COVER SHEET

1	6	3	6	7	1

SEC Registration Number

PRIME ORION PHILIPPINES, INC.

(Company's Full Name)

20/F LKG TOWER, 6801 AYALA AVE.
MAKATI CITY

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

ATTY. DAISY L. PARKER
(Contact Person)

884-1106
(Company Telephone Number)

0	6		3	0

Month *Day*
(Fiscal Year)

SEC Form

1	7	-	Q

(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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 December 2014**

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

PRIME ORION PHILIPPINES, INC.

4. Exact name of issuer as specified in its charter

Makati City, Philippines

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

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

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

7. Address of issuer's principal office Postal Code

(632) 884-1106

8. Issuer's telephone number, including area code

N/A

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

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

(As of 31 January 2015)

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,367,149,383
Outstanding Loans (consolidated)	-0-

11. Are any or all of the securities listed on a Stock Exchange?
Yes [√] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes [√] No [ ]

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

Yes [√] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Results of Operations

The Group reported a consolidated revenue growth of 5% during the quarter, mainly attributable to the increase in rental revenue and insurance premiums and commissions. Total Revenue increased to P187.2 million from last year's P177.5 million. For the six-month period, consolidated revenue grew by 6%, from P335.7 million to P355.0 million this year as the insurance business continued to show a strong performance as its revenue grew by 12%. Likewise, rental revenue improved by 6% compared to last year.

Total Cost and Expenses decreased by 7%, from P413.0 million to P384.0 million during the six- month period. This was attributable to lower cost of goods and services due primarily from lower consumption of power and water and reduced sales from tile business. Underwriting Costs of insurance business also decreased to P87 million due to lower excess of loss treaty cover. The decrease in operating expense was attributable to lower taxes and licenses. For the quarter, Cost and Expenses were reduced by 2% due mainly to lower cost of goods and services.

During the quarter, the Group reported a consolidated Net Loss of P4.1 million compared to last year's Net Income of P146.8 million. On a year-to-date performance, the Group posted a Net Income of P1.3 million compared to P105.4 million. Last year's income for the quarter and six- month period included the recognition of recovery from insurance by Tutuban Properties, Inc..

Tutuban Properties, Inc. (TPI)

For the quarter, TPI registered a Net Income of P15.2 million compared to P192.9 million for the same period last year. Gross Revenues from mall operations slightly increased from P121.1 million to P125.2 million. The increase was attributable to the growth of Night Market operations and parking income. Overall occupancy and rent generating area decreased but the rental rate slightly increased. On cost and expenses, CUSA related expenses decreased by 14% driven by reduced electricity and water usage. Operating expenses increased due to higher management fees.

For the first half of the fiscal year, TPI posted a Net Income of P19.0 million compared to P192.7 million last year. Last year's income included the recognition of recovery from insurance due to the fire in 2012. Rental revenue grew by 4%, from P213.8 million to P221.7 million. Operating costs decreased by 3% driven by the decrease in CUSA related expenses.

Lepanto Ceramics, Inc. (LCI)

LCI posted a Net Loss of P6.1 million and P7.3 million for the quarter and six-month period, respectively, or a significant decrease of 77% and 85% from last year's Net Loss of P27.0 million and P48.0 million, respectively. Net Loss was primarily attributable to the operating cost coupled by the recognition of depreciation of factory buildings and equipment and real property taxes as period cost. Remaining inventories were sold during the period. LCI also recognized gain on disposal of unutilized equipment. Hence, cash flows from operations remain positive.

FLT Prime Insurance Corporation (FPIC)

FPIC's Net Premiums Earned (NPE) for the quarter grew by 4%, from last year's P46.6 million to P48.5 million. This was a result of the 44% and 28% growth on fire and accident and health lines, respectively. On the other hand, Commission Income decreased by 20%. Though Total Revenues slightly increased, FPIC registered a Net Loss of P6.1 million due to higher General and Administrative expenses.

On a year-to-date, Revenues posted a 12% increase compared to last year, from P100.0 million to P112.0 million. Underwriting (UW) Costs decreased by 10% due to lower excess of loss treaty cover. Percentage of UW cost to NPE decreased by 21% which resulted to a reduction in Net Loss of P2.4 million from last year's P19.9 million.

Financial Condition

Total Assets of the Group stood at P4.6 billion compared to last year's P4.8 billion. Reduction in Total Assets was attributable to the decline in market value of Available-for-Sale (AFS) investments. Though AFS investments increased, as a result of the acquisition of investments during the period, Cash and Cash Equivalents were reduced by 41%. The decrease in Receivables was due to the collection of Insurance Receivables.

Total Current Assets was higher than Total Current Liabilities, which stood at P3.0 billion and P0.8 billion, respectively. Inventories decreased due to sale of remaining stocks. Similarly, decrease in Investment properties and Property, Plant and Equipment represent depreciation and amortization during the period. However, Software Costs increased due to acquisition of software licenses.

The Group reported a slight decrease in Total Liabilities. Retirement benefits liability decreased due to contribution to the retirement fund as of the period. Accounts Payable and Accrued Expenses likewise decreased due to settlement of outstanding obligations. On the other hand, Rental and Other Deposits increased due to advance rental paid by tenants. Increase in Unrealized valuation loss on AFS financial assets was due to decline in market value as of the reporting period.

Financing Through Loans

As of 31 December 2014, the Group has no outstanding loan from any financial institution.

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

Ratios	Formula	31-Dec-14	31-Dec-13	30-Jun-14
Current Ratio	Current Assets / Current liabilities	3.67:1 3,030,108 / 825,095	3.02:1 3,106,655 / 1,028,114	3.90:1 3,276,966 / 840,038
Debt to Equity Ratio	Total Liabilities / Equity	0.606:1 1,690,334 / 2,788,666	0.684:1 1,853,793 / 2,711,946	0.563:1 1,711,654 / 3,042,197
Capital Adequacy Ratio	Equity / Total Assets	0.613:1 2,788,666 / 4,550,398	0.586:1 2,711,946 / 4,630,215	0.630:1 3,042,197 / 4,825,990
Book Value per Share	Equity / Total # of shares	1.1781 2,788,666 /2,367,149	1.1456 2,711,946 /2,367,149	1.2852 3,042,197 /2,367,149
Income per Share	Net Income / Total # of Shares	0.001 1,318 / 2,367,149	0.045 105,432 / 2,367,149	0.087 205,903 / 2,367,149

Current ratio shows the Group's ability to meet its short term financial obligation. As of 31 December 2014, the Group has P3.67 worth of current assets for every peso of current liabilities as compared to P3.90 as of 30 June 2014. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholders' fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 30 June 2014, debt to equity ratio increased by 8% as a result of the decline in market value of AFS financial assets.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Group. As of 31 December 2014, the Group's Capital Adequacy Ratio is 0.613 compared to last year's 0.630. Decrease was attributable to reduced Equity for the period.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 31 December 2014, the Group has book value per share of P1.1781 lower by 8% compared to 30 June 2014.

Income per share is calculated by dividing net income by the weighted average number of shares issued and outstanding. As of 31 December 2014, the Group reported a P0.001 income per share as compared to last year's P0.045.

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

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

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

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

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

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

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

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

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales or revenues or income from continuing operations should be described.

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

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

The Group did not recognize income or loss during the period that did not arise from continuing operations.

(vii) ***Causes of Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%).***

Causes of any material changes from period to period of FS is included in the Financial Condition.

