4,206	604	169	1,321	88,766	136,613
Insurance receivables	400,122	-	-	-	-	16,168	416,290
Others	30,587	-	-	-	2,541	190,911	224,039
Amounts owed by related parties	9	-	-	-	-	1,625	1,634
Deposits (under "Other noncurrent assets")	19,538	-	-	-	76	23	19,637
<i>AFS Financial Assets</i>							
Listed equity securities	713,908	-	-	-	-	535,288	1,249,196
Quoted debt securities	258,206	-	-	-	-	-	258,206
Unquoted debt securities	16,405	-	-	-	-	-	16,405
Nonlisted equity securities	518,889	-	-	-	-	-	518,889
Financial asset at FVPL	27,992	-	-	-	-	-	27,992
	<b>₱2,178,238</b>	<b>₱4,206</b>	<b>₱604</b>	<b>₱169</b>	<b>₱3,938</b>	<b>₱832,781</b>	<b>₱3,019,936</b>

*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 March 31, 2016 and June 30, 2015 based on contractual undiscounted payments:

**March 31, 2016**

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
(In Thousands)						
Accounts payable and accrued expenses	₱297,901	₱45,936	₱23,113	₱42,263	₱125,983	₱535,196
Subscription payable	481,675	-	-	-	-	481,675
Rental and other deposits	57,392	15,144	23,638	35,456	102,050	233,680
	<b>₱836,968</b>	<b>₱61,081</b>	<b>₱46,751</b>	<b>₱77,720</b>	<b>₱228,033</b>	<b>₱1,250,551</b>

**June 30, 2015**

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
(In Thousands)						
Accounts payable and accrued expenses	₱525,926	₱54,949	₱68,798	₱-	₱128	₱649,801
Subscription payable	481,675	-	-	-	-	481,675
Rental and other deposits	50,241	15,109	77,554	4,880	83,375	231,159
	<b>₱1,057,842</b>	<b>₱70,058</b>	<b>₱146,352</b>	<b>₱4,880</b>	<b>₱83,503</b>	<b>₱1,362,635</b>

### *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 March 31, 2016 and June 30, 2015. Included in the table are the Group's assets and liabilities at carrying amounts:

	<b>March 31, 2016</b>		<b>June 30, 2015</b>	
	<b>Foreign Currency</b>	<b>Peso Equivalent</b>	<b>Foreign Currency</b>	<b>Peso Equivalent</b>
(In Thousands)				
Financial Asset:				
Cash in banks				
USD	<b>\$3</b>	<b>₱128</b>	\$22	₱1,009
Short-term investments				
USD	-	-	35	1,578
Financial Liability:				
Accounts payable				
USD	<b>2</b>	<b>82</b>	2	80
EUR	<b>1</b>	<b>52</b>	1	50
GBP	<b>1</b>	<b>66</b>	1	42
Net financial asset	<b>(\$1)</b>	<b>(₱72)</b>	\$53	₱2,415

As at March 31, 2016 and June 30 2015, the exchange rates of other currencies to Philippine Peso are as follows:

	<b>March 31, 2016</b>	<b>June 30, 2015</b>
USD	<b>₱46.07</b>	₱45.09
EUR	<b>52.26</b>	50.80
GBP	<b>66.30</b>	71.13

### *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 March 31, 2016 and June 30, 2015.

As at March 31, 2016 and June 30, 2015, the Group considers the following accounts as capital:

	<b>March 31, 2016</b>	June 30, 2015
Capital stock	<b>P2,130,156</b>	P2,069,912
Additional paid-in capital	<b>829,904</b>	829,904
	<b>P2,960,060</b>	P2,899,816

The Group is not subject to externally imposed capital requirements.

**28. 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 March 31, 2016 and June 30, 2015 are set out below:

*Cash and Cash Equivalents*

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

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

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

*Rental and Other Deposits*

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

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

*AFS Financial Assets*

AFS equity financial assets that are listed are based on their bid prices as at March 31, 2016 and June 30, 2015. AFS debt financial assets that are quoted are based on market prices. Unquoted debt and nonlisted AFS financial assets are based on latest available transaction price at the end of the reporting period.

*Financial Assets at FVPL*

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

**PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE**  
**As at March 31, 2016**

	<b>AMOUNT</b>
Current	33,363
1 to 30 days	4,274
31 to 60 days	1,069
61 to 90 days	1,012
Over 90 days	104,934
<b>Total receivable-trade</b>	<b>144,652</b>
Advances to Employees	8,602
Insurance receivable	248,400
Others	1,676,889
<b>Total non-trade receivable</b>	<b>1,933,891</b>
<b>Total receivable</b>	<b>2,078,543</b>
<b>Allowance for doubtful accounts</b>	<b>(298,466)</b>
	<b>1,780,077</b>

