

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended : **30 June 2015**
2. SEC Identification Number : **163671** 3. BIR Tax Identification No.: **320-000-804-342**
4. Exact name of registrant : **PRIME ORION PHILIPPINES, INC.**
5. **Mandaluyong, Philippines**
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **20/F LKG Tower, 6801 Ayala Avenue, Makati City** **1226**
Address of principal office Postal Code
8. **(632) 884-1106**
Registrant's telephone number, including area code
9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
(As of 30 September 2015)

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	2,367,149,383 shares
Consolidated Loans Payable	-0-

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

Yes [] No []

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

Philippine Stock Exchange

Common Shares

12. Check whether the registrant:

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

Yes [] No []

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

Yes [] No []

13. Aggregate market value of the voting stock held by non-affiliates: **P2,704,962,960.48**
(as of 30 Sept. 2015)

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Business Development

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

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

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

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

B. Business of Issuer

(i) Principal Products and Services

The principal products and services of POPI's holding and operating companies as of 30 September 2015 are as follows:

Orion Land Inc. (OLI)

- Tutuban Properties, Inc. (TPI), a wholly-owned subsidiary, organized in 1990, holds the lease and development rights over a 22-hectare market district in downtown Divisoria, the country's oldest and biggest trading district. On the property sits the Tutuban Center, an integrated wholesale and retail complex recognized as the premier shopper's bargain district in the Philippines. On 22 December 2009, TPI renewed its Contract of Lease with the Philippine National Railways (PNR) for another 25 years (5 September 2014 to 2039). In November 2012, TPI completed the Orion Hotel, a 41-room hotel, located at the third floor of TPI's Prime Block Building.

On 1 April 2015, TPI entered into a Memorandum of Understanding with the Department of Transportation and Communications (DOTC) and the PNR whereby the parties agreed to cooperate for the finalization and completion of the plans for DOTC's North South Railway Project (NSRP) within a period of six months.

- TPI Holdings Corporation (THC), organized in 2005 as a wholly-owned subsidiary of TPI, holds the titles to certain parcels of land in Calamba, Laguna. On 18 August 2015, THC entered into a Memorandum of Agreement for the sale of the said properties to a third party buyer.
- Orion Property Development, Inc. (OPDI), another wholly-owned subsidiary, organized in 1993, handles property acquisition and horizontal development. Its landholdings include: (i) about 31 hectares raw land in Kay-Anlog, Laguna (including those with pending Contracts to Sell); (ii) about 17 residential lots in The Homelands Subdivision in Calamba, Laguna, with a total area of about 2,682 sqm. and ridge area, with an area of 21,148 sqm.; (iii) Trellis Pocket Centre, a 747-sqm. commercial project located along National Highway, Calamba; (iv) additional 7,418 sqm. property known as the MARFA area at the back of The Homelands, intended to be developed and marketed as the premier section of The Homelands Subdivision; (v) 639-sqm. property in J.P.

Rizal, Makati City, to be developed as a commercial/residential condominium; and (vi) 58,800 sqm. property in San Vicente, Palawan.

Effective 1 July 2013, OMI Land Title Services Division (OMI Titling) of Orion Maxis Inc. (OMI) was transferred to OPDI. OMI Titling offers land titling services (such as title transfer, reconstitution of lost title, land verification and survey, real property tax assessment and payment, etc.)

As of 18 August 2015, about 31.61 hectares of the Sto. Tomas, Batangas property (owned by OPDI and THC) (including the 18 hectares subject of a previous agreement with a third party) were sold to a buyer.

Orion I Holdings Philippines, Inc. (OIHPI)

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

OE Holdings, Inc. (OEHI)

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

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

Other subsidiaries/affiliates of POPI include:

- *FLT Prime Insurance Corporation (FPIC)*

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

- *Orion Solutions, Inc. (OSI)*

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

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

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

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

Parent Company (holding company)	98.7%
Real estate and property development	-10.3%
Financial Services	-0.3%
Manufacturing	8.3%
Others	3.6%

Total	100%

(ii) Percentage of Sales Contributed by Foreign Sales

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

(iii) Distribution Methods

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

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

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

(iv) New Products or Services

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

(v) Competition

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

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

1. LCI competes in the ceramic tile manufacturing market. With the suspension of tile production in 2012, LCI sells only its remaining inventories. With the shift of LCI into leasing of its warehouses, LCI faces competition from other lessors of warehouses.
2. TPI operates the Tutuban Center in Manila, known as the premier bargain center in the country. Its competitors include other mall operators/lessors in the Divisoria area and within Metro Manila. TPI's Night Market and Food Street operations continue to draw customer traffic. TPI capitalizes on aggressive tri-media advertising and promotional campaigns to enhance customer awareness about Tutuban Center. On 4 September 2012, Cluster Building 1 and part of Cluster Building 2 were destroyed by fire. As CB 1 was no longer structurally sound, CB 1 was demolished. The demolition was completed on 22 January 2015.

In November 2012, TPI completed its 41-room Orion Hotel located at the third floor of Prime Block Building. The Orion Hotel, a businessman hotel, caters to traders and shoppers of Tutuban Center. On 30 January 2015, the Orion Café, located near Orion Hotel at the third floor of Prime Block Building, was opened to complement the operations of Orion Hotel and cater to the hotel's guests and mall customers.

3. FPIC competes with other non-life insurance companies. Aside from its head office in Makati, FPIC maintains branches in Metro Manila, specifically, in Caloocan and Alabang, and key cities in the provinces of Cebu, Bacolod, Baguio and Davao, to expand its customer base and improve its market share. To remain competitive, FPIC continues to develop diverse and customized products which cater to the unique needs of its target market- the retail market, and to improve its existing products and services to its customers. There was also increased focus on lines with high premium retention such as motor car, personal accident and residential accounts.
4. OMI competes with distributors of other paint distributors and importers.
5. OPDI faces competition with other land developers; while OMI Titling competes with other land title management service providers.

(vi) Purchases of Raw Materials and Supplies

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

(vii) Customers

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

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

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

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

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

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

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

(ix) Franchise

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

(x) Government Approvals for Principal Services

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

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

On 9 March 1977, FPIC, a 72.4%-owned subsidiary, was also granted a license by the IC to operate as a non-life insurance company, which license is renewed annually. The IC has extended the license of FPIC to until 31 December 2015.

(xi) Effect of Existing or Probable Governmental Regulations

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

a) On FPIC

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

Based on the IC's Report on FPIC's Annual Statement as of 31 December 2014, FPIC has deficiency in its Networth and Risk Based Capital ratio due to the non-conversion of its P72 million Deposit on Future Subscriptions account into equity. FPIC has already submitted its reply/explanation to the IC on 11 September 2015.

The IC sent a letter dated 6 October 2015 to FPIC (copy of which was received on 19 October 2015) asking the FPIC to explain within ten (10) days why it should not be subject to a Cease and Desist Order for not having filed its application for increase in capital stock. FPIC submitted its reply explanation to the IC on 28 October 2015.

b) On TPI

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

(xii) Research and Development Activities

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

(xiii) Costs and Effects of Compliance with Environmental Laws

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

(xiv) Employees

As of 30 June 2015, the employees of POPI are as follows:

Executives	-	7	
Managers	-	6	
Supervisors*	-	16	*performs various clerical and administrative functions
Rank & File	-	13	

Total		42	

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

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

However, the Company's subsidiaries namely, FPIC and LCI, have workers' unions. LCI's CBA was signed last 21 October 2009; re-negotiation of the economic terms of the CBA began in October 2012 but was put on hold with the approval of LCI's Rehabilitation Plan. On 28 August 2014, the LCI Rehabilitation Plan was declared as successful and terminated. At present, almost all rank and file workers have left LCI.

FPIC's CBA has been finalized and signed on 9 October 2015. The new CBA shall be effective for five years commencing on 1 April 2015.

Item 2. Properties

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

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

Other properties of the Company and its subsidiaries include: (i) a 232.98 sqm. condominium unit at Eurovilla III at Valero St., Makati City, which is presently used as the residence of one of the Company's officers; (ii) Tutuban Center (comprised of Prime Block Mall, Cluster Building 2, Centermall I and II, Robinsons' Supermarket and Department Store building, Parking Tower and Tutuban Center

Shopping Plaza) with gross leasable area of about 60,000 square meters. The Tutuban Center sits on about 8.5 hectares (has.) (out of about 20 has. of real property owned by the PNR and covered by the lease of TPI), and (iii) 1.07 has. property in Mandaue City in Cebu City. In September 2015, the Company sold the Mandaue property.

The lease of TPI with the PNR was renewed last 22 December 2009 for another 25 years (5 September 2014 to 4 September 2039). The Renewal of Contract of Lease (starting 2014) provides for an expanded leased area (land use), which would include: (a) Phase I- existing 8.5 has.; (b) Phase IIA- approximately 5.8 has. (for land use); and (c) Phase IIB- approximately 5.8 has. (air rights).

However, on 4 September 2012, fire gutted the then newly-renovated Cluster Building (CB) 1 and part of CB 2. On 5 October 2012, TPI secured a property recovery and clearing permit for CB 1 and CB 2.

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

On 21 February 2014, the DPWH issued its Order Lifting the CDO and directed the Office of the Building Official of Manila (OBO) to act with dispatch to continue to implement the Demolition Order dated 5 September 2013. Certain CB 1 tenants filed Notice of Appeal and Motion to Stay Execution dated 26 February 2014 with the Office of the President (OP). The OBO then issued a letter dated 21 March 2014 ordering TPI to temporarily stop and/or suspend the on-going demolition.

The OP issued a Decision dated 14 July 2014 which dismissed the appeal of the tenants and affirmed the Decision dated 23 August 2013 and Order dated 19 February 2014 (Lifting the CDO Order dated 19 September 2013) of the DPWH directing the demolition of CB 1. The demolition of CB 1 was completed on 22 January 2015.

CB 2 was refurbished and re-energized and made available for lease. TPI's Centermall, Prime Block, Bonifacio Plaza, Robinson's Supermarket and Department Store, Food Street and Night Market continue their normal business operations. In November 2012, TPI completed its a 41-room businessman hotel, the *Orion Hotel*, located at the third floor of Prime Block Building. In January 2015, TPI opened the Orion Café located near the Orion Hotel at the Prime Block Building.

At present, PNR has turned over to TPI the following additional areas: (1) about 2.4 hectares of Phase IIA (land use), and (2) about 5.7 hectares of Phase IIB (air rights).

OPDI, which handles property acquisition and horizontal development, has the following properties/projects: (a) about 33-has. property in Sto. Tomas, Batangas (including the 19.25 hectare property registered in the name of its affiliate, THC); (b) about 31 hectares raw land in Kay-Anlog, Laguna (including those with pending Contracts to Sell); (c) about 17 residential lots in The Homelands Subdivision in Calamba, Laguna, with a total area of about 2,682 sqm. and ridge area, with an area of 21,148 sqm.; (d) Trellis Pocket Centre, a 747-sqm. commercial project located along National Highway, Calamba; (e) additional 7,418 sqm. property known as the MARFA area at the back of The Homelands Subdivision; (f) a 49.85 sqm. condominium unit at Makati Prime Tower (subject to notice of *lis pendens* registered by the property owner, Prime Tower Property Group, Inc., in connection with its case against its contractor, Titan-Ikeda Construction and Development Corporation) (g) 639-sqm. property in J.P. Rizal, Makati City, to be developed as a commercial/residential condominium; and (h) a 58,800 sqm. property in San Vicente, Palawan.

In August 2015, OPDI and THC sold the abovementioned property in Sto. Tomas, Batangas (including the portion subject of previous agreement with a third party). At present, THC's remaining property in Sto. Tomas, Batangas is a 1,095 sqm. property.

Item 3. Legal Proceedings

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

A complaint for sum of money (representing insurance proceeds) with issuance of Temporary Restraining Order (TRO) and Injunction was filed on 24 January 2001 with the Pasig Regional Trial Court

(RTC)-Branch 71, against the Company's subsidiary, FPIC, by its insured, Lavine Loungewear Mfg. Inc. (Lavine). Prior to the filing of the suit, there was an intra-corporate dispute between two groups of stockholders of Lavine, each group claiming to be the owner of Lavine and therefore entitled to receive the insurance proceeds. Since FPIC could not determine which group of Lavine stockholders to pay, FPIC only made partial payment on the claim.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following case remains pending:

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

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

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

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

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

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

case (G.R. 177839) should be applied in this case and that the complaint filed by Chevron should be dismissed.