(viii) ***Any seasonal aspects that had a material effect on the financial condition or results of operations.***

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

Breakdown of 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.)	-941.0%
Real estate and property development	2235.8%
Financial services	-181.9%
Manufacturing	-602.9%
Others	-410.0%
	100.0%

SIGNATURES

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

Issuer:
PRIME ORION PHILIPPINES, INC.
By:

DAISY L. PARKER
Corporate Secretary/Compliance Officer
Date: 13 February 2015

RONALD P. SUGAPONG
Treasurer
Date: 13 February 2015

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

Unaudited Interim Consolidated Financial Statements
December 31, 2014 and June 30, 2014

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	UNAUDITED December 31, 2014	AUDITED June 30, 2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱222,625**	₱378,629
Receivables (Note 5)	**483,768**	596,046
Inventories (Note 6)	**14,714**	18,474
Real estate held for sale and development (Note 7)	**430,066**	429,507
Amounts owed by related parties (Note 17)	**21**	22
Available-for-sale (AFS) financial assets (Note 8)	**1,672,504**	1,643,898
Other current assets (Note 9)	**206,410**	210,390
Total Current Assets	**3,030,108**	3,276,966
Noncurrent Assets		
Investment in associate (Note 10)	**2,564**	2,564
Leasehold rights (Note 22)	**-**	-
Investment properties (Note 11)	**723,824**	737,488
Property, plant and equipment (Note 12)	**661,612**	672,083
Software costs (Note 13)	**9,680**	8,957
Other noncurrent assets (Note 14)	**122,610**	127,932
Total Noncurrent Assets	**1,520,290**	1,549,024
TOTAL ASSETS	**₱4,550,398**	₱4,825,990
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 15)	**₱658,746**	₱673,383
Current portion of rental and other deposits (Note 16)	**166,349**	166,655
Total Current Liabilities	**825,095**	840,038
Noncurrent Liabilities		
Rental and other deposits – net of current portion (Note 16)	**61,898**	48,088
Retirement benefits liability (Note 19)	**83,949**	99,185
Deferred rent income	**1,107**	1,107
Deferred income tax liabilities - net	**236,610**	241,561
Subscriptions payable	**481,675**	481,675
Total Noncurrent Liabilities	**865,239**	871,616
Total Liabilities	**1,690,334**	1,711,654
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value		
Authorized - 2,400,000,000 shares		
Issued and subscribed - 2,367,149,383 shares		
(net of subscriptions receivable of ₱300,792 as at		
December 31 and June 30, 2014)	**2,066,357**	2,066,357
Additional paid-in capital	**829,904**	829,904
Revaluation increment on property, plant and equipment (Note 12)	**252,233**	252,233
Unrealized valuation gain (losses) on AFS financial assets	**(171,773)**	83,801
Re-measurement loss on retirement plans (Note 19)	**(66,736)**	(66,736)
Deficit	**(121,319)**	(123,362)
	2,788,666	3,042,197
Non-Controlling Interests	**71,398**	72,139
Total Equity	**2,860,064**	3,114,336
TOTAL LIABILITIES AND EQUITY	**₱4,550,398**	₱4,825,990

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	QUARTER ENDED DECEMBER 31		SIX MONTHS PERIOD ENDED DECEMBER 31	
	2014	2013	**2014**	2013
REVENUES				
Rental	**125,505**	118,185	**222,298**	210,061
Insurance premiums and commissions	**50,500**	49,099	**112,001**	100,036
Gain on sale of AFS investments (Note 8)	**3,119**	3,258	**4,853**	6,111
Merchandise sales - net	**3,288**	3,530	**5,117**	11,842
Service income	**1,385**	946	**3,019**	1,766
Interest income on investments	**1,968**	1,971	**5,110**	3,936
Dividend income	**1,429**	510	**2,602**	1,960
	187,193	177,499	**355,000**	335,711
COST AND EXPENSES				
Operating expenses (Note 18)	**104,527**	102,101	**184,397**	187,401
Cost of goods sold and services	**58,913**	67,252	**112,412**	129,176
Insurance underwriting deductions	**43,898**	42,973	**87,235**	96,412
	207,338	212,326	**384,044**	412,989
OTHER INCOME (CHARGES)				
Recovery from insurance	**-**	269,882	**-**	269,882
Others - net	**15,825**	2,098	**31,943**	4,154
Interest and others - net	**404**	845	**945**	2,419
Foreign exchange gains (losses) - net	**(23)**	94	**39**	99
Gain on sale of assets	**36**	-	**111**	-
Reversal of provision for impairment losses	**7,360**	-	**7,360**	-
Rehabilitation expenses	**(36)**	(8,327)	**(519)**	(10,607)
	23,566	264,592	**39,879**	265,946
	183,772	(52,266)	**344,165**	147,043
INCOME BEFORE INCOME TAX	**3,421**	229,765	**10,835**	188,668
PROVISION FOR INCOME TAX	**7,490**	82,999	**9,517**	83,236
NET INCOME (LOSS)	**(4,069)**	146,766	**1,318**	105,432
ATTRIBUTABLE TO:				
Equity holders of the company	**(1,792)**	148,070	**2,043**	111,420
Noncontrolling interests	**(2,277)**	(1,304)	**(725)**	(5,988)
	(4,069)	146,766	**1,318**	105,432
EARNINGS PER SHARE (Note 20)				
Basic, for income for the period attributable to ordinary equity holders of the parent	**(0.001)**	0.063	**0.001**	0.047

See Accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	QUARTER ENDED DECEMBER 31		SIX MONTHS PERIOD ENDED DECEMBER 31	
	2014	2013	**2014**	2013
NET INCOME (LOSS) FOR THE PERIOD	**(4,069)**	146,766	**1,318**	105,432
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent period:				
Unrealized valuation gain (loss) on AFS investments	**(102,951)**	(51,774)	**(255,021)**	(155,170)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(107,020)**	**94,992**	**(253,703)**	**(49,738)**
Total comprehensive income attributable to:				
Equity holders of the company	**(103,380)**	96,296	**(251,817)**	(41,351)
Noncontrolling interests	**(3,640)**	(1,304)	**(1,886)**	(8,387)
	(107,020)	**94,992**	**(253,703)**	**(49,738)**

See Accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED DECEMBER 31, 2014 AND 2013

(Amounts in Thousands)

	Capital Stock	Additional Paid In Capital	Revaluation Increment on Property, Plant and Equipment	Unrealized Valuation Gain (Loss) on AFS Investments	Remeasurement Gain (loss) on Retirement Plans	Deficit	Non-Controlling Interests	Total
Balances at June 30, 2013, as previously stated	2,066,357	829,904	259,844	(4,762)	-	(345,718)	75,592	2,881,216
Effect of adoption of amendments to PAS 19 - net of tax	-	-	-	-	(51,526)	2,221	-	(49,304)
Balances at June 30, 2013, as restated	2,066,357	829,904	259,844	(4,762)	(51,526)	(343,496)	75,592	2,831,912
Net income (loss) for the period	-	-	-	-		111,420	(5,988)	105,432
Other comprehensive income (loss):								
Unrealized valuation loss on AFS investments	-	-	-	(155,170)	-	-	(5,128)	(160,298)
Total Comprehensive income (loss) as restated	-	-	-	(155,170)	-	111,420	(11,116)	(54,866)
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	(625)	-	-	-	(625)
Balances at December 31, 2013	**2,066,357**	**829,904**	**259,844**	**(160,557)**	**(51,526)**	**(232,076)**	**64,476**	**2,776,421**
Balances at June 30, 2014	2,066,357	829,904	252,233	83,801	(66,736)	(123,362)	72,139	3,114,336
Net loss for the period	-	-	-	-		2,043	(725)	1,318
Other comprehensive income (loss) for the period								
Unrealized valuation loss on AFS investments	-	-	-	(255,021)	-	-	(16)	(255,037)
Total Comprehensive income (loss) for the period	-	-	-	(255,021)	-	2,043	(741)	(253,720)
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	(552)	-	-	-	(552)
Balances at December 31, 2014	**2,066,357**	**829,904**	**252,233**	**(171,772)**	**(66,736)**	**(121,319)**	**71,398**	**2,860,064**

See accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	SIX MONTHS ENDED DECEMBER 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**10,835**	188,668
Adjustments for:		
Gain on sale of:		
AFS financial assets (Note 8)	**(4,853)**	(6,111)
Property, plant and equipment	**(111)**	
Recovery from insurance	-	(269,882)
Provision for (reversal of) impairment losses on:		
Receivables (Note 5)	**(6,675)**	493
Inventories (Note 6)	**(109)**	-
Other current assets	**11**	9
Reversal of provision for losses		
Depreciation and amortization (Notes 11, 12, 13 and 22)	**39,853**	40,472
Interest income	**(6,295)**	(7,114)
Dividend income (Note 8)	**(2,602)**	(1,960)
Interest expense and bank charges	**239**	760
Unrealized foreign exchange losses (gains) - net	**(39)**	(99)
Operating income (loss) before working capital changes	**30,254**	(54,764)
Decrease (increase) in:		
Receivables	**118,953**	59,563
Inventories	**3,870**	14,136
Real estate held for sale and development	**(560)**	(148,766)
Other current assets	**(5,546)**	(6,521)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(34,786)**	16,351
Rental and other deposits	**13,504**	9,733
Net cash flows from (used in) operations	**125,689**	(110,267)
Interest received	**6,295**	7,114
Interest paid	**(239)**	(760)
Net cash flows from (used in) in operating activities	**131,744**	(103,912)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
AFS financial assets	**41,593**	3,044
Property, plant and equipment (Note 12)	**111**	-
Acquisitions of:		
Investment properties (Note 11)	**(3,184)**	(6,236)
AFS financial assets (Note 8)	**(320,935)**	(224,961)
Software cost (Note 13)	**(2,737)**	(1,393)
Property, plant and equipment (Note 12)	**(10,520)**	(5,351)
Decrease (increase) in:		
Other noncurrent assets	**5,322**	5,327
Amounts owed by related parties	-	(4)
HTM investments	-	(3,306)
Dividends received (Note 8)	**2,602**	1,960
Net cash flows used in investing activities	**(287,748)**	(230,920)
CASH FLOWS FROM FINANCING ACTIVITY		
Decrease in amounts owed to related parties	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(156,004)**	(334,832)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**378,629**	663,820
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)	**222,625**	328,988

See Accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Corporate Information

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

Prime Orion Philippines, Inc. and its subsidiaries, collectively referred to as "the Group", have principal business interests in holding companies, real estate and property development, financial services and manufacturing and distribution (see Note 21).

Status of Operations

On December 23, 2011, Lepanto Ceramics, Inc. (LCI; a subsidiary) filed a Petition for Rehabilitation (PR) with the Regional Trial Court of Calamba (RTC-Calamba) under the Financial Rehabilitation and Insolvency Act of 2010, to arrest its continuing financial losses for the past several years and to enable it to eventually meet its financial obligations to its creditors. On January 13, 2012, RTC-Calamba, Branch 34 (the Court) issued a Commencement Order which stayed enforcement of all claims against LCI accruing prior to January 13, 2012. On March 26, 2012, the Court issued an Order, giving due course to the PR and directing the Rehabilitation Receiver (RR) to submit an amended Rehabilitation Plan (RP) based on comments submitted by creditors.

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

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

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

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

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

On August 12, 2013, LCI filed a Motion to Amend the Rehabilitation Plan seeking the following amendments to the Third Amended and Restated RP (a) inclusion of the Deposit for Future Subscription of Orion I Holdings Philippines, Inc. (OIHPI) in the amount of ₱373.6 million among the claims to be condoned; and (b) Condonation of the claims of OIHPI to the extent of 60% of the market value of LCI's assets securing the Mortgage Trust Indenture and Collateral Trust Indenture, or in the amount of₱677.5 million.

Both RR and the affected creditor, OIHPI, filed their comment to the Motion to Amend, signifying their assent thereto. On March 3, 2014, the Court issued an Order granting the Motion to Amend.

On May 29, 2014, a Motion for Termination of Rehabilitation Proceedings was submitted to the court. The following were enumerated in the filed motion, claiming that LCI complied with the Third Amended and Restated RP:

a. Payment to claimants – LCI has already paid 50% of its obligation to Class 1 creditors amounting to ₱0.7 million. Class 2 creditor has already been paid in full. Meanwhile, Class 3 creditors have been paid ₱34.2 million or 86% of the claim. The unclaimed payments were deposited to Metropolitan Bank and Trust Company (MBTC) as "Unclaimed Claims Reserve Fund". A creditor or worker may obtain payment from the account upon presentation of sufficient proof of authority or identity within two (2) years from the opening of the account (see Note 15).

b. Conversion of shares -LCI's BOD authorized the conversion of shares of stocks in accordance with the conditions in the Third Amended Plan. On April 30, 2013, the SEC approved the amendment of its Articles of Incorporation to reflect the said conversion.

c. Condonation of debt - In a special meeting held on March 27, 2014, the BOD of OIHPI approved a resolution condoning the entire unsecured claim and a portion of its secured claim equivalent to 60% of the market value of the LCI's collateral assets. Included in the debts condoned are loans listed in the books of the LCI as Deposit for Future Subscription amounting to ₱373.6 million.

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

On September 4, 2012, certain property and equipment and investment properties of Tutuban Properties, Inc. (TPI; a subsidiary) were damaged by fire. Fixed assets which were completely destroyed were written off, while those partially damaged assets were provided with an allowance for impairment.

FLT Prime Insurance Corporation (FPIC), the insurance policy provider and a related party, recognized the incident as a fire loss event. The insurance policy was substantially ceded by FPIC to third party reinsurers. In line with this, the Group recognized recovery from insurance amounting to ₱269.9 million in the consolidated statement of income as at December 31, 2013.

The consolidated financial statements of the Group as at December 31, 2014 and June 30, 2014 and for the quarter ended December 31, 2014 and 2013 were approved and authorized for issuance by the BOD on February 13, 2015.