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

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

Chevron filed a Motion for Partial Reconsideration (MPR) dated 16 September 2014. FPIC has filed its Opposition to the MPR dated 24 September 2014. CA issued Resolution dated 25 February 2015 denying Chevron's MPR for lack of merit.

Chevron filed Petition for Review (of the CA Decision) dated 15 April 2015 with the SC.

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

Status: Case Dismissed

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

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

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

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

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

The RTC in its Decision dated 8 May 2015 dismissed the complaint for lack of merit. It also dismissed FPIC's counterclaim for its failure to prove the same. FPIC filed Motion for Entry of Judgment dated 7 August 2015.

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

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

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

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

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

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

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

Pre-trial was set on 19 February 2014. Hearing was set on 7 May 2014. FPIC filed a Motion to Amend Answer as well as Pre-trial Brief dated 30 April 2014, which remains pending to date. The Court granted the motion in its Order dated 2 June 2015.

No hearing dates have been set.

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

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

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

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

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

Judicial Dispute Resolution hearing on the case reset to 28 September 2015.

Meanwhile defendant filed Motion to Strike Out Plaintiffs Judicial Affidavits. On the hearing of said Motion last 14 August 2015, FPIC filed its Opposition with Alternative Motion to Allow Submission of and Admit Plaintiff's Judicial Affidavits dated 11 August 2015. Defendant given 10 days to file its reply to the Opposition and FPIC given 10 days to file its rejoinder.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

A. Market Information

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

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

		<u>High</u>	<u>Low</u>
<u>Fiscal Year 2015</u> (1 July 2014- 30 June 2015)			
1st Quarter	(Jul. 2014- Sept. 2014)	P 0.84	P 0.55
2nd Quarter	(Oct. 2014-Dec. 2014)	0.82	0.62
3rd Quarter	(Jan. 2015-Mar. 2015)	0.75	0.64
4th Quarter	(Apr. 2015-Jun. 2015)	2.08	0.70
<u>Fiscal Year 2014</u> (1 July 2013- 30 June 2014)			
1st Quarter	(Jul. 2013-Sept. 2013)	P0.630	P 0.540
2nd Quarter	(Oct. 2013-Dec. 2013)	0.580	0.355
3rd Quarter	(Jan. 2014-Mar. 2014)	0.530	0.410
4th Quarter	(Apr. 2014-Jun. 2014)	0.700	0.435

Stock price as of latest practicable trading date of 26 October 2015: P1.95 per share.

*provided by PSE Corporate Planning and Research Department

B. Holdings

The number of shareholders of record as of 30 September 2015 was 852. Common shares outstanding as of the same period were 2,367,149,383.

Top 20 stockholders*

<u>Name</u>	<u>No. of Shares Subscribed</u>	<u>% to Total</u>
1. PCD Nominee Corporation (Filipino)	1,317,832,363	55.67%
2. Genez Investments Corporation	250,000,000	10.56
3. F. Yap Securities, Inc.	206,882,000	8.74
4. Lepanto Consolidated Mining Co.	180,000,000	7.60
5. PCD Nominee Corporation (non-Filipino)	43,706,099	1.85
6. Guoco Securities (Phils.), Inc.	29,682,000	1.25
7. Dao Heng Securities (Phils.), Inc.	24,521,000	1.04
8. YHS Holdings Corporation	22,900,000	0.97
9. Caridad Say	22,370,000	0.95
10. Victor Say	21,500,000	0.91
11. Gilbert Dee	19,598,000	0.83
12. SEC Account FAO: Various Customers of Guoco Securities (Philippines), Inc.	18,256,380	0.77
13. David C. Go	16,000,000	0.68
14. G.D. Tan & Co., Inc.	14,730,400	0.62
15. Dao Heng Securities (Phils.), Inc. A/C# M0002-A	14,000,000	0.59
16. David Go Securities Corp. A/C # 1085	11,816,000	0.50
17. Vichelli Say	10,000,000	0.42
18. David Go Securities Corp.	8,665,000	0.37
19. Quality Investments & Securities Corp.	8,000,000	0.34
20. Coronet Property Holdings Corp.	6,000,000	0.25

Total	2,246,459,242	94.91%
	=====	=====

*based on the report dated 30 September 2015 of Stock and Transfer Agent, BDO Unibank, Inc.-Trust and Investments Group

C. Dividends

There were no dividend declarations for the years 2012 to 2015.

D. Recent Sales of Unregistered Securities

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

Item 6. Management's Discussion and Analysis or Plan of Operation

Fiscal Year 2015

Consolidated Results of Operations

The Group ended the fiscal year with a consolidated net loss of P262.2 million. This includes an impairment loss of P236 million attributed to the decline in value of 1.388 billion shares of Cyber Bay Corporation. Last year's reported Net Income of P205.9 million was due to the recognition of recovery from insurance and gain on sale of Available-for-Sale (AFS) financial assets.

Consolidated Revenues amounted to P692.4 million, lower by 16% from previous year's revenue of P824.7 million. Decrease in Revenues was due to lower gain on sale of AFS financial assets. Revenue from insurance business grew by 6% as fire and accident and health (A&H) lines continue to spearhead growth increasing by 9% and 46%, respectively, during the year. On the other hand, overall occupancy for Tutuban Center slightly improved but was negated by lower rental rates consequently reducing Rental Revenue by 2%. Sales from tile business, mainly sourced from the remaining inventories, dropped by 61%.

Total Cost and Expenses decreased by 7% as cost of goods and services went down by 8%. This includes decrease in cost of sales of and share in common usage service area (CUSA) related expenses of about 75% and 23%, respectively, brought about by lower sales from LCI and reduced power and water consumption. Likewise, Operating Expenses decreased due to lower taxes and licenses.

In March and June, the PNR turned over to TPI a total of 8.8 hectares of Phase II (land and air rights) of the leased property and in turn, TPI paid the corresponding rental of about P115 million. The turnover of the additional land will be a major component in the redevelopment of Tutuban Center which is envisioned to integrate the NSRP of the DOTC with the LRT 2 West line.

TPI

TPI reported a Net Income of P14.9 million during the year compared to P194.0 million Net Income last year. Last year's income was due to the recognition of recovery from insurance. Revenue from mall operations improved by 2%, from P411.9 million to P421.8 million. Overall occupancy improved, however, the decrease in average rental rate negatively impacted Rental Revenue by 2%.

On cost and expenses, there was a slight decrease on CUSA related expenses from P235.0 million to P234.0 million driven by reduced electricity and water usage. Operating expenses increased due to the higher professional fees.

LCI

LCI posted a Net Loss of P31 thousand during the year. Operating cost was compensated by the reversal of accrued interest of about P23 million and gain on disposal of unutilized equipment. Last year's net income was due to the recognition of gain from condonation of debt as a result of approval by the court of the Rehabilitation Plan. Sales from tile business was mainly sourced from the remaining inventories.

FPIC

FPIC's Net Premiums Earned grew by 8%, from last year's P210.6 million to P226.8 million. This was attributable to the 9% and 46% growth on fire and A&H lines, respectively. On the other hand, Commission

Income decreased by 17%. FPIC registered a Net Income of P0.9 million compared to last year's net loss of P15.6 million.

Revenues posted a 6% increase compared to last year, from P222.1 million to P236.5 million. Underwriting Cost decreased by 7% due to lower excess of loss treaty cover and claims.

Financial Condition

Total Assets of the Group stood at P4.5 billion compared to last year's P4.8 billion. Reduction in Total Assets was attributable to the decline in market value of AFS financial assets. Decrease in Cash and Cash Equivalents was due to transfer to AFS financial assets. Decrease in Receivables was due to collection of Insurance Receivables. Current Assets was higher than Total Current Liabilities, which stood at P2.9 billion and P0.8 billion, respectively. Inventories decreased due to sale of remaining stocks. The increase in Investment properties was due to reclassification of land, buildings and improvements previously recorded as property, plant and equipment (PPE) at revalued amounts. Correspondingly, PPE decreased. Other Non-Current Assets increased due to advance rental paid to PNR as a result of the turn over to TPI of about 8.8 hectares of Phase II A (land) and B (air rights).

The decrease in total Group Liabilities was due to the impact of the reclassification of the revaluation increment on PPE on Deferred Income Tax Liabilities. Net decrease in Retirement Benefits Liability was due to increase in contribution to the retirement fund as of the period. Moreover, rental and other deposits increased due to advance rental by tenants. Decrease in Unrealized Valuation Gain on AFS financial assets was due to the effect of the impairment loss recognized during the year.

Financing Through Loans

As of 30 June 2015, the Group has no outstanding loan from any financial institution.

Prospects for the future

The entry of Ayala Land, Inc. will provide the expertise and resources that will optimize the development of the Group's property assets, particularly Tutuban Center. The immediate focus of the planned redevelopment of the entire 20-hectare property will now include the Tutuban Transfer Station which will serve as the interconnection for the government's massive NSRP and the LRT 2 West Station extension.

After the sale of the 31-hectare Sto. Tomas, Batangas and the 1-hectare Mandaue, Cebu properties, the Group will now focus on the conversion of the 15-hectare property in Calamba, Laguna, which houses LCI, into an industrial complex and attain 100% utilization as a warehouse facility within the next two years.

Key Variable and Other Qualitative and Quantitative Factors

Ratios	Formula	30-Jun-15	30-Jun-14
Current Ratio	$\frac{\text{Current Assets}}{\text{Current liabilities}}$	3.52:1 2,870,126 / 815,492	3.93:1 3,298,691 / 840,410
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Equity}}$	0.64 :1 1,714,830 / 2,673,903	0.56 : 1 1,711,654 / 3,042,197
Capital Adequacy Ratio	$\frac{\text{Equity}}{\text{Total Assets}}$	0.599 :1 2,673,903 / 4,461,073	0.630:1 3,042,197 / 4,825,990
Book Value per Share	$\frac{\text{Equity}}{\text{Total \# of shares}}$	1.129 2,673,903 / 2,367,149	1.285 3,042,197 / 2,367,149
Income per Share	$\frac{\text{Net Income}}{\text{Total \# of Shares}}$	-0.111 -262,236 / 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 30 June 2015, the Group has P3.52 worth of Current Assets for every peso of Current Liabilities as compared to P3.93 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 14% as a result of the decline in market value of AFS financial assets.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Group. As of 30 June 2015, the Group's Capital Adequacy Ratio is 0.599 compared to last year's 0.630. Decrease was attributable to the decline in market value of AFS financial assets affecting the Total Equity.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 30 June 2015, the Group has book value per share of P1.129, lower by 12% 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 30 June 2015, the Group reported a P0.111 loss per share as compared to last year's P0.087 income per share.

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

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

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

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

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

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

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

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

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

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

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

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

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

Causes of any material changes from period to period of FS are 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.

Fiscal Year 2014

Consolidated Results of Operations

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

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

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

TPI

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

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

FPIC

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

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

LCI

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

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

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

Prospects for the Future

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

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

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

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

Key Performance Indicators

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

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

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

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

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

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

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

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

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

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

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

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

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

- (iv) *Material Commitment for Capital Expenditure*

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

- (v) There are no known trends, events or uncertainties that have material impact on net sale/revenues/income from continuing operation.
- (vi) The Group did not recognize income or loss during the year that did not arise from continuing operations.
- (vii) There are no known causes for material change (of material item) from period to period.
- (viii) There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

Financial Condition

Total Assets of the Group stood at P4.83 billion compared to last year's P4.86 billion. Cash and Cash Equivalents were reduced by 41% due to the acquisition of new investments and purchase of real estate property in San Vicente, Palawan. Accordingly, AFS financial assets and real estate held for sale and development increased by 33% and 53%, respectively. Held-to-Maturity investments that matured were reinvested as AFS financial asset. Decrease in Receivables was due to collection of insurance receivables. The lower cost of Inventories was due to the LCI plant shut down. Increase in other Current Assets was due to unutilized creditable withholding during the period.

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

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

Financing Through Loans

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

Fiscal Year 2013

Consolidated Results of Operations

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

Consolidated Revenues reached P1.1 billion, lower by 19% from the previous year's revenue of P1.3 billion. Revenue from insurance business grew by 9% as the motor car business continues to spearhead the growth with a 15% increase this year. On the other hand, TPI's operations were significantly affected by the fire that totally damaged CB 1 and rendered CB 2 non-operational for the rest of the fiscal year.