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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for 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 December 31, 2014 and June 30, 2014:

Subsidiaries	Nature of Business	Effective Percentage of Ownership	
		December 31, 2014	June 30, 2014
Real Estate, Property Development and Others:			
Orion Land, Inc. (OLI) and Subsidiaries:			
OLI	Real Estate and Investment Holding Company	**100.0**	100.0
TPI and Subsidiaries:			
TPI	Real Estate, Mall Operations	**100.0**	100.0
TPI Holdings Corporation (TPIHC)	Investment Holding Company	**100.0**	100.0
Orion Property Development, Inc. (OPDI) and Subsidiaries:			
OPDI	Real Estate Development	**100.0**	100.0
Orion Beverage, Inc. (OBI) *	Manufacturing	**100.0**	100.0
Luck Hock Venture Holdings, Inc.	Other Business Activities	**60.0**	60.0
Manufacturing and Distribution:			
OIHPI and Subsidiaries:			
OIHPI	Financial Holding Company	**100.0**	100.0
LCI	Manufacture of Ceramic Floor and Wall Tiles	**100.0**	100.0

Subsidiaries	Nature of Business	Effective Percentage of Ownership	
		December 31, 2014	June 30, 2014
Financial Services and Others:			
OE Holdings, Inc. (OEHI) and Subsidiaries:			
OEHI	Wholesale and Trading	**100.0**	100.0
Orion Maxis Inc. (OMI)	Marketing and Administrative Services	**100.0**	100.0
ZHI Holdings, Inc. (ZHI)	Financial Holding Company	**100.0**	100.0
FPIC	Non-Life Insurance Company	**70.0**	70.0
Orion Solutions, Inc. (OSI)	Management Information Technology Consultancy Services	**100.0**	100.0

* *Inactive*

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

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

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

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs, PAS and Philippine Interpretations and Improvements to PFRSs which were adopted as at July 1, 2014:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current

asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part or this interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The new standard has no impact on the Group's financial position or performance.

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

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

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

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

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

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

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36.In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amended standards are not expected to have an impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. Adoption of this standard will have no impact on the Group's financial position or performance since it has neither derivatives nor hedge accounting transactions.

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

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

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

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination (*Amendment)
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. This amendment does not apply to the Group as it has no business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* (Amendment)
  PFRS 8 requires entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Future Changes in Accounting Policies</u>
The following new and revised standards, amendments to PFRS and Philippine Interpretations will become effective subsequent to June 30, 2015:

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at Fair Value through Profit or Loss (FVPL) using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

PFRS 9 is effective for annual periods beginning on or after January 1, 2018. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Effective date to be determined:

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The Group does not expect any significant impact in the consolidated financial statements when it adopts the above standards and interpretations. The revised, amended and additional disclosure or accounting changes provided by the standards and interpretations will be included in the Group's consolidated financial statements in the year of adoption, if applicable.

<u>Summary of Significant Accounting and Financial Reporting Policies</u>

<u>Presentation of Financial Statements</u>
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of consolidated profit or loss (separate consolidated statement of income) and a second statement beginning with consolidated profit or loss and displaying components of other comprehensive income (consolidated statement of comprehensive income).

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

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

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

As at December 31, 2014 and June 30, 2014, the Group's financial assets are in the nature of loans and receivables, AFS financial assets and HTM investments. The Group has no financial assets at FVPL as at December 31, 2014 and June 30, 2014.

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

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

As at December 31, 2014 and June 30, 2014, the Group's financial liabilities are in the nature of other financial liabilities. As at December 31, 2014 and June 30, 2014, the Group has no financial liabilities classified as at FVPL.

Financial Instruments - Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

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

The Group's loans and receivables include cash and cash equivalents, receivables and amounts owed by related parties.

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

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

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

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

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

The Group's listed and nonlisted equity securities and quoted and unquoted debt securities are classified under this category.

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

As at December 31, 2014 and June 30, 2014, the Group has no HTM investment.

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

The Group's financial liabilities include accounts payable and accrued expenses, rental and other deposits and amounts owed to related parties.

<u>Fair Value of Financial Instruments</u>
The Group measures financial instruments, such as financial assets at FVPL, at fair value at each end of the reporting period. Also, fair values of financial instruments measured are disclosed in Note 26.

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

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

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

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

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

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

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

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

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

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

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

and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

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

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

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

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

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

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

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

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

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

- the rights to receive cash flows from the asset have expired;

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

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

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

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

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.

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

Input Value-added Tax (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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Property, Plant and Equipment</u>

Land and Improvements and Buildings and Improvements at Revalued Amount

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

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

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

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

	Years
Land and improvements	30
Buildings and improvements	30
Machinery and equipment	5-10
Transportation equipment	5
Furniture, fixtures and equipment	3-5
Condominium units and improvements	25
Hotel equipment	5

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

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

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

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

<u>Software Costs</u>

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

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

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

Impairment of Nonfinancial Assets

Inventories

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

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

The Group assesses at each end of the reporting period whether there is an indication that real estate for sale and development, leasehold rights, investment properties, property, plant and equipment and software costs may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

Nonfinancial Other Current and Noncurrent Assets

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

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

Product Classification

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

Recognition and Measurement

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

b) Insurance Contract Liabilities
   Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

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

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

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

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

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

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

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

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

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

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

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

Capital Stock
Common shares are classified as equity.

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

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized:

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

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

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

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

Merchandise Sales - net
Revenue from sale of merchandise is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

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

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

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

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

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

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

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;

b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. There is a substantial change to the asset.

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

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

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

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

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

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

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

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

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

Determining Loss of Significant Influence
The Group assesses whether lack of significant influence over an associate is evident. Aside from the presumption that holding of less than 20.0% of the voting power does not give rise to significant influence, the management also considers other circumstances that may lead them to believe that the Group cannot exercise significant influence over its associate. Such circumstances include inability to obtain timely financial information or cannot obtain more information than investors with significant influence, the Group's views and economic decisions are not considered in the operations of the investee, and other investors are opposing the Group's attempt to exercise significant influence.

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

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

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

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 Recovery from Insurance
Management estimates that the recorded amount of the recovery from insurance is virtually certain after an exhaustive review of its existing insurance coverage against the casualty loss incurred and the discussions with and inspections conducted by the insurance company, adjusters, and technical consultants. In December 2013, the Group recorded recovery from insurance amounting to ₱269.9 million.

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

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

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

Provision for impairment losses on receivables amounted to ₱0.7 million and ₱0.5 million in December 2014 and 2013, respectively. Receivables amounted to ₱483.8 million and ₱596.0 million as at December 31, 2014 and June 30, 2014, respectively, net of allowance for impairment losses amounting to ₱302.1 million and ₱308.8 million as at December 31, 2014 and June 30, 2014, respectively (see Note 5).

There was no provision for impairment loss on amounts owed by related parties recognized in December 2014 and 2013. Amounts owed by related parties amounted to ₱0.02 million as at December 31, 2014 and June 30, 2014, net of allowance for impairment losses amounting to ₱1.6 million as at December 31, 2014 and June 30, 2014 (see Note 17).

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

There was no provision for inventory losses in December 2014 and 2013. Inventories amounted to ₱14.7 million and ₱18.5 million as at December 31, 2014 and June 30, 2014, respectively, net of allowance for inventory losses amounting to ₱81.9 million and ₱82.0 million as at December 31, 2014 and June 30, 2014, respectively (see Note 6).

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

There was no impairment loss recognized in December 2014 and 2013. Real estate for sale and development amounted to ₱430.1 million and ₱429.5 million as at December 31, 2014 and June 30, 2014, respectively (see Note 7).

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

There was no provision for impairment losses on AFS financial assets in December 2014 and 2013. The carrying amount of AFS financial assets amounted to ₱1,672.5 million and ₱1,643.9 million as at December 31, 2014 and June 30, 2014, respectively, net of allowance for impairment losses amounting to ₱294.1 million as at December 31, 2014 and June 30, 2014 (see Note 8).

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

The Group has no HTM investment as at December 31, 2014 and June 30, 2014.

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

There was no provision for impairment loss recognized in December 2014 and 2013. Investments in an associate amounted to ₱2.6 million as at December 31, 2014 and June 30, 2014 (see Note 10).

Estimating Useful Lives of Leasehold Rights, Investment Properties, Property, Plant and Equipment and Software Costs
The estimated useful lives used as bases for depreciating and amortizing the Group's leasehold rights, investment properties, property, plant and equipment and software costs were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group's assets.

The Group estimates the useful lives of its leasehold rights, investment properties, property, plant and equipment and software costs based on the period over which the assets are expected to be available for use. The estimated useful lives of leasehold rights, investment properties, property, plant and equipment and software costs are reviewed, at least, annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of these assets increase depreciation and amortization and decrease in the corresponding leasehold rights, investment properties, property, plant and equipment and software costs.

The carrying value of leasehold rights amounted to nil as at December 31, 2014 and June 30, 2014 (see Note 22).

The carrying value of investment properties amounted to ₱723.8 million and ₱737.5 million as at December 31, 2014 and June 30, 2014, respectively (see Note 11).

The carrying value of property, plant and equipment amounted to ₱661.6 million and ₱672.1 million as at December 31, 2014 June 30, 2014, respectively (see Note 12).

The carrying value of software costs amounted to ₱9.7 million and ₱9.0 million as at December 31, 2014 June 30, 2014, respectively (see Note 13).

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

There was no provision for impairment losses on investment properties in December 2014 and 2013. The carrying value of investment properties amounted to ₱723.8 million and ₱737.5 million as at December 31, 2014 June 30, 2014, respectively, net of allowance for impairment losses amounting to ₱6.3 million as at December 31, 2014 and June 30, 2014 (see Note 11).

Estimating Allowance for Impairment Losses of Leasehold Rights, Property, Plant and Equipment, and Software Costs
The Group assesses impairment of leasehold rights, property, plant and equipment, and software costs whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

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

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

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

The carrying value of leasehold rights amounted to nil as at December 31, 2014 and June 30, 2014, respectively (see Note 22).

The carrying value of property, plant and equipment amounted to ₱661.6 million and ₱672.1 million as at December 31, 2014 and June 30, 2014, respectively (see Note 12).

The carrying value of software costs amounted to ₱9.7 million and ₱9.0 million as at December 31, 2014 and June 30, 2014, respectively (see Note 13).

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

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

There was no provision for impairment losses on non-financial other current assets in December 2014 and 2013. As at December 31, 2014 and June 30, 2014, the carrying value of non-financial other current assets amounted to ₱206.4 million and ₱210.4 million, respectively, net of allowance for impairment losses amounting to ₱2.8 million as at December 31, 2014 and June 30, 2014 (see Note 9).

There was no provision for impairment losses on non-financial other noncurrent assets recognized in December 2014 and 2013. As at December 31, 2014 and June 30, 2014, the carrying value of non-financial other noncurrent assets amounted to ₱101.1 million and ₱100.6 million, respectively (see Note 14).

Claims Liability Arising from Insurance Contracts

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

The carrying values of claims payable amounted to ₱263.0 million and ₱267.0 million as at December 31, 2014 and June 30, 2014, respectively (see Note 15).

Determining Retirement Benefits Liability

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

Retirement benefit costs amounted to ₱11.1 million and ₱11.7 million in December 2014 and 2013, respectively. As at December 31, 2014 and June 30, 2014, the retirement benefits liability of the Group amounted to ₱83.9 million and ₱99.2 million, respectively (see Note 19).

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

Assessing Realizability of Deferred Income Tax Assets

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

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

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

4. Cash and Cash Equivalents

	December 31, 2014	June 30, 2014
	(In Thousands)	
Cash on hand and in banks	**₱93,479**	₱98,623
Short-term investments	**129,146**	280,006
	₱222,625	₱378,629

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

5. Receivables

	December 31, 2014	June 30, 2014
	(In Thousands)	
Trade debtors	**₱149,410**	₱141,187
Insurance receivables	**402,230**	506,857
Others	**234,211**	256,760
	785,851	904,804
Less allowance for impairment losses	**302,083**	308,758
	₱483,768	₱596,046

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

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

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱160.5 million and ₱167.8 million as at December 31, 2014 and June 30, 2014, respectively. These receivables are collateralized by the shares of stock of Cyber Bay owned by CLC. The receivables from CLC are fully provided with allowance.

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

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

	Trade debtors	Insurance receivables	Others	Total
		(In Thousands)		
At June 30, 2014	₱89,298	₱8,341	₱211,119	₱308,758
Provisions (recovery) during the period (Note 18)	–	685	(7,360)	(6,675)
At December 31, 2014	₱89,298	₱9,026	₱203,759	₱302,083

6. **Inventories**

	December 31, 2014	June 30, 2014
	(In Thousands)	
At NRV:		
Finished goods	**₱14,026**	₱17,773
Factory supplies and spare parts	**688**	701
	₱14,714	₱18,474

Movements in the allowance for inventory losses are as follows:

	December 31, 2014	June 30, 2014
	(In Thousands)	
Beginning balances	**₱82,016**	₱97,893
Provisions	**–**	1,813
Recovery (Note 18)	**(109)**	(225)
Reversal	**–**	(4,360)
Write-off	**–**	(13,105)
	₱81,907	₱82,016

7. Real Estate Held for Sale and Development

	December 31, 2014	June 30, 2014
	(In Thousands)	
Batangas and Calamba lands	**₱395,512**	₱395,509
Homelands	**34,554**	33,998
	₱430,066	₱429,507

Land for development pertains to parcels of land located in Calamba, Laguna, Sto. Tomas, Batangas and San Vicente, Palawan. The composition of cost as at December 31, 2014 and June 30, 2014 are as follows:

	December 31, 2014	June 30, 2014
Land cost	**₱299,239**	₱299,239
Construction overhead and other related costs	**73,920**	73,917
Professional fees	**17,932**	17,932
Taxes	**4,421**	4,421
	₱395,512	₱395,509

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

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

	December 31, 2014	June 30, 2014
Balances at beginning of the period	**₱429,507**	₱280,179
Additions	**559**	149,328
Repossessions	**–**	–
Balances at end of the period	**₱430,066**	₱429,507

In October 2013, OPDI purchased 58,883 square meters parcel of land situated in Alimanguan, Sto. Nino, San Vicente, Palawan amounting to ₱148.8 million.

8. AFS Financial Assets

	December 31, 2014	June 30, 2014
	(In Thousands)	
Listed equity securities	**₱1,107,898**	₱1,390,601
Nonlisted equity securities	**342,097**	299,661
Quoted debt securities	**500,602**	241,655
Unquoted debt securities	**16,008**	6,082
	₱1,966,605	₱1,937,999
Allowance for impairment losses	**294,101**	294,101
	₱1,672,504	₱1,643,898

AFS financial assets in quoted shares of stock are carried at fair value with cumulative changes in fair values presented as a separate account in equity. Meanwhile, unquoted debt and nonlisted equity AFS financial assets are based on latest available transaction price at the end of the reporting period.

On December 31, 2014 and 2013, the Group sold certain listed equity securities and recognized a gain on sale of ₱4.9 million and ₱6.1 million, respectively.