Accordingly, overall occupancy and the Rent Generating Area (RGA) decreased, and consequently, reduced Rental Revenue by 12% compared to last year. Sales from tile business dropped to almost half of the previous year's revenue as LCI temporarily ceased its manufacturing operations in mid-November 2012. LCI's Sales Revenue was primarily sourced from the existing inventories.

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

TPI

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

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

FPIC

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

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

LCI

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

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

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

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

Prospects for the Future

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

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

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

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

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

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

Key Variable and Other Qualitative and Quantitative Factors

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

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

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

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

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

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

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

- (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 Company, including any default or acceleration of an obligation.

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

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

- (iv) *Material Commitment for Capital Expenditure*

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

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

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

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

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

Financial Condition

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

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

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

Financing Through Loans

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

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

1) External Audit Fees and Services

(a) Audit and Audit-Related Fees

- (1) The aggregate fees billed by the auditors for FY 2015 amounted to about P2.8 million, while auditor's fee for FY 2014 amounted to about P2.7 million.
- (2) There are no known assurance and related services rendered by the external auditor aside from the services stated above for FY 2015 and 2014.

(b) Tax Fees

External Auditor did not render tax services and non-audit work for the Company in FY 2015 and FY 2014.

(c) All Other Fees

No known Other Services were rendered by external auditor aside from that stated above for FY 2015 and 2014.

Audit and Audit-Related Fees are as follows:

	2015	2014
Professional Fees	P2,488,536.00	P2,382,930
Value Added Tax	298,624.32	285,952
Total Audit Fees	P2,787,160.32	P2,668,882

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

- 2) For FY 2014-2015, the Partner-in-Charge assigned to handle the Company's account is *Ms. Alicia O. Lu* of Sycip Gorres Velayo and Co.. For FY 2015-2016, a new partner-in-charge will be assigned to the Group. This is compliant with the policy to change the external auditor or rotate partner every five years as provided in the Company's Revised Manual. A two-year cooling off period shall be observed in case of re-engagement of the same signing partner of the auditor.

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

A. 1. List of Directors

The following list pertains to the directors of the Company for FY 2014-2015 which includes the directorships/officerships held by the directors in other corporations (as of 30 September 2015).

Except as indicated, the directors have held their directorships/officerships listed below for at least the past five years to the present.

The Company's directors serve for a term of one year until the election and acceptance of their qualified successors.

<u>Director (Age)-Citizenship</u>	<u>Company</u>
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Position
(As of 30 September 2015)

Felipe U. Yap (78) - Filipino

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

His directorships and officerships are as follows:

<i>Chairman</i> (2000-Present)	Prime Orion Philippines, Inc.
<i>Vice Chairman</i> (1993-2000)	

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

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

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

David C. Go (74) - Filipino

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

His directorships and officerships include:

<i>Vice Chairman</i> (1992 to Present)	Prime Orion Philippines, Inc.
<i>Director</i> (1989 to Present)	

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

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

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

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

Yuen Po Seng (56) - Malaysian

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

His directorships and officerships are as follows:

<i>President</i> (11 Jan. 2002 to Present)	Prime Orion Philippines, Inc.
<i>Exec. Vice Pres.</i> (1993 to 10 Jan. 2002)	

Treasurer (1995 to 10 Jan. 2002)
Director (1995 to Present)

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

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

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

Daisy L. Parker (51)- Filipino

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

Her directorships and officerships are as follows:

Director (2000-Present) Prime Orion Philippines, Inc.
Corporate Secretary (1995-Present)
Senior Vice President/Chief Legal Counsel (2009-present)

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

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

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

Ronald P. Sugapong (48)-Filipino

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

His directorships and officerships are as follows:

Director (2007-present) Prime Orion Philippines, Inc.
Treasurer (2002-present)
Senior Vice President/Chief Finance Officer (2009-present)

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

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

Victor C. Say (70) - Filipino
(Independent Director, 2009-present)

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

His directorships and officerships are as follows;

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

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

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

Ricardo J. Romulo (82) - Filipino
(Independent Director, 2002 to present)

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

His directorships and officerships are as follows:

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

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

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

Director - BASF Philippines, Inc.; FLT Prime Insurance Corporation; Honda Philippines, Inc.; Johnson & Johnson (Phils.), Inc.; Maersk-Filipinas, Inc.; Zuellig Pharma Corporation; JG Summit Holdings, Inc. (listed company) (July 2000-present/regular director), Beneficial Life Insurance Company; MCC Transport Philippines, Inc.

2. *Attendance of Directors in Board Meetings, Annual Stockholders' Meeting (ASM) and Board Committee Meetings*

For FY 2014-2015, the Board had ten (10) meetings. All directors attended all the meetings of the Board, except for one (1) director who was not able to attend one (1) meeting of the Board. Six (6) of the seven directors attended the ASM held last 2 December 2014.

Attendance in the meetings of the Board Committees for FY 2014-2015 were as follows: (a) Nomination Committee- 100% attendance; (b) Audit and Risk Management Committee- 80% attendance; and (c) Compensation and Remuneration Committee- 100% attendance.

B. *Independent Directors*

An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company.

In compliance with the requirements of the Securities Regulation Code, the Company has two independent directors, namely, Atty. Ricardo J. Romulo and Mr. Victor C. Say. They were elected during the Corporation's ASM last 2 December 2014.

C. *Significant Employees*

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

D. *Family Relationships*

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

E. *Involvement in Certain Legal Proceedings*

The abovementioned directors and executive officers have not been involved in the following events or legal proceedings that occurred during the past five (5) years up to the present date which are material to an evaluation of the ability and integrity of the said directors and executive officers:

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

Item 10. Executive Compensation

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

Summary Compensation Table
Annual Compensation

Name	Fiscal Year	Salary (in P000s)	Bonus (in P000s)	Other Annual Compensation (in (P000s)
Yuen Po Seng (President)	2013-2014	x		
	2014-2015	x		
	2015-2016	x		
Ronald P. Sugapong (SVP-Group Finance Officer)	2013-2014	x		
	2014-2015	x		
	2015-2016	x		
Daisy L. Parker (SVP-Chief Legal Counsel)	2013-2014	x		
	2014-2015	x		
	2015-2016	x		
Ma. Rhodora P. dela Cuesta (VP-Legal Dept.)	2013-2014	x		
	2014-2015	x		
	2015-2016	x		
Edwin M. Silang (AVP-Group HR)	2013-2014	x		
	2014-2015	x		
	2015-2016	x		
CEO and four most highly compensated Exec. Officers	2013-2014	P 26,531.18	P 5,416.92	P 1,135.34
	2014-2015	27,917.71	4,833.90	0.00
	2015-2016	30,709.49	5,302.76	
	(projected)			
All officers and directors as a group unnamed	2013-2014	P30,661.18	P 8,916.92	P 1,135.34
	2014-2015	32,077.71	8,333.90	0.00
	2015-2016	52,129.49	13,702.76	
	(projected)			

B. Compensation of Directors/Executive Officers

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

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

C. Employment Contracts/Termination of Employment/Change-in Control Arrangements

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

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

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

D. Options Outstanding

The Company has no outstanding warrants and options.

Item 11. Security Ownership of Certain Beneficial Owners and Management

A. Security Ownership of Certain Record and Beneficial Owners (more than 5%)
(As of 30 September 2015)

Title of Class	Name & address of record owner & relationship with issuer	Name of Beneficial Owner & relationship with record owner	Citizen-ship	No. of Shares Held	Percent (%)
Common	PCD Nominee Corp.* G/F Makati Stock Exchange, Ayala Ave., Makati City		Filipino	1,317,832,363	55.67%
Common	Genez Investments Corp. (GIC)** 20/F LKG Tower, 6801 Ayala Ave., Makati City - Stockholder	GIC 20/F LKG Tower, 6801 Ayala Avenue, Makati City	Filipino	250,000,000	10.56%
Common	F.Yap Securities, Inc.*** 17/F Lepanto Building, 8747 Paseo de Roxas, Makati City -Broker		Filipino	206,882,600	8.74%
Common	Lepanto Consolidated Mining Co. (Lepanto Mining)**** 21/F Lepanto Bldg., 8747 Paseo de Roxas, Makati City -Stockholder	Lepanto Mining 21/F Lepanto Bldg., 8747 Paseo de Roxas, Makati City	Filipino	180,000,000	7.60%
	Total			1,954, 714,963	85.57%

*PCD Nominee Corp.-a private company and wholly-owned subsidiary of the Philippine Central Depository Inc. (PCDI), is the registered owner of the POPI shares; however, beneficial ownership of such shares pertain to the PCD participants (brokers) and/or their clients (corporations or individuals) in whose names these shares are recorded in their respective books. As per PCD List of Beneficial Owners dated 30 September 2015, the following hold at least 5% of POPI's voting stocks: (1) Guoco Assets (Philippines), Inc. (GAPI)-451,256,180 (19.06%); (2) David Go Securities Corp. (DGSC) (held for Filipino and foreign clients)-206,790,281 (8.73%); and (3) Quality Investments & Securities Corporation (held for Filipino and foreign clients)- 174,488,600 (7.4%).

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

-GAPI, a company organized under Philippine laws, is 96.45%-owned by Singapore-based Guoco Assets Pte. Ltd.. The Board of Directors of GAPI has authority to decide how the POPI shares will be voted. At present,

GAPI lodged its 451,256,180 POPI shares with PCD. The POPI shares will be voted in accordance with the instructions of GAPI's proxy.

**GIC is wholly-owned by Treasure-House Holdings Corporation (THHC), which is 40%-owned by Mr. Yuen Po Seng and his wife. (Aside from the 250 million POPI shares registered in GIC's name, GIC has 17,554,037 POPI shares lodged with DGSC, for a total equity of 11.30% in POPI.) The GIC Board of Directors has the power to decide how the POPI shares will be voted.

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

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

B. Security Ownership of Management
(as of 30 September 2015)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial ownership	Citizenship	Percent of Class
Common	Felipe U. Yap	3,010,000 shares (d)	Filipino	0.127%
Common	David C. Go	22,200,000 (d/i)	Filipino	0.938%
Common	Yuen Po Seng	1 (d)	Malaysian	-
Common	Victor C. Say	23,500,000 (d/i)	Filipino	0.993%
Common	Ricardo J. Romulo	1 (d)	Filipino	-
Common	Daisy L. Parker	283,400 (d)	Filipino	0.012%
Common	Ronald P. Sugapong	85,429 (d/i)	Filipino	0.004%
Common	Ma. Rhodora P. dela Cuesta	111,450 (d)	Filipino	0.005%
	Total Holdings of Directors & Executive Officers	49,190,281		2.079%

C. Voting Trust Holders of 10% or More

There are no voting trust holders of 10% or more of the common shares.

D. Changes in Control of the Registrant since beginning of last Fiscal Year

There has been no change in control of the Registrant since the beginning of the last fiscal year.

Item 12. Certain Relationships and Related Transactions

- (1) There has been no transaction during the last two years, or proposed transactions, to which the Company/Registrant was or is to be a party, in which any of the following persons had or is to have a direct or indirect material interest:
 - a. Any director or executive officer of the Registrant;
 - b. Any nominee for election as a director;
 - c. Any security holder named in Sections 1.1 and 1.2 above; and
 - d. Any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the persons named in the immediately preceding subparagraphs (1), (2) and (3).
- (2) The Company does not have a parent company as no one stockholder owns more than 50% of the Company's shares. As per the Company's records as of 30 September 2015, GAPI is the beneficial owner of 451,256,181 shares representing 19.06% of the Company's outstanding capital stock (GAPI lodged its 451,256,180 POPI shares with the PCD). GIC is the beneficial owner of 267,954,038 shares of the Company, equivalent to 11.32% equity. (Aside from the 250 million POPI shares registered in GIC's name, GIC has 17,554,037 POPI shares lodged with DGSC, while 1 share was assigned to its nominee, Mr. Yuen.)
- (3) The Company and its subsidiaries in their normal course of business, have entered into transactions with related parties principally consisting of noninterest-bearing advances with no fixed repayment terms and are due and demandable. As disclosed in Note 18 of the Notes to Consolidated Financial Statements, the Company and the related parties have common stockholders.

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

PART IV- CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to attached Annual Corporate Governance Report.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) *Exhibits*

See accompanying Index to Exhibits

(b) *Reports on SEC Form 17-C*

During the period covered by this report, the reports on Form 17-C (Current Report) filed with the SEC cover the following:

- (i) Order of the Regional Trial Court of Calamba (Branch 34) in RTC SEC Case No. 90-2011-C (Petition for Rehabilitation of Lepanto Ceramics, Inc. (LCI)) which (a) declared as successful the rehabilitation of LCI pursuant to the approved Third Amended and Restated Rehabilitation Plan), (b) declared LCI has attained solvency; and (c) granted LCI's Motion for Termination of Rehabilitation Proceedings and declared Rehabilitation Proceedings terminated (1 September 2014);
- (ii) Approval by the Board of Directors of the Company's Audited Financial Statements (AFS) for FY ended 30 June 2014; confirmed the nomination for election as independent directors of Atty. Ricardo J. Romulo and Mr. Victor C. Say for FY 2014-2015; setting of the annual stockholders' meeting (ASM) of the Company on 2 December 2014 and the record date for stockholders entitled to vote thereat on 17 October 2014. Validation of proxies was set on 26 November 2014. The information on the time, venue and agenda for the meeting was also included in this report (2 October 2014) and approval of the amendment of Article III of the Company's Articles of Incorporation (AOI) (re: office address) (2 October 2014);
- (iii) Election of the directors of the Company for fiscal year 2014-2015 (including the independent directors), amendment of Article III of the AOI of the Company; approval of the Consolidated AFS for FY ended 30 June 2014; ratification of the acts of the Board of Directors and Officers of the Corporation from 10 December 2013 to 2 December 2014, re-appointment of SGV as external auditors for FY 2014-2015; election of the officers of the Company for 2014-2015, appointment of the Compliance Officer/Committee Members under the Company's Manual on Corporate Governance and the Compliance Officer as required under the Company's Anti-Money Laundering Manual (2 December 2014);
- (iv) Approval by the SEC on 11 Dec. 2014 of the Amendment of the Company's AOI (re: Article III-office address) (15 Dec. 2014);
- (v) Execution of an MOU with the DOTC and the PNR in connection with the NSRP of the DOTC, under which the parties agreed to cooperate in the finalization and completion of the plans for the NSRP within a period of six months. A press release on the signing of the MOU was also submitted to the SEC on 1 April 2015. (1 April 2015).
- (vi) Acquisition by OLI (a wholly-owned subsidiary of the Company) of the Company's shares of stock (total of 16,496,000 shares) on various dates (8, 10, 13, 14, 15, 17, 20, 22, 23, 29 April 2015; 6, 8, 11, 12, 13, 14, 15, 19, 20 May 2015); and
- (vii) Acquisition by LCI of the Company's shares (20 May 2015).

PRIME ORION PHILIPPINES, INC.
 Index to Financial Statements and Supplementary Schedules
 Form 17-A, Item 7

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G. Guarantees of Securities to Other Issuers	N.A.
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PrimeOrion Philippines, Inc.

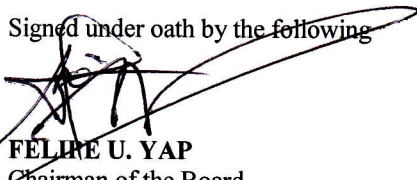
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PRIME ORION PHILIPPINES, INC.** is responsible for the preparation and fair presentation of the consolidated financial statements for the fiscal years ended June 30, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Signed under oath by the following


FELIPE U. YAP
Chairman of the Board


YUEN PO SENG
President/Chief Executive Officer


RONALD P. SUGAPONG
Treasurer/Chief Finance Officer

Signed this 9th day of October 2015.

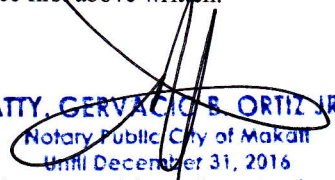
Republic of the Philippines)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this **OCT 21 2015** day of October 2015, at Makati City, affiants exhibited to me their passports as competent evidence of their identities, as follows:

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

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

Doc. No. 57
Page No. 13
Book No. Lxw
Series of 2015.


ATTY. GERVACIO B. ORTIZ JR.
Notary Public, City of Makati
Until December 31, 2016
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-199-(2015-2016)
PTR No. 4748512 Jan. 5, 2015
Makati City Roll No. 40091
101 Urban Ave., Campos Rueda Bldg.
Brgy. Pio del Pilar, Makati City

Prime Orion Philippines, Inc. and Subsidiaries

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

and

Independent Auditors' Report



SGV
Building a better
working world



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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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





Opinion

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

SYCIP GORRES VELAYO & CO.

A handwritten signature in black ink that reads 'Jose Pepito E. Zabat'.

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751344, January 5, 2015, Makati City

October 9, 2015



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

	June 30	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱151,763	₱371,534
Receivables (Note 5)	496,116	603,141
Inventories (Note 6)	12,006	18,474
Real estate held for sale and development (Note 7)	430,103	429,507
Amounts owed by related parties (Note 18)	9	22
Available-for-sale (AFS) financial assets (Note 8)	1,507,408	1,643,898
Financial assets at fair value through profit or loss (FVPL) (Note 9)	27,992	-
Other current assets (Note 10)	244,729	232,115
Total Current Assets	2,870,126	3,298,691
Noncurrent Assets		
Investment in an associate (Note 11)	2,571	2,564
Investment properties (Note 12)	1,329,022	737,488
Property, plant and equipment (Note 13)	46,328	672,083
Software costs (Note 14)	8,800	8,957
Other noncurrent assets (Note 15)	204,226	106,207
Total Noncurrent Assets	1,590,947	1,527,299
TOTAL ASSETS	₱4,461,073	₱4,825,990
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 16)	₱667,262	₱673,755
Current portion of rental and other deposits (Note 17)	148,230	166,655
Total Current Liabilities	815,492	840,410
Noncurrent Liabilities		
Rental and other deposits - net of current portion (Note 17)	85,331	48,088
Retirement benefits liability (Note 23)	96,975	99,185
Deferred rent income (Note 27)	792	735
Deferred income tax liabilities - net (Note 24)	234,565	241,561
Subscriptions payable (Note 19)	481,675	481,675
Total Noncurrent Liabilities	899,338	871,244
Total Liabilities	₱1,714,830	₱1,711,654



	June 30	
	2015	2014
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value		
Authorized - 2,400,000,000 shares		
Issued and subscribed - 2,367,149,383 shares (net of subscriptions receivable of ₱297,237 and ₱300,792 as at June 30, 2015 and 2014)	₱2,069,912	₱2,066,357
Additional paid-in capital	829,904	829,904
Treasury shares	(21,916)	-
Revaluation increment (Notes 12 and 13)	244,622	252,233
Unrealized valuation gains on AFS financial assets (Note 8)	2,066	83,801
Loss on remeasurement of retirement benefits liability (Note 23)	(72,481)	(66,736)
Deficit	(378,204)	(123,362)
	2,673,903	3,042,197
Non-Controlling Interests	72,340	72,139
Total Equity	2,746,243	3,114,336
TOTAL LIABILITIES AND EQUITY	₱4,461,073	₱4,825,990

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended June 30		
	2015	2014	2013
REVENUE			
Rental and other charges (Note 12)	₱414,475	₱402,520	₱419,769
Insurance premiums and commissions - net	236,452	222,126	209,889
Interest income on AFS financial assets (Note 8)	11,753	7,803	21,979
Gain on sale of AFS financial assets (Note 8)	8,846	159,189	147,303
Merchandise sales	8,611	22,070	255,390
Service fees	8,070	6,972	3,446
Dividend income (Notes 8 and 9)	4,228	4,032	1,319
	692,435	824,712	1,059,095
COSTS AND EXPENSES			
Cost of goods sold and services (Note 20)	226,309	242,802	563,630
Operating expenses (Note 20)	357,414	386,673	405,950
Commission and other underwriting expenses	173,252	186,534	185,914
	756,975	816,009	1,155,494
OTHER INCOME (CHARGES)			
Impairment losses on AFS financial assets (Note 8)	(241,187)	(2,600)	(291,501)
Gain on sale of property, plant and equipment (Note 13)	15,346	196	1,206
Reversal of impairment losses on receivables (Note 5)	8,009	-	-
Interest income (expense) and bank charges - net (Note 22)	1,825	(1,866)	(1,845)
Reversal of inventory losses (Note 6)	1,241	4,360	-
Unrealized gain on financial assets at FVPL (Note 9)	280	-	-
Rehabilitation expenses (Note 1)	(609)	(13,495)	(10,660)
Equity in net income (loss) of an associate (Note 11)	7	(24)	32
Recovery from insurance (Note 1)	-	269,282	78,086
Loss on write off on investment properties (Note 12)	-	(288)	-
Reversal of probable losses (Note 16)	-	-	243,346
Gain on re-measurement to AFS financial assets (Note 8)	-	-	594,107
Gain on condonation of debt (Note 1)	-	-	199,282
Casualty loss (Notes 1, 12 and 13)	-	-	(63,247)
Reversal of impairment losses on amounts owed by related parties (Note 18)	-	-	62,462
Others - net	28,956	23,585	11,934
	(186,132)	279,150	823,202
INCOME (LOSS) BEFORE INCOME TAX	(250,672)	287,853	726,803
PROVISION FOR INCOME TAX - Net (Note 24)	11,564	81,950	5,590
NET INCOME (LOSS)	(₱262,236)	₱205,903	₱721,213
ATTRIBUTABLE TO:			
Equity holders of the Parent	(₱262,453)	₱210,618	₱728,630
Non-controlling interests	217	(4,715)	(7,417)
	(₱262,236)	₱205,903	₱721,213
EARNINGS (LOSS) PER SHARE (Note 25)			
Basic and diluted, for income for the year attributable to ordinary equity holders of the Parent	(₱0.11)	₱0.09	₱0.31



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

	Years Ended June 30		
	2015	2014	2013
NET INCOME (LOSS)	(P262,236)	P205,903	P721,213
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized valuation gains on AFS financial assets (Note 8)	251	245,666	62,571
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Loss on remeasurement on retirement benefits liability net of tax (Note 23)	(5,745)	(8,592)	(23,619)
Effect of shortened corporate life of a subsidiary (Note 1)	–	5,026	–
Revaluation increment on property, plant and equipment, net of tax (Note 13)	–	–	(398)
TOTAL COMPREHENSIVE INCOME (LOSS)	(P267,730)	P448,003	P759,767
ATTRIBUTABLE TO:			
Equity holders of the Parent	(P275,665)	P454,024	P760,937
Non-controlling interests	7,935	(6,021)	(1,170)
	(P267,730)	P448,003	P759,767

See accompanying Notes to Consolidated Financial Statements.



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

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Revaluation Increment (Notes 12 and 13)	Unrealized Valuation Gains (Losses) on AFS Financial Assets (Note 8)	Gains (Losses) on Remeasurement of Retirement Benefits Plan (Note 23)	Deficit	Non-Controlling Interests	Total
Balances at July 1, 2012, as restated	₱2,066,357	₱829,904	₱-	₱261,017	₱63,035	(₱51,709)	(₱1,072,577)	₱85,508	₱2,181,535
Net income, as previously stated	-	-	-	-	-	-	727,435	(7,417)	720,018
Effect of adoption of revised PAS 19, net of tax	-	-	-	-	-	-	1,195	-	1,195
Net income, as restated	-	-	-	-	-	-	728,630	(7,417)	721,213
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-
Unrealized valuation gain (loss) on AFS financial assets	-	-	-	-	65,070	-	-	(2,499)	62,571
Revaluation increment	-	-	-	(398)	-	-	-	-	(398)
Actuarial loss recognized in OCI	-	-	-	-	-	(23,619)	-	-	(23,619)
Total comprehensive income	-	-	-	(398)	65,070	(23,619)	728,630	(9,916)	759,767
Transfer of realized valuation increment	-	-	-	(775)	-	-	775	-	-
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	-	(132,964)	-	-	-	(132,964)
Balances at July 1, 2013	2,066,357	829,904	-	259,844	(4,859)	(75,328)	(343,172)	75,592	2,808,338
Net income	-	-	-	-	-	-	210,618	(4,715)	205,903
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-
Unrealized valuation gain (loss) on AFS financial assets	-	-	-	-	247,849	-	-	(2,183)	245,666
Actuarial loss recognized in OCI	-	-	-	-	-	8,592	-	-	8,592
Total comprehensive income	-	-	-	-	247,849	8,592	210,618	(6,898)	460,161

(Forward)