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

9. Other Current Assets

	December 31, 2014	June 30, 2014
	(In Thousands)	
CWTs	**₱183,283**	₱185,961
Input VAT	**25,376**	25,784
Prepayments	**581**	1,464
	209,240	213,209
Less allowance for impairment losses	**2,830**	2,819
	₱206,410	₱210,390

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

Movements in the allowance for impairment losses are as follows:

	December 31, 2014	June 30, 2014
	(In Thousands)	
Balances at beginning of the period	**₱2,819**	₱2,970
Provisions	**11**	61
Write-off	**–**	(212)
Balances at end of the period	**₱2,830**	₱2,819

10. Investments in Associate

	December 31, 2014	June 30, 2014
	(In Thousands)	
Acquisition costs:		
Balances at beginning of the period	**₱5,959**	₱5,959
Additions	–	–
Balances at end of the period	**5,959**	5,959
Accumulated equity in net losses of an associate:		
Balances at beginning of the period	**(₱3,395)**	(3,371)
Equity in net loss of an associate	**–**	(24)
Balances at end of the period	**(3,395)**	(3,395)
	₱2,564	₱2,564

11. **Investment Properties**

As at December 31, 2014

	Buildings and Improvements	Land and Improvements	Total
		(In Thousands)	
Cost			
At beginning of year	**₱2,182,245**	**₱131,624**	**₱2,313,869**
Additions	**3,184**	**–**	**3,184**
At end of period	**2,185,429**	**131,624**	**2,317,053**
Accumulated Depreciation and Amortization			
At beginning of year	**₱1,569,549**	**₱552**	**₱1,570,101**
Depreciation and amortization (Note 18)	**16,778**	**69**	**16,847**
At end of period	**1,586,327**	**621**	**1,586,948**
	599,102	**131,003**	**730,105**
Less: Allowance for impairment losses	**(6,281)**	**–**	**(6,281)**
Net Book Value	**₱592,821**	**₱131,003**	**₱723,824**

As at June 30, 2014

	Buildings and Improvements	Land and Improvements	Total
		(In Thousands)	
Cost			
At beginning of year	₱2,167,397	₱131,624	₱2,299,021
Additions	15,477	–	15,477
Write-off	(1,833)	–	(1,833)
At end of year	2,181,041	131,624	2,312,665
Accumulated Depreciation and Amortization			
At beginning of year	1,537,382	414	1,537,796
Depreciation and amortization (Note 18)	32,167	138	32,305
Write-off	(1,205)	–	(1,205)
At end of year	1,568,344	552	1,568,896
Balance	612,697	131,072	743,769
Less: Allowance for impairment losses	6,281	–	6,281
Net book values	₱606,416	₱131,072	₱737,488

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

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

12. Property, Plant and Equipment

As at December 31, 2014

	Condominium Units	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Hotel Equipment	Total
At cost							
At beginning of year	8,692	6,948	2,087,856	39,484	89,557	7,093	**2,239,630**
Additions	-	3	910	1,088	936	944	**3,881**
Disposals	-	-	(491)	-	-	-	**(491)**
At end of the period	8,692	6,951	2,088,275	40,572	90,493	8,037	2,243,020
Accumulated depreciation and amortization							
At beginning of year	4,404	6,517	2,061,267	32,163	82,631	3,407	**2,190,389**
Depreciation and amortization (Note 18)	109	93	2,601	1,946	1,565	1,083	**7,396**
Disposals	-	-	(491)	-	-	-	**(491)**
At end of the period	4,513	6,610	2,063,377	34,109	84,196	4,490	2,197,295
Net book value	**4,179**	**341**	**24,898**	**6,463**	**6,297**	**3,547**	**45,725**

	Land and Improvements	Buildings and Improvements	Total
		(In Thousands)	
At revalued amounts:			
At beginning of year	**₱339,583**	**₱699,232**	**₱1,038,815**
Additions	**237**	**6,402**	**6,639**
At end of period	**339,820**	**705,634**	**1,045,454**
Accumulated depreciation and amortization			
At beginning of year	**19,037**	**396,935**	**415,972**
Depreciation and amortization (Note 18)	**341**	**13,254**	**13,595**
At end of period	**19,378**	**410,189**	**429,567**
Net book values	**₱320,442**	**₱295,445**	**₱615,887**

As at June 30, 2014

	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Condominium Units and Improvements	Hotel Equipment	Total
				(In Thousands)			
Cost							
At beginning of year	₱6,891	₱2,088,175	₱38,663	₱87,034	₱8,692	₱6,994	₱2,236,449
Additions	57	1,184	1,703	2,827	–	99	5,870
Disposals	–	–	(882)	(304)	–	–	(1,186)
Reclassification	–	(1,503)	–	–	–	–	(1,503)
At end of year	6,948	2,087,856	39,484	89,557	8,692	7,093	2,239,630
Accumulated Depreciation and Amortization							
At beginning of year	6,317	2,056,135	29,203	79,740	4,187	1,365	2,176,947
Depreciation and amortization (Note 18)	200	5,132	3,842	3,161	217	2,042	14,594
Disposals	–	–	(882)	(270)	–	–	(1,152)
At end of year	6,517	2,061,267	32,163	82,631	4,404	3,407	2,190,389
Net Book Values	₱431	₱26,589	₱7,321	₱6,926	₱4,288	₱3,686	₱49,241

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

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

The fair value of land and improvements and buildings and improvements, which has been determined based on the latest valuations performed by Asian Appraisal Company, Inc. dated July 23, 2013, exceeds its carrying cost. Asian Appraisal Company, Inc. is an industry specialist in valuing these types of properties.

13. **Software Costs**

	December 31, 2014	June 30, 2014
	(In Thousands)	
At cost:		
Beginning balances	**₱33,151**	₱28,968
Additions	**2,737**	4,183
Ending balances	**35,888**	33,151
Accumulated amortization:		
Beginning balances	**24,194**	20,790
Amortization (Note 18)	**2,014**	3,404
Ending balances	**26,208**	24,194
Net book values at cost	**₱9,680**	₱8,957

14. **Other Noncurrent Assets**

	December 31, 2014	June 30, 2014
	(In Thousands)	
Refundable deposits	**₱21,499**	₱27,313
Deferred acquisition cost	**26,225**	25,641
Deferred reinsurance premiums	**27,858**	24,059
Prepaid expenses	**5,337**	16,177
Deferred input VAT	**9,049**	9,697
Unclaimed claims reserve fund	**6,380**	6,380
Others	**26,262**	18,665
	₱122,610	₱127,932

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

Rental deposits include rental and security deposits paid which are refundable at the end of the contract.

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

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

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

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

15. **Accounts Payable and Accrued Expenses**

	December 31, 2014	June 30, 2014
	(In Thousands)	
Claims payables	**₱262,960**	₱266,951
Reserves for unearned premiums	**112,354**	111,909
Accrued expenses	**104,672**	93,690
Nontrade payables	**78,566**	62,529
Trade payables	**45,074**	46,997
Due to reinsurers and ceding companies	**9,244**	29,132
Others	**45,876**	62,175
	₱658,746	₱673,383

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

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

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

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

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

16. Rental and Other Deposits

	December 31, 2014			June 30, 2014		
	Due within One Year	**Beyond One Year**	**Total**	Due within One Year	Beyond One Year	Total
			(In Thousands)			
Rental deposits	**₱43,634**	**₱6,071**	**₱49,705**	₱50,453	₱4,979	₱55,432
Security deposits	**70,942**	**20,220**	**91,162**	70,757	18,619	89,376
Deferred rent	**34,906**	**24,576**	**59,482**	34,998	12,796	47,794
Customer deposits	**7,801**	**3,706**	**11,507**	1,317	4,563	5,880
Construction bond	**4,082**	**3,761**	**7,843**	4,192	3,621	7,813
Other deposits	**4,984**	**3,564**	**8,548**	4,938	3,510	8,448
	₱166,349	**₱61,898**	**₱228,247**	₱166,655	₱48,088	₱214,743

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

Customer deposits consist of priority premiums paid by tenants which serve as their reservation deposits.