	Capital Stock	Additional Paid-in Capital	Treasury Shares	Revaluation Increment (Notes 12 and 13)	Unrealized Valuation Gains (Losses) on AFS Financial Assets (Note 8)	Gains (Losses) on Remeasurement of Retirement Benefits Plan (Note 23)	Deficit	Non-Controlling Interests	Total
Transfer of realized valuation increment	₱-	₱-	-	(₱7,611)	₱-	₱-	₱7,611	₱-	₱-
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	-	(159,189)	-	-	-	(159,189)
Effect of shortened corporate life of a subsidiary	-	-	-	-	-	-	1,581	3,445	5,026
Balances at June 30, 2014	2,066,357	829,904	-	252,233	83,801	(66,736)	(123,362)	72,139	3,114,336
Net income	-	-	-	-	-	-	(262,453)	217	(262,236)
Other comprehensive income (loss)									
Unrealized valuation gain (on AFS financial assets	-	-	-	-	267	-	-	(16)	251
Actuarial gain recognized in OCI	-	-	-	-	-	(5,745)	-	-	(5,745)
Total comprehensive income	-	-	-	-	267	(5,745)	(262,453)	201	(267,730)
Collection of subscription receivable	3,555	-	-	-	-	-	-	-	3,555
Treasury shares	-	-	(21,916)	-	-	-	-	-	(21,916)
Transfer of realized valuation increment	-	-	-	(7,611)	-	-	7,611	-	-
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	-	(82,002)	-	-	-	(82,002)
Balances at June 30, 2015	₱2,069,912	₱829,904	(₱21,916)	₱244,622	₱2,066	(₱72,481)	(₱378,204)	₱72,340	₱2,746,243

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended June 30		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(₱250,672)	₱287,853	₱726,803
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 14 and 27)	79,748	81,675	85,107
Provision (Recovery of) for impairment losses on:			
AFS financial assets (Note 8)	241,187	2,600	291,501
Inventories (Note 6)	-	1,588	70,952
Receivables (Note 5)	(5,538)	(553)	20,536
Other current assets (Note 10)	76	61	193
Amounts owed by related parties (Note 18)	15	-	(62,462)
Retirement benefits expense (Note 23)	22,773	25,339	21,345
Interest income	(16,599)	(13,623)	(28,055)
Gain on sale of:			
Property, plant and equipment (Note 13)	(15,346)	(196)	(1,206)
AFS financial assets (Note 8)	(8,846)	(159,189)	(147,303)
Dividend income (Note 8)	(4,228)	(4,032)	(1,319)
Reversal for inventory losses (Note 6)	(1,241)	(4,360)	-
Interest expense and bank charges (Note 22)	523	1,569	812
Gain on valuation of fair value of FVPL	(130)	-	-
Equity in net loss (income) of associates (Note 11)	(7)	24	(32)
Recovery from insurance (Note 1)	-	(269,282)	(78,086)
Loss on write-of investment property (Note 12)	-	288	-
Unrealized foreign exchange losses (gains) - net	-	4	65
Reversal of probable losses (Note 16)	-	-	(243,346)
Gain on re-measurement to AFS financial assets (Note 8)	-	-	(594,107)
Gain on condonation of debt (Note 1)	-	-	(199,282)
Casualty loss (Notes 12 and 13)	-	-	63,247
Operating income (loss) before working capital changes	41,715	(50,234)	(74,637)
Decrease (increase) in:			
Receivables	110,966	539,143	(305,431)
Inventories	7,709	14,744	92,970
Real estate held for sale and development	(596)	(149,328)	(1,059)
Amounts owed by related parties	(2)	-	-
Other current assets	(12,690)	(32,475)	(8,198)
Increase (decrease) in:			
Accounts payable and accrued expenses	(6,510)	(381,846)	364,346
Rental and other deposits	18,818	15,584	(7,162)
Net cash flows generated from (used in) operations	159,410	(44,412)	60,829
Interest received	18,196	14,466	28,055
Income tax paid	(19,712)	(11,589)	(7,057)
Interest paid	(523)	(1,569)	(812)
Net cash flows from (used in) operating activities	₱157,371	(₱43,104)	₱81,015

(Forward)



	Years Ended June 30		
	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Contributions paid	(₱30,727)	(₱55,881)	(₱21,657)
Proceeds from sale of			
AFS financial assets (Note 8)	94,593	222,945	293,437
Property, plant and equipment	15,346	230	2,084
Acquisitions of:			
AFS financial assets (Note 8)	(271,179)	(383,204)	(178,101)
Investment properties (Note 12)	(34,197)	(15,477)	(58,486)
FVPL investments	(27,712)	-	-
Property, plant and equipment (Note 13)	(7,367)	(10,660)	(16,918)
Software cost (Note 14)	(3,805)	(4,183)	(3,095)
Decrease (increase) in:			
Other noncurrent assets	(98,019)	8,363	1,190
Amounts owed by related parties	-	3	(196)
HTM investments	-	2,000	-
Deferred rent income	74	423	684
Dividends received (Note 8)	4,228	4,032	1,319
Net cash flows from (used in) investing activities	(358,765)	(231,409)	20,261
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	(21,916)	-	-
Collection of subscription receivables	3,555	-	-
Decrease in minority interest	(16)	2,843	-
Decrease in amounts owed to related parties (Note 18)	-	(2,673)	-
Net cash flows from (used in) financing activities	(18,377)	170	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(219,771)	(274,343)	101,276
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	371,534	645,877	544,601
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱151,763	₱371,534	₱645,877

See accompanying Notes to Consolidated Financial Statements.



PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Corporate Information

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

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

Status of Operations

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

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

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

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

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



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

As a result of the approval by the Court of the Third Amended and Restated RP, LCI recognized a gain on condonation of debt from trade creditors and related parties amounting to nil, ₱1,499.78 million and ₱2,559.45 million in 2015, 2014 and 2013, respectively (see Note 18). In 2013, the Group also recognize a gain on condonation of debt from trade creditors amounting to ₱199.28 million (see Note 16).

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

- a. Inclusion of the Deposit for Future Subscription of Orion I Holdings Philippines, Inc. (OIHPI) in the amount of ₱373.62 million among the claims to be condoned; and
- b. Condonation of the claims of OIHPI to the extent of 60% of the market value of LCI's assets securing the Mortgage Trust Indenture (MTI) and Collateral Trust Indenture, or in the amount of ₱677.50 million and an adjustment on the excess market value of the collateral amounting to ₱451.66 million to attain solvency.

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

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

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



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

On August 28, 2014, the Court granted LCI's Motion for Termination of Rehabilitation Proceedings and declared LCI's successful rehabilitation. The rehabilitation expenses incurred by LCI amounted to ₱0.61 million and ₱13.49 million in 2015 and 2014, respectively.

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

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

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

FLT Prime Insurance Corporation (FPIC), the insurance policy provider and a related party, recognized the incident as a fire loss event. The insurance policy was substantially ceded by FPIC to third party reinsurers. In line with this, TPI recognized recovery from insurance amounting to nil, ₱269.28 million and ₱78.09 million in the consolidated statement of income in 2015, 2014 and 2013, respectively.

TPI received insurance proceeds from FPIC amounting to ₱204.90 million and ₱174.71 million in 2015 and 2014, respectively.

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

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



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

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

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

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

(Forward)



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

* *Inactive*

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

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

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

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

Changes in Accounting Policies

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

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The Group is presenting its financial assets and financial liabilities at gross amounts in the consolidated statement of financial position.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement* on the disclosures required under PAS 36. In addition, these amendments



require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of amendments has no effect on the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The Group expects that this amendment will have no effect in consolidated financial statements, as the Group has no derivatives during the current or prior period.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at FVPL. It is not expected that this amendment would be relevant to the Group since the Group would not qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)

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

Annual Improvements to PFRSs (2010-2012 cycle)

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

Annual Improvements to PFRSs (2011-2013 cycle)

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

Standards and Interpretations Issued but not yet Effective

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



Effective Date to be Determined:

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

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

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

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

Effective January 1, 2015:

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



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

Annual Improvements to PFRSs (2010-2012 cycle)

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

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition.
- A performance target must be met while the counterparty is rendering service.
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
- A performance condition may be a market or non-market condition.
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

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

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

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

The amendments are applied retrospectively and clarify that:

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



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

Annual Improvements to PFRSs (2011-2013 cycle)

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

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

Effective January 1, 2016:

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



- **PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)**
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group as the Group does not have any bearer plants.
- **PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)**
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any effect on the Group's consolidated financial statements.
- **PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments will not have any effect on the Group's consolidated financial statements.
- **PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)**
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group.



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

Annual Improvements to PFRSs (2012-2014 cycle)

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

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.



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

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

Effective January 1, 2018:

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

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

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

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

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

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

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

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

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an



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

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

Summary of Significant Accounting and Financial Reporting Policies

Presentation of Financial Statements

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

Financial Instruments - Initial Recognition

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

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

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

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

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

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

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



Financial Instruments - Subsequent Measurement

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

Loans and Receivables

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

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

AFS Financial Assets

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

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

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

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

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



Financial Assets at FVPL

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

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

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

Other Financial Liabilities

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

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

Fair Value Measurement

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

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

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

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



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

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

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

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

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

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

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

Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether



significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

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

AFS Financial Assets Carried at Fair Values

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

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

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

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

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



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

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

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



Offsetting of Financial Instruments

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

Inventories

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

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

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

Real Estate Held for Sale and Development

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

Other Current Assets

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

CWTs

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

Input VAT

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

Prepayments

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

Investment in an Associate

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



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

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

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

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

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

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

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

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

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

Investment Properties

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

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



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

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

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

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

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

Property, Plant and Equipment

Land and Improvements and Buildings and Improvements at Revalued Amount

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

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

Property, plant and equipment are carried at cost, less accumulated depreciation, amortization and any impairment in value. The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year in which the costs



are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefit expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

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

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

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

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

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

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

Software Costs

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

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

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



Other Noncurrent Assets

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

Deferred Acquisition Costs

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

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

Impairment of Nonfinancial Assets

Inventories

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

Investment in an Associate

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

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

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

The Group assesses at each end of the reporting period whether there is an indication that real estate held for sale and development, investment properties, property, plant and equipment and software costs may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount



obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

Nonfinancial Other Current and Noncurrent Assets

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

Product Classification

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

Recognition and Measurement

a) Premium Revenue

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for premiums arising from marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relates to the unexpired periods of the policies at financial reporting dates is accounted for as "Reserve for unearned premiums" and shown as part of "Accounts payable and accrued expenses" in the Liabilities section of the consolidated



statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at financial reporting dates are accounted for as “Deferred reinsurance premiums” and shown under “Other noncurrent assets” in the Assets section of the consolidated statement of financial positions. The net changes in these accounts between financial reporting dates are charged to or credited against income for the period.

b) Insurance Contract Liabilities

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

Provision for Unearned Premiums

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

Claims Provision and Incurred but not Reported (IBNR) losses

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

Liability Adequacy Test

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

c) Reinsurance Assets

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

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

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



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

Rental and Other Deposits

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

Subscriptions Payable

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

Capital Stock

Common shares are classified as equity.

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

Other Comprehensive Income (Loss)

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

Revenue Recognition

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

Rent and Other Charges

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

Insurance Premiums and Commissions - net

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



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

Gain on Sale of AFS Financial Assets

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

Merchandise Sales and Sale of Assets

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

Interest Income

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

Service Fees

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

Dividend Income

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

Cost and Expenses

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

Operating Expenses

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

Cost of Goods Sold and Services

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

Earnings Per Share

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



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

Income Taxes

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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

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



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

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

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

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

Retirement Benefits Costs

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

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

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

Defined benefit costs comprise the following:

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

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



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

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

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

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

Employee Leave Entitlement

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

Leases

Determination of Whether an Arrangement Contains a Lease

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

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

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



Operating Lease Commitments - Group as a Lessor

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

Operating Lease Commitments - Group as a Lessee

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

Foreign Currency Translation

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

Claims

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

Provisions

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is



remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

Segment Reporting

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

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

Events After the End of the Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Determining Functional Currency

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

Determining Classification of Financial Instruments

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



Determining Loss of Significant Influence

The Group assesses whether lack of significant influence over an associate is evident. Aside from the presumption that holding of less than 20.00% of the voting power does not give rise to significant influence, the management also considers other circumstances that may lead them to believe that the Group cannot exercise significant influence over its associate. Such circumstances include inability to obtain timely financial information or cannot obtain more information than investors with significant influence, the Group's views and economic decisions are not considered in the operations of the investee, and other investors are opposing the Group's attempt to exercise significant influence. In 2013, the ownership interest of the Group over its investment in Cyber Bay has decreased from 22.28% to 10.46% (see Note 8) and management assessed that the Group has lost its significant influence over its investment in Cyber Bay. The Group therefore reclassified its investment in Cyber Bay as AFS financial assets from investment in an associate.

Determining Classification of Investment Properties

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

Assessment Whether an Agreement is a Finance or Operating Lease

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

Assessing Operating Lease Commitments - Group as Lessor

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

Assessing Operating Lease Commitments - Group as Lessee

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

Estimates and Assumptions

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

Estimating Casualty Loss

As a result of the fire which occurred on September 4, 2012, the Group, in its own initiative, made an assessment of the extent of the damages sustained on its individual assets, including receivables, investment properties and property, plant and equipment. The reassessment was



conducted with the joint coordination of the Group's engineering and operations group and other technical consultants, taking into consideration various factors such as assets' net book values, restoration costs and usability as of the reassessment date. Judgment by management was particularly employed when deciding whether an asset should be provided with full or partial allowance for losses.

These property losses, with a net book value of ₱63.25 million are recorded as "Casualty loss" in the 2013 consolidated statement of income.

Estimating Recovery from Insurance

Management estimates that the recorded amount of the recovery from insurance is virtually certain after an exhaustive review of its existing insurance coverage against the casualty loss incurred and the discussions with and inspections conducted by the insurance company, adjusters, and technical consultants. In 2015, 2014 and 2013, the Group recorded recovery from insurance amounting to nil, ₱269.28 million and ₱78.09 million, respectively (see Note 1).

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

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

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

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

Provision for impairment losses on receivables amounted to ₱2.46 million, ₱0.73 million and ₱20.94 million in 2015, 2014 and 2013, respectively. Recovery on impairment losses on receivables amounted to ₱8.01 million, ₱1.29 million and ₱0.40 million in 2015, 2014 and 2013, respectively. The Group wrote-off allowance for impairment losses on receivables amounted to ₱1.32 million, ₱6.97 million and ₱0.08 million in 2015, 2014 and 2013, respectively. The carrying values of the receivables amounted to ₱496.12 million and ₱603.14 million as at June 30, 2015 and 2014, respectively, net of allowance for impairment losses amounting to ₱301.89 million and ₱308.76 million as at June 30, 2015 and 2014, respectively (see Note 5).

Provision for impairment loss on amounts owed by related parties amounted to ₱0.02 million in 2015 and nil 2014 and 2013. Reversal of impairment losses on amounts owed by related parties amounted to nil in 2015 and 2014 and ₱62.46 million 2013. The Group wrote-off allowance for impairment losses on amounts owed by related parties amounted to nil in 2015 and 2014 and ₱0.26 million in 2013. The carrying values of amounts owed by related parties amounted to



₱0.01 million and ₱0.02 million as at June 30, 2015 and 2014, respectively, net of allowance for impairment losses amounting to ₱1.63 million and ₱1.61 million as at June 30, 2015 and 2014, respectively (see Note 18).

Estimating Allowance for Inventory Losses

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

Provision for inventory losses amounted to nil, ₱1.81 million and ₱70.95 million in 2015, 2014 and 2013, respectively. Reversal of allowance for impairment on inventory losses amounted to ₱8.97 million, ₱4.59 million and nil in 2015, 2014 and 2013, respectively. The Group wrote-off allowance for impairment losses on inventories amounted to ₱1.43 million, ₱13.11 million and ₱6.59 million in 2015, 2014 and 2013, respectively. The carrying values of inventories amounted to ₱12.01 million and ₱18.47 million as at June 30, 2015 and 2014, respectively, net of allowance for inventory losses amounting to ₱71.61 million and ₱82.02 million as at June 30, 2015 and 2014, respectively (see Note 6).

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

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

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

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

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



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

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

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

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

There was no provision for impairment losses on investment in an associate recognized in 2015, 2014 and 2013. The carrying values of the investment in an associate amounted to ₱2.57 million and ₱2.56 million as at June 30, 2015 and 2014, respectively (see Note 11).

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

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

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

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



There were no changes in the estimated useful lives of property and equipment. The carrying values of property, plant and equipment amounted to ₱46.33 million and ₱53.28 million as at June 30, 2015 and 2014, respectively, net of accumulated depreciation and amortization amounting to ₱2.21 million and ₱2.19 million as at June 30, 2015 and 2014, respectively (see Note 13).

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

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

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

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

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

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

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

The carrying values of property, plant and equipment amounted to ₱46.33 million and ₱53.28 million as at June 30, 2015 and 2014, respectively, net of accumulated depreciation and amortization amounting to ₱2.21 million and ₱2.19 million as at June 30, 2015 and 2014, respectively (see Note 13).

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



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

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

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

There was no provision for impairment losses on nonfinancial other noncurrent assets recognized in 2015, 2014 and 2013. As at June 30, 2015 and 2014, the carrying values of nonfinancial other noncurrent assets amounted to ₱184.59 million and ₱78.89 million, respectively (see Note 15).

Claims Liability Arising from Insurance Contracts

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

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

Determining Retirement Benefits Liability

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

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

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



Assessing Realizability of Deferred Income Tax Assets

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

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

Temporary differences for which no deferred income tax assets were recognized as the management has assessed that it is not probable that sufficient future taxable income will be available for which the benefit of the deferred income tax assets can be utilized amounted to ₱4,629.23 million and ₱1,306.64 million as at June 30, 2015 and 2014, respectively (see Note 24).

Estimating Contingencies

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

Estimating Fair Values of Financial Instruments

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

Fair values of financial assets as at June 30, 2015 and 2014 amounted to ₱3,020.66 million and ₱3,243.29 million, respectively, while the fair values of financial liabilities as at June 30, 2015 and 2014 amounted to ₱1,362.64 million and ₱1,358.09 million, respectively (see Note 31).

4. Cash and Cash Equivalents

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

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



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

5. Receivables

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

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

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

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

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

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

	Trade debtors	Insurance receivables	Others	Total
	(In Thousands)			
At July 1, 2012	₱70,081	₱7,576	₱194,499	₱272,156
Provisions (Note 20)	20,759	179	-	20,938
Write-off	-	-	(77)	(77)
Recovery	(402)	-	-	(402)
Reclassification (Note 18)	-	-	23,666	23,666
At June 30, 2013	90,438	7,755	218,088	316,281
Provisions (Note 20)	146	586	-	732
Write-off	(2)	-	(6,968)	(6,970)
Recovery	(1,285)	-	-	(1,285)

(Forward)



	Trade debtors	Insurance receivables	Others	Total
	(In Thousands)			
At June 30, 2014	₱89,297	₱8,341	₱211,120	₱308,758
Provisions (Note 20)	545	418	1,493	2,456
Write-off	(1,320)	–	–	(1,320)
Reversal	(649)	–	(7,360)	(8,009)
At June 30, 2015	₱87,873	₱8,759	₱205,253	₱301,885

Interest earned from trade receivables amounted to ₱1,115, ₱0.07 million and ₱0.05 million in 2015, 2014 and 2013, respectively (see Note 22).

6. Inventories

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

Movements in the allowance for inventory losses are as follows:

	2015	2014	2013
	(In Thousands)		
Beginning balances	₱82,016	₱97,893	₱33,526
Reversal	(8,970)	(4,585)	–
Write-off	(1,432)	(13,105)	(6,586)
Provisions (Note 20)	–	1,813	70,952
	₱71,614	₱82,016	₱97,892

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

7. Real Estate Held for Sale and Development

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



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

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

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

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

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

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

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

8. AFS Financial Assets

	2015	2014
	(In Thousands)	
Listed equity securities	₱1,249,196	₱1,390,601
Nonlisted equity securities	518,889	299,661
Quoted debt securities	258,206	241,655
Unquoted debt securities	16,405	6,082
	2,042,696	1,937,999
Allowance for impairment losses	535,288	294,101
	₱1,507,408	₱1,643,898

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

On November 13, 2012, the SEC approved the conversion of debt to equity of Cyber Bay resulting to a change in percentage ownership of POPI from 22.28% to 10.46%. The management assessed that the Group ceased to have significant influence over Cyber Bay. As a result of the reduction in



the ownership interest and loss of significant influence, the investment in Cyber Bay was reclassified to AFS financial asset starting November 13, 2012. The Group recognized a gain on re-measurement of ₱594.11 million from the reclassification of Cyber Bay investment.

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

Movements in the allowance for impairment losses are as follows:

	2015	2014	2013
		(In Thousands)	
Balances at beginning of year	₱294,101	₱291,501	₱–
Provisions	241,187	2,600	291,501
Balances at end of year	₱535,288	₱294,101	₱291,501

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

	Equity Holders	Non-Controlling Interests	Total
		(In Thousands)	
July 1, 2012	₱63,035	₱4,615	₱67,650
Gain (loss) recognized directly in equity	65,070	(2,499)	62,571
Loss transferred from equity to consolidated statement of income	(132,964)	–	(132,964)
June 30, 2013	(4,859)	2,116	(2,743)
Gain (loss) recognized directly in equity	247,849	(2,183)	245,666
Loss transferred from equity to consolidated statement of income	(159,189)	–	(159,189)
June 30, 2014	83,801	(67)	83,734
Gain (loss) recognized directly in equity	267	(16)	251
Loss transferred from equity to consolidated statement of income	(82,002)	–	(82,002)
June 30, 2015	₱2,066	(₱83)	₱1,983

Proceeds from the sale of AFS financial assets amounted to ₱94.59 million, ₱222.95 million and ₱293.44 million in 2015, 2014 and 2013, respectively, with a corresponding gain on sale of ₱8.85 million, ₱159.19 million and ₱147.30 million in 2015, 2014 and 2013, respectively.

Interest earned from AFS financial assets amounted to ₱11.75 million, ₱7.80 million and ₱21.98 million in 2015, 2014 and 2013, respectively.

Dividend income received on AFS financial assets amounted to ₱3.27 million, ₱4.03 million and ₱1.32 million in 2015, 2014 and 2013, respectively.

9. Financial Assets at FVPL

In 2015, the Group has 143,600 redeemable preferred shares with a cost of ₱27.99 million recorded as financial assets at FVPL upon initial recognition. Fair value of financial assets at FVPL as at June 30, 2015 amounted to ₱27.99 million resulting to an unrealized gain of ₱0.28 million. Dividend income earned from these shares amounted to ₱0.96 million.



10. Other Current Assets

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

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

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

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

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

Movements in the allowance for impairment losses are as follows:

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

11. Investment in an Associate

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



Summarized of the financial statement information of the associate follows:

	2015	2014
	(In Thousands)	
Current assets	₱10,036	₱10,098
Noncurrent assets	21	21
Total liabilities	201	297
Revenue	223	450
Costs and expenses	266	524
Net income (loss)	35	(125)

12. Investment Properties

	2015		
	Buildings and Improvements	Land and Improvements	Total
	(In Thousands)		
Cost			
At beginning of year	₱2,181,041	₱131,624	₱2,312,665
Additions	33,960	237	34,197
Reclass	692,379	338,470	1,030,849
At end of year	2,907,380	470,331	3,377,711
Accumulated Depreciation and Amortization			
At beginning of year	1,561,791	552	1,562,343
Depreciation and amortization (Note 20)	60,643	829	61,472
Reclassification (Note 13)	393,515	18,525	412,040
At end of year	2,015,949	19,906	2,035,855
Balance	891,431	450,425	1,341,856
Less: Allowance for impairment losses	12,834	–	12,834
Net book values	₱878,597	₱450,425	₱1,329,022

	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

(Forward)



	2014		Total
	Buildings and Improvements	Land and Improvements	
	(In Thousands)		
Accumulated Depreciation and Amortization			
At beginning of year	₱1,530,829	₱414	₱1,531,243
Depreciation and amortization (Note 20)	32,167	138	32,305
Write-off	(1,205)	–	(1,205)
At end of year	1,561,791	552	1,562,343
Balance	619,250	131,072	750,322
Less: Allowance for impairment losses	12,834	–	12,834
Net book values	₱606,416	₱131,072	₱737,488

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

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

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

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

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

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

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



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

Movement of revaluation increment are as follows:

	2015	2014
	(In Thousands)	
Beginning balance	₱–	₱–
Reclassification (see Note 13)	252,233	–
Transfer of realized valuation increment	(7,611)	–
Balances at end of year	₱244,622	₱–

Based on the latest appraisal reports, as determined by an independent firm of appraisers, the appraised values of the TPI's and LCI's investment properties amounted to ₱5.08 billion and ₱4.38 billion as at June 30, 2015 and 2014, respectively/.