17. Related Party Transactions

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

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

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

Category		Amount/ Volume	Outstanding Balance	Terms	Conditions
			(In Thousands)		
Amounts owed by related parties:					
Under common control					
Guoman Philippines, Inc.	**December 31, 2014**	**-**	**1,625**	Demandable and collectible on demand	Unsecured, non-interest bearing, with impairment of ₱1,610, and unguaranteed
	June 30, 2014	1	1,626		
Genez Investments Corp.	**December 31, 2014**	**–**	**6**	Demandable and collectible on demand	Unsecured, non-interest bearing, no impairment, and unguaranteed
	June 30, 2014	–	6		
Hong Way Holdings, Inc.	**December 31, 2014**	**-**	**-**	Demandable and collectible on demand	Unsecured, non-interest bearing, no impairment, and unguaranteed
	June 30, 2014	2	–		
Total	**December 31, 2014**	**₱-**	**₱1,631**		
Total	June 30, 2014	₱3	₱1,632		

	December 31, 2014	June 30, 2014
	(In Thousands)	
Amounts owed by related parties	**₱1,631**	₱1,632
Less allowance for impairment losses	**1,610**	1,610
	₱21	₱22

Allowance for impairment losses on amounts owed by related parties amounted to₱1.6 million as at December 31, 2014 and June 30, 2014.

18. Operating Expenses

	SIX MONTHS ENDED DECEMBER 31	
	2014	**2013**
Depreciation and amortization (Notes 11, 12, 13 and 22)	**30,232**	29,980
Personnel expenses	**101,042**	99,402
Taxes and licenses	**8,462**	11,749
Marketing expenses	**1,235**	1,221
Professional and legal fees	**15,302**	11,568
Communication and transportation	**4,167**	4,917
Supplies and repairs	**2,971**	4,892
Insurance	**1,691**	1,584
Representation	**593**	758
Rent and utilities	**9,675**	9,970
Janitorial and security services	**3,082**	7,216
Provision for (recovery of) impairment losses (Note 5)	**685**	(148)
Reversal of provision for inventory losses (Note 6)	**(109)**	-
Provision for probable losses (Note 9)	**11**	9
Others	**5,358**	4,283
	184,397	187,401

Others consist mainly of various charges that are individually immaterial.

19. Retirement Plan

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

The latest independent actuarial valuation dated August 1, 2013 was determined using the projected unit credit method in accordance with PAS 19.

20. Earnings Per Share

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

	December 31, 2014	December 31, 2013
a. Net income attributable to equity holders of the Parent	**₱2,043**	₱111,420
b. Weighted average number of shares	**2,367,149**	2,367,149
Basic earnings per share (a/b)	**₱0.001**	₱0.047

21. Segment Information

Business Segments

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

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

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

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

December 31, 2014	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Eliminations	Consolidated
Revenue	51,738	229,727	116,775	5,691	1,070	405,000	(50,000)	355,000
Cost and expenses	(20,510)	(210,134)	(118,307)	(34,858)	(6,501)	(390,310)	6,266	(384,044)
Other income (charges)	6,372	18,157	367	21,222	27	46,145	(6,266)	39,879
Income (Loss) before income tax	37,600	37,750	(1,166)	(7,945)	(5,403)	60,835	(50,000)	10,835
Provision for income tax	-	8,287	1,231	-	-	9,517	-	9,517
Net income (loss)	**37,600**	**29,463**	**(2,397)**	**(7,945)**	**(5,403)**	**51,318**	**(50,000)**	**1,318**
OTHER INFORMATION								
Segment assets	**2,649,596**	**2,297,376**	**731,203**	**798,918**	**49,144**	**6,526,236**	**(1,975,838)**	**4,550,398**
Segment liabilities	**681,813**	**649,308**	**515,486**	**332,819**	**193,189**	**2,372,614**	**(682,281)**	**1,690,334**

December 31, 2013	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Eliminations	Consolidated
Revenue	572	212,431	108,791	11,904	2,012	335,711	-	335,711
Cost and expenses	(14,308)	(215,331)	(127,676)	(50,660)	(7,427)	(415,402)	2,413	(412,989)
Other income (charges)	2,825	275,191	(414)	(9,247)	4	268,359	(2,413)	265,946
Income (Loss) before income tax	(10,912)	272,291	(19,298)	(48,003)	(5,410)	188,669	-	188,669
Provision for income tax	-	82,624	612	-	-	83,236	-	83,236
Net income (loss)	(10,912)	189,667	(19,910)	(48,003)	(5,410)	105,432	-	105,432
June 30, 2014								
OTHER INFORMATION								
Segment assets	**2,641,421**	**2,275,699**	**891,177**	**929,981**	**50,624**	**6,788,903**	**(1,962,913)**	**4,825,990**
Segment liabilities	**690,675**	**602,729**	**671,888**	**323,446**	**187,110**	**2,475,849**	**(764,195)**	**1,711,654**

Geographical Segments

The Group does not have geographical segments.

22. **Long-term Lease**

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

On December 22, 2009, TPI renewed its lease contract with PNR for another twenty five (25) years beginning September 5, 2014, the end of the original lease agreement.

As at December 31, 2014 and June 30, 2014, the aggregate annual commitments on these existing lease agreements for the succeeding years are as follows:

	December 31, 2014	June 30, 2014
	(In Thousands)	
Less than one (1) year	**₱112,607**	₱121,991
More than (one) 1 year but not more than (five) 5 years	**644,735**	620,835
More than (five) 5 years	**3,102,413**	3,238,920
	₱3,859,755	₱3,981,746

Leasehold rights pertaining to the leased property has a book value of nil as at December 31, 2014 and June 30, 2014. Movements in the carrying value of the rights are presented below.

	December 31, 2014	June 30, 2014
	(In Thousands)	
Beginning balances	**₱-**	₱4,239
Amortization	**-**	(4,239)
Net book values	**₱-**	₱-

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

Tenants are required to post security deposits, which shall be refunded, without interest, within sixty (60) days after the expiration of the lease period, deducting the amount of damages to the leased premises, if any.

23. **Contingencies**

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

24. Financial Risk Management Objectives, Policies and Capital Management

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

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

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

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

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

Credit quality of neither past due nor impaired financial asset
The credit quality of financial assets is being managed by the Group by grouping its financial assets into two: (a) High grade financial assets are those that are current and collectible; (b) Standard grade financial assets need to be consistently followed up but are still collectible.