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

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

	2015	2014
	(In Thousands)	
At net book value:		
Original cost	₱298,580	₱318,859
Revaluation reserve	495,522	264,911
	₱794,102	₱583,770

As discussed in Note 1, certain investment properties were damaged by the fire which occurred on September 4, 2012. After the assessment on the extent of the damage on the individual assets by the Company's engineering and operations group, and together with third party technical consultants, investment properties that were completely destroyed were written off and those that were partially damaged were impaired. These property losses are recorded as “Casualty loss” in the 2013 consolidated statements of income.

In 2014, the Company written-off the remaining carrying value of Boni Plaza amounting to ₱0.34 million and the allowance for impairment loss recognized in 2013 amounting to ₱0.34 million as the demolition of CB1 affected the operations of Boni Plaza. The property losses on the remaining carrying value of Boni Plaza are recorded as “Loss on write-off on investment properties” in the consolidated statements of income.

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

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



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

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

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

13. Property, Plant and Equipment

	2015						Total
	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Condominium Units and Improvements	Hotel Equipment	
				(In Thousands)			
Cost							
At beginning of year	₱6,948	₱2,095,822	₱39,484	₱89,557	₱8,692	₱7,093	₱2,247,596
Additions	279	1,260	2,301	2,087	–	1,440	7,367
Disposals	–	(492)	(848)	–	–	–	(1,340)
At end of year	7,227	2,096,590	40,937	91,644	8,692	8,533	2,253,623
Accumulated Depreciation and Amortization							
At beginning of year	6,517	2,065,198	32,163	82,631	4,404	3,407	2,194,320
Depreciation and amortization (Note 20)	208	5,110	3,283	3,123	218	2,372	14,314
Disposals	–	(491)	(848)	–	–	–	(1,339)
At end of year	6,725	2,069,817	34,598	85,754	4,622	5,779	2,207,295
Net Book Values	₱502	₱26,773	₱6,339	₱5,890	₱4,070	₱2,754	₱46,328

	2015		
	Land and Improvements	Buildings and Improvements	Total
			(In Thousands)
At revalued amounts:			
At beginning of year	₱338,470	₱692,379	₱1,030,849
Reclassification (Note 12)	(338,470)	(692,379)	(1,030,849)
At end of year	–	–	–
Accumulated depreciation and amortization			
At beginning of year	18,525	393,515	412,040
Reclassification (Note 12)	(18,525)	(393,515)	(412,040)
At end of year	–	–	–
Net book values	₱–	₱–	₱–



	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	₱2,096,141	₱38,663	₱87,034	₱8,692	₱6,994	₱2,244,415
Additions	57	1,184	1,703	2,827	—	99	5,870
Disposals	—	—	(882)	(304)	—	—	(1,186)
Reclassification	—	(1,503)	—	—	—	—	(1,503)
At end of year	6,948	2,095,822	39,484	89,557	8,692	7,093	2,247,596
Accumulated Depreciation and Amortization							
At beginning of year	6,317	2,060,066	29,203	79,740	4,187	1,365	2,180,878
Depreciation and amortization (Note 20)	200	5,132	3,842	3,161	217	2,042	14,594
Disposals	—	—	(882)	(270)	—	—	(1,152)
At end of year	6,517	2,065,198	32,163	82,631	4,404	3,407	2,194,320
Net Book Values	₱431	₱30,624	₱7,321	₱6,926	₱4,288	₱3,686	₱53,276

	2014		
	Land and Improvements	Buildings and Improvements	Total
(In Thousands)			
At revalued amounts:			
At beginning of year	₱338,470	₱687,589	₱1,026,059
Additions	—	4,790	4,790
At end of year	338,470	692,379	1,030,849
Accumulated depreciation and amortization			
At beginning of year	17,846	367,332	385,178
Depreciation and amortization (Note 20)	680	26,184	26,864
At end of year	18,526	393,516	412,042
Net book values	₱319,944	₱298,863	₱618,807

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

Gain on sale of property, plant and equipment was recognized in 2015 and 2014 and 2013 amounting to ₱15.35 million, ₱0.20 million and ₱1.21 million respectively.

The fair value of land and improvements and buildings and improvements, which has been determined based on the latest valuations performed by Asian Appraisal Company, Inc. (Asian Appraisal) dated July 23, 2013, exceeds its carrying cost. Asian Appraisal is an industry specialist in valuing these types of properties. Revaluation increment in properties amounted to ₱244.62 million and ₱252.23 million in 2015 and 2014, respectively.

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

Movement of revaluation increment are as follows:

	2015	2014
(In Thousands)		
Beginning balance	₱252,233	₱259,844
Reclassification (see Note 12)	(252,233)	—
Transfer of realized valuation increment	—	(7,611)
Balances at end of year	₱—	₱252,233



As discussed in Note 1, certain property, plant and equipment were damaged by the fire which occurred on September 4, 2012. After the assessment on the extent of the damage on the individual assets by the Company's engineering and operations group, and together with third party technical consultants, property, plant and equipment that were completely destroyed were written off and those that were partially damaged were impaired. These property losses are recorded as "Casualty loss" in the 2013 consolidated statement of income.

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

	Cost	Accumulated depreciation	Write-off	Casualty Loss
	(In Thousands)			
Cluster Building 1	₱454	₱431	₱23	₱23
Cluster Building 2	211	199	12	12
TPI-Offices	1,836	1,704	132	132
	₱2,501	₱2,334	₱167	₱167

As at June 30, 2015 and 2014, the Group continues to utilize fully depreciated property, plant and equipment with an aggregate acquisition cost amounting to ₱66.15 million and ₱1,884.59 million, respectively.

14. Software Costs

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

15. Other Noncurrent Assets

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



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

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

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

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

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

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

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

Others consist mainly of various assets that are individually immaterial.

16. Accounts Payable and Accrued Expenses

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

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

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

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.



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

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

17. Rental and Other Deposits

	2015			2014		
	Due within One Year	Beyond One Year	Total	Due within One Year	Beyond One Year	Total
(In Thousands)						
Rental deposits	₱28,295	₱11,324	₱39,619	₱50,453	₱4,979	₱55,432
Security deposits	72,297	31,334	103,631	70,757	18,619	89,376
Deferred rent	26,643	32,937	59,580	34,998	12,796	47,794
Customer deposits	13,222	1,582	14,804	1,317	4,563	5,880
Construction bond	3,848	4,167	8,015	4,192	3,621	7,813
Other deposits	3,925	3,987	7,912	4,938	3,510	8,448
	₱148,230	₱85,331	₱233,561	₱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.

Deferred rent pertains to rent received in advance amounted to ₱59.58 million and ₱47.79 million as at June 30, 2015 and 2014, respectively.

Customer deposits consist of priority premiums paid by tenants which serve as their reservation deposits. Discounted security deposits amounted to ₱13.29 million and ₱9.12 million as at June 30, 2015 and 2014, respectively (see Note 27).

18. Related Party Transactions

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

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



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

Category	Year	Amount/ Volume	Outstanding Balance	Terms	Conditions
(In Thousands)					
<i>Amounts owed by related parties:</i>					
<i>Under common control</i>					
Guoman Philippines, Inc	2015	₱2	₱1,628	To be settled in cash and collectible on demand	Unsecured, non-interest bearing, impaired, and unguaranteed
	2014	₱3	₱1,626		
Genez Investments Corp.	2015	–	6	To be settled in cash and collectible on demand	Unsecured, non-interest bearing, impaired, and unguaranteed
	2014	–	6		
Total	2015	₱2	₱1,634		
Total	2014	₱3	₱1,632		

	2015	2014
(In Thousands)		
Amounts owed by related parties	₱1,634	₱1,632
Less allowance for impairment losses	1,625	1,610
	₱9	₱22

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

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

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

Significant transactions entered into among subsidiaries other than advances include:

- Insurance premium coverage for certain properties of the subsidiaries (see Note 1).
- Condonation of debt as a result of the RP amounting to nil, ₱1,499.78 million and ₱2,559.45 million in June 30, 2015, 2014 and 2013, respectively (see Note 1).
- Management contract and service agreement between the parent company and a subsidiary.

Compensation of key management personnel, including retirement and other benefits, amounted to ₱78.1 million, ₱71.8 million and ₱73.2 million in 2015, 2014 and 2013, respectively.



Retirement Fund

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

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

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

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

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

19. Subscription Payable

Cyber Bay and Central Bay

On April 25, 1995, Central Bay, a wholly-owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates

Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the Project) consisting of three partially reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila, with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area.

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

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

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

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the



case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the SC's latest resolution which motion was denied with finality by the SC. With the nullification of the AJVA, Central Bay has suspended all Project operations.

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

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

As at June 30, 2015 and 2014 the Parent Company has unpaid subscription in Cyber Bay amounting to ₱481.68 million, which is presented as "Subscriptions Payable" in the consolidated statements of financial position. Cyber Bay under "AFS financial assets" amounted to ₱610.76 million and ₱930.03 million as at June 30, 2015 and 2014, respectively, net of allowance for impairment losses amounted to ₱527.48 million and ₱291.50 million as at June 30, 2015 and 2014, respectively (see Note 8).

20. Cost of Goods Sold, Services and Operating Expenses

	2015	2014	2013
		(In Thousands)	
Personnel expenses (Note 21)	₱204,980	₱210,231	₱220,132
Rental (Note 27)	99,801	90,819	92,546
Depreciation and amortization (Notes 12, 13 and 14)	79,748	77,167	85,107
Share in CUSA related expenses	56,304	89,356	116,736
Taxes and licenses	30,935	37,873	21,300
Professional and legal fees	29,970	21,563	21,553
Materials used and changes in inventories (Note 6)	15,799	34,158	136,398
Insurance	13,127	8,249	8,002
Janitorial and security services	11,670	10,436	10,809
Communication and transportation	8,869	10,236	11,488
Marketing expenses	7,459	7,852	24,462
Supplies and repairs	5,153	7,158	23,486
Provision for impairment losses - (Notes 5, 6, 10 and 18)	2,547	2,606	91,682
Representations	2,163	1,955	3,359
Utilities and fuel	-	-	89,154
Others	15,198	19,816	13,366
	₱583,723	₱629,475	₱969,580



21. Personnel Expenses

	2015	2014	2013
		(In Thousands)	
Compensation and employee benefits	₱184,705	₱189,388	₱205,886
Retirement benefits costs (Note 23)	20,275	20,843	14,246
	204,980	₱210,231	₱220,132

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

	2015	2014	2013
		(In Thousands)	
Interest income:			
AFS financial assets	₱3,164	₱-	₱-
Short-term investments (Note 4)	1,421	4,770	5,535
Cash in banks (Note 4)	260	978	315
Receivables (Note 5)	1	71	46
HTM investments	-	-	180
	4,846	5,819	6,076

	2015	2014	2013
		(In Thousands)	
Interest expense and bank charges:			
Retirement benefits liability (Note 23)	₱2,498	₱6,116	₱7,109
Bank charges	444	1,394	662
Interest expense	-	175	-
Others	79	-	150
	3,021	7,685	7,921
	₱1,825	(₱1,866)	(₱1,845)

23. Retirement Benefits Liability

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

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



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

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

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

Movements in the retirement benefits liability are as follows:

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

Changes in the PVO are as follows:

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

Changes in fair value of plan assets are as follows:

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



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

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

The Group expects to contribute ₱78.65 million to the retirement plan in 2016.

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

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

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase (decrease) in Significant assumptions	Increase (decrease) in defined benefit obligation
2015		
Discount rate	+1% (1%)	(₱3,477,684) 4,042,367
Future salary increases	+1% (1%)	3,723,532 (3,216,121)
2014		
Discount rate	+1% (1%)	(3,104,988) 3,614,483
Future salary increases	+1% (1%)	3,349,927 (2,952,829)

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

	2015	2014	2013	2012	2011
	(In Thousands)				
Defined benefit obligation	₱271,321	₱242,467	₱231,516	₱190,820	₱111,059
Plan assets	167,328	143,282	93,197	75,808	43,403
Unfunded obligation	₱103,993	₱99,185	₱138,319	115,012	67,656
Experience adjustment on plan liabilities - loss (gain)	(664)	(21,676)	6,256	(3,275)	(789)
Experience adjustment on plan assets - gain (loss)	40	4,565	4,714	(727)	3,339
Change in actuarial assumptions	9,454	(3,919)	20,793	15,615	620



24. Income Taxes

The Group's current provision for income tax in 2015, 2014 and 2013 represents regular corporate income tax.

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

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

	2015	2014	2013
At statutory tax rates	30.0%	30.0%	30.0%
Additions to (reductions in) income taxes resulting from:			
Movements in unrecognized deferred income tax assets	(28.1)	(9.6)	(8.1)
Expired NOLCO	(15.3)	0.8	1.4
Exempt income from dividend	8.9	-	-
Interest income already subjected to final taxes	(1.3)	(0.1)	(0.4)
Gain on sale of AFS financial assets	0.9	(1.7)	(2.4)
Nondeductible expenses	(0.9)	-	-
Expired MCIT	(0.6)	0.1	0.1
Other nontaxable income	(0.1)	0.5	7.7
Exempt income from extinguishment of debt	-	(16.9)	(31.6)
Dilution loss on reversal of allowance	-	-	3.6
At effective tax rates	(6.5%)	3.1%	0.3%

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

	2015	2014
	(In Thousands)	
Deferred income tax assets:		
Casualty loss	₱18,974	₱18,974
Deferred rent	17,874	14,338
Allowance for impairment losses on receivables	11,976	11,976
Retirement benefits liability	6,990	8,041
Unamortized past service cost	6,605	6,704
Allowance for impairment losses on insurance receivables	3,449	-
Deferred reinsurance commission	1,393	-
Excess of reserve for unearned premiums per books over tax basis - net	123	-
Unearned rent	-	317
Others	2,268	2,268
	₱69,652	₱62,618

(Forward)



	2015	2014
	(In Thousands)	
Deferred income tax liabilities:		
Revaluation increment on property, plant, and equipment	(₱108,100)	(₱108,100)
Recovery on insurance	(98,382)	(98,382)
Revaluation reserve on investment properties	(75,149)	(79,474)
Remeasurement gain on retirement benefits liability	(6,982)	(9,280)
Deferred acquisition cost	(6,753)	-
Undepreciated capitalized rent, interest and customs duties	(6,474)	(6,466)
Unrealized gain on valuation of AFS financial assets	(1,865)	(165)
Retirement plan assets	(661)	(611)
Accrued rent income	327	(1,696)
Unrealized gain on valuation of FVPL	(150)	-
Unrealized foreign exchange gain	(28)	(5)
	(304,217)	(304,179)
	(₱234,565)	(₱241,561)

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

	2015	2014
	(In Thousands)	
NOLCO	₱354,391	₱412,160
Allowance for impairment losses on receivables, other current assets, inventories and others	4,201,175	674,971
Retirement benefits liability	73,675	93,181
Loss (gain) on remeasurement of retirement benefits plan	(49,085)	84,606
Unamortized past service cost	44,110	37,927
MCIT	2,602	2,789
Incurring but not reported losses	2,000	-
Accrued rent	323	909
Unrealized foreign exchange losses	36	93
	₱4,629,227	₱1,306,636

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

Year Incurred	Expiration Date	NOLCO	MCIT
2013	2016	₱193,188	₱464
2014	2017	114,459	800
2015	2018	46,744	1,338
		₱354,391	₱2,602



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

	2015	2014
	(In Thousands)	
Balances at beginning of year	P 412,160	P369,806
Additions	46,744	114,460
Expirations	(104,513)	(72,106)
	P354,391	P412,160

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

	2015	2014
	(In Thousands)	
Balances at beginning of year	P 2,789	P4,312
Additions	1,338	800
Expirations	(1,525)	(2,323)
	P2,602	P2,789

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

25. Earnings Per Share

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

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

26. Segment Information

Business Segments

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

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

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



27. Long-term Lease

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

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

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

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

Group as a Lessor

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

Tenants are required to post security deposits, which shall be refunded, without interest, within sixty (60) days after the expiration of the lease period, deducting the amount of damages to the leased premises, if any. The discounted amount of noncurrent rental deposits amounted to ₱13.29 million and ₱9.12 million as at June 30, 2015 and 2014, respectively.

The table below shows the movement analysis of the carrying value of noncurrent security deposits as at June 30, 2015 and 2014:

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



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

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

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

The table below shows the movement analysis of the carrying value of deferred rent income as at June 30, 2015 and 2014:

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

The amounts of deferred rent income were distributed as follows:

	2015	2014
Current portion	₱389	₱372
Noncurrent portion	792	735
	₱1,181	₱1,107

The current portion of the deferred rent income was included in the “Other payables” on “Accounts Payable and Accrued Expenses”.

28. Contingencies

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

29. Events after the Reporting Period

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



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

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

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

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

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

30. Financial Risk Management Objectives, Policies and Capital Management

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

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

Credit Risk

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

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

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



Credit quality of neither past due nor impaired financial asset

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

2015

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

2014

	Neither past due nor impaired		Past due or	Total
	High grade	Standard grade	individually impaired	
(In Thousands)				
<i>Loans and Receivables:</i>				
Cash and cash equivalents	₱353,677	₱-	₱-	₱353,677
<i>Receivables:</i>				
Trade debtors	34,042	9,956	97,189	141,187
Insurance receivables	315,135	-	191,722	506,857
Others	42,129	1,772	212,859	256,760
Amounts owed by related parties	22	-	1,610	1,632
Deposits (under "Other noncurrent assets")	27,214	-	99	27,313
<i>AFS Financial Assets:</i>				
Listed equity securities	1,096,500	-	294,101	1,390,601
Quoted debt securities	241,655	-	-	241,655
Unquoted debt securities	6,082	-	-	6,082
Nonlisted equity securities	299,661	-	-	299,661
	₱2,416,117	₱11,728	₱797,580	₱3,225,425

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



2015

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

2014

	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days		
(In Thousands)							
<i>Loans and Receivables:</i>							
Cash and cash equivalents	₱353,677	₱-	₱-	₱-	₱-	₱-	₱353,677
<i>Receivables:</i>							
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
<i>AFS Financial Assets</i>							
Listed equity securities	1,096,500	-	-	-	-	294,101	1,390,601
Quoted debt securities	241,655	-	-	-	-	-	241,655
Unquoted debt securities	6,082	-	-	-	-	-	6,082
Nonlisted equity securities	299,661	-	-	-	-	-	299,661
	₱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 June 30, 2015 and 2014 based on contractual undiscounted payments:

2015

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

2014

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 Year	Total
(In Thousands)						
Accounts payable and accrued expenses	₱558,066	₱30,533	₱15,349	₱57,598	₱128	₱661,674
Subscription payable	481,675	-	-	-	-	481,675
Rental and other deposits	51,424	52,747	62,484	-	48,088	214,743
	₱1,091,165	₱83,280	₱77,833	₱57,598	₱48,216	₱1,358,092

Foreign Currency Risk

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

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

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

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



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

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

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

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

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

Equity Price Risk

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

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

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



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

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

	Change in Equity price index	Effect on Equity
	(In Thousands)	
2015		
Upper Limit	+11.59%	₱34,677
Lower Limit	(11.59%)	(34,677)
 2014		
Upper Limit	+17.62%	232,049
Lower Limit	(17.62%)	(232,049)
 2013		
Upper Limit	+19.06%	251,022
Lower Limit	(19.06%)	(251,022)

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

Capital Management

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

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

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

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

The Group is not subject to externally imposed capital requirements.



31. Financial Instruments

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

Cash and Cash Equivalents

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

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

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

Rental and Other Deposits

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

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

AFS Financial Assets

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

Financial Assets at FVPL

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

32. Other Matters

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





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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

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

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751344, January 5, 2015, Makati City

October 9, 2015



SCHEDULE I
PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE OF EFFECTIVE STANDARDS AND
INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
JUNE 30, 2015

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at June 30, 2015:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2015		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Not early adopted		
	Financial Instruments: Classification and Measurement of Financial Liabilities	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2015		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2015		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Recoverable Amount Disclosures for Non-financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment- Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2015		Adopted	Not Adopted	Not Applicable
	the Legal Form of a Lease			
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective July 1, 2015 onwards.

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

SCHEDULE II
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF JUNE 30, 2015

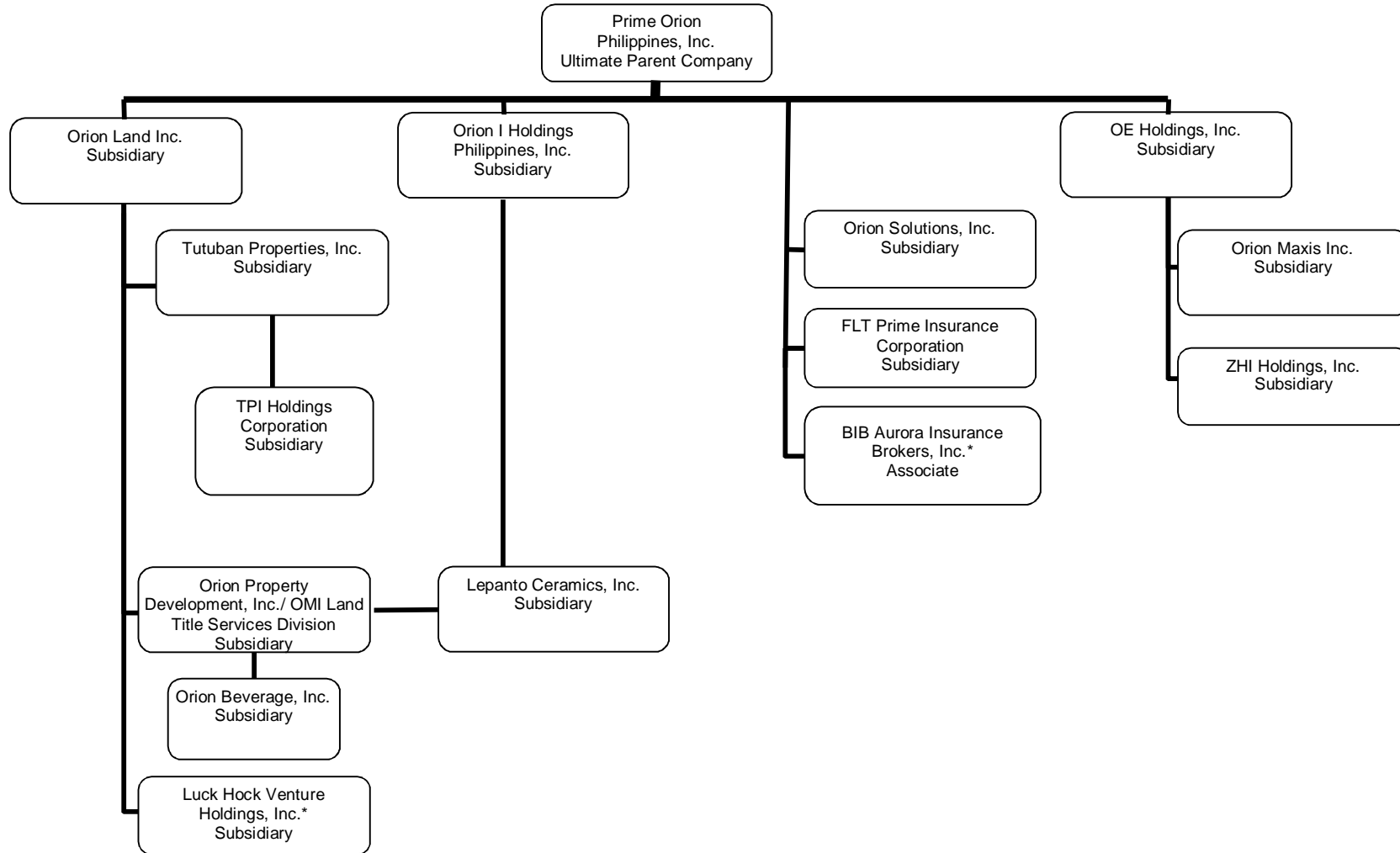
*(Figures based on functional currency
audited financial statements)*

	<u>Amounts</u> <u>(In Thousands)</u>
Unappropriated Retained Earnings, <i>as adjusted to available, as of 30 June 2014</i>	(123,362)
Prior period adjustments	(360,634)
Unappropriated Retained Earnings, <i>as adjusted to available, as of 30 June 2014, as adjusted</i>	<u>(483,996)</u>
Add: Net income actually earned