The tables below show the credit quality by class of financial assets based on the Group's credit rating system:

December 31, 2014

	Neither past due nor impaired		Past due or individually impaired	Total
	High grade	Standard grade		
	(In Thousands)			
Loans and Receivables:				
Cash and cash equivalents	**₱222,128**	**₱–**	**₱–**	**₱222,128**
Receivables:				
Trade debtors	**41,393**	**–**	**108,017**	**149,410**
Insurance receivables	**148,663**	**84,413**	**169,154**	**402,230**
Others	**35,529**	**–**	**198,682**	**234,211**
Amounts owed by related parties	**21**	**–**	**1,610**	**1,631**
Deposits (under "Other noncurrent assets")	**21,499**	**–**	**–**	**21,499**
AFS Financial Assets:				
Listed equity securities	**813,798**	**–**	**294,101**	**1,107,899**
Quoted debt securities	**342,098**	**–**	**–**	**342,098**
Unquoted debt securities	**16,008**	**–**	**–**	**16,008**
Nonlisted equity securities	**500,602**	**–**	**–**	**500,602**
	₱2,141,739	**₱84,413**	**₱771,564**	**₱2,997,716**

June 30, 2014

	Neither past due nor impaired		Past due or individually impaired	Total
	High grade	Standard grade		
	(In Thousands)			
Loans and Receivables:				
Cash and cash equivalents	₱353,677	₱–	₱–	₱353,677
Receivables:				
Trade debtors	41,933	9,956	89,298	141,187
Insurance receivables	315,135	183,380	8,342	506,857
Others	42,129	3,513	211,118	256,760
Amounts owed by related parties	22	–	1,610	1,632
Deposits (under "Other noncurrent assets")	27,214	–	99	27,313
AFS Financial Assets:				
Listed equity securities	1,096,500	–	294,101	1,390,601
Quoted debt securities	241,655	–	–	241,655
Unquoted debt securities	6,082	–	–	6,082
Nonlisted equity securities	299,661	–	–	299,661
	₱2,424,008	₱196,849	₱604,568	₱3,225,425

The tables below show the aging analyses of financial assets per class that the Group held as at December 31, 2014 and June 30, 2014. A financial asset is past due when a counterparty has failed to make payment when contractually due.

December 31, 2014

	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Individually impaired	Total
			(In Thousands)				
Loans and Receivables:							
Cash and cash equivalents	**₱222,128**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱222,128**
Receivables:							
Trade debtors	**41,393**	**3,142**	**1,523**	**1,860**	**12,507**	**88,985**	**149,410**
Insurance receivables	**233,076**	**13,359**	**12,280**	**44,476**	**82,604**	**16,435**	**402,230**
Others	**35,529**	**2,021**	**–**	**–**	**–**	**196,661**	**234,211**
Amounts owed by related parties	**21**	**–**	**–**	**–**	**–**	**1,610**	**1,631**
Deposits (under "Other noncurrent assets")	**21,499**	**–**	**–**	**–**	**–**	**–**	**21,499**
AFS Financial Assets							
Listed equity securities	**813,798**	**–**	**–**	**–**	**–**	**294,101**	**1,107,899**
Quoted debt securities	**342,098**	**–**	**–**	**–**	**–**	**–**	**342,098**
Unquoted debt securities	**16,008**	**–**	**–**	**–**	**–**	**–**	**16,008**
Nonlisted equity securities	**500,602**	**–**	**–**	**–**	**–**	**–**	**500,602**
	₱2,226,152	**₱18,522**	**₱13,803**	**₱46,336**	**₱95,111**	**₱597,792**	**₱2,997,716**

June 30, 2014

	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Individually impaired	Total
			(In Thousands)				
Loans and Receivables:							
Cash and cash equivalents	₱353,677	₱–	₱–	₱–	₱–	₱–	₱353,677
Receivables:							
Trade debtors	43,998	2,480	251	–	5,160	89,298	141,187
Insurance receivables	315,135	–	–	–	183,380	8,342	506,857
Others	43,901	–	–	–	1,741	211,118	256,760
Amounts owed by related parties	22	–	–	–	–	1,610	1,632
Deposits (under "Other noncurrent assets")	27,214	–	–	–	76	23	27,313
AFS Financial Assets							
Listed equity securities	1,096,500	–	–	–	–	294,101	1,390,601
Quoted debt securities	241,655	–	–	–	–	–	241,655
Unquoted debt securities	6,082	–	–	–	–	–	6,082
Nonlisted equity securities	299,661	–	–	–	–	–	299,661
	₱2,427,845	₱2,480	₱251	₱–	₱190,357	₱604,492	₱3,225,425

Liquidity Risk

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

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

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2014 and June 30, 2014 based on contractual undiscounted payments:

December 31, 2014

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Total
Accounts payable and accrued expenses	**₱534,079**	**₱1,577**	**₱56,920**	**₱51,411**	**₱643,987**
Rental and other deposits	**145,850**	**12,424**	**8,075**	**61,898**	**228,247**
	₱679,929	**₱14,001**	**₱64,995**	**₱113,309**	**₱872,234**

June 30, 2014

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

Foreign Currency Risk
The Group's foreign currency risk results primarily from movements of the Philippine Peso against the US Dollar. The Group's foreign currency risk arises primarily from its cash in banks and trade payables.

The Group monitors and assesses cash flows from anticipated transactions and financing agreements denominated in US Dollar.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱44.62 to US$1.00 and ₱43.48 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2014 and June 30, 2014, respectively.

The table below summarizes the Group's exposure to foreign currency risk as at December 31, 2014 and June 30, 2014. Included in the table are the Group's assets and liabilities at carrying amounts:

	December 31, 2014		June 30, 2014	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
		(In Thousands)		
Financial Asset:				
Cash in banks	**$59**	**₱2,618**	$48	₱2,087
Financial Liability:				
Accounts payable	**4**	**177**	2	87
Net financial asset	**$55**	**₱2,441**	$46	₱2,000

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

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

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

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

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rate relates to quoted debt instruments.

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

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at December 31, 2014 and June 30, 2014.

As at December 31, 2014 and June 30, 2014, the Group considers the following accounts as capital:

	December 31, 2014	June 30, 2014
Capital stock	**₱2,066,357**	₱2,066,357
Additional paid-in capital	**829,904**	829,904
	₱2,896,261	₱2,896,261

The Group is not subject to externally imposed capital requirements.

25. **Financial Instruments**

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values at December 31, 2014 and June 30, 2014 are set out below:

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

Receivables, Accounts Payable and Accrued Expenses and Amounts owed by/to Related Parties
The carrying amounts receivables, accounts payable and accrued expenses and amounts owed by/to related parties approximate their fair values due to their short-term nature.

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

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

AFS financial assets
AFS equity financial assets that are listed are based on their bid prices as at December 31, 2014 and June 30, 2014. AFS debt financial assets that are quoted are based on market prices. Unquoted debt and nonlisted AFS financial assets are based on latest available transaction price at the end of the reporting period.

26. Fair Value

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

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

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at December 31, 2014:

	Fair value measurement using		
	Quoted prices in active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs(Level 3)**
		(In Thousands)	
Assets for which fair values are disclosed			
Loans and Receivables			
Cash and cash equivalents	₱–	₱222,625	₱–
Receivables			
Trade debtors	–	60,425	–
Insurance receivables	–	385,795	–
Others	–	37,548	–
Real estate for sale and development	–	–	430,067
Amounts owed by related parties	–	21	–
Refundable deposits under noncurrent assets	–	21,499	–
Assets for which fair values are measured			
AFS financial assets	1,155,895	516,609	–
Investment properties	–	–	3,639,697
	₱1,155,895	₱1,244,522	₱4,069,764

	Fair value measurement using		
	Quoted prices in active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs(Level 3)**
		(In Thousands)	
Liabilities for which fair values are disclosed			
Other Financial Liabilities			
Accounts payable and accrued expenses	₱–	₱659,853	₱–
Rental and other deposits	–	228,247	–
	₱–	₱888,100	₱–

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

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As at December 31, 2014

	AMOUNT
Current	41,393
1 to 30 days	3,142
31 to 60 days	1,524
61 to 90 days	1,860
Over 90 days	101,492
Total receivable-trade	**149,410**
Advances to Employees	11,393
Insurance receivable	402,230
Others	222,819
Total non-trade receivable	**636,441**
Total receivable	**785,851**
Allowance for doubtful accounts	**(302,083)**
	483,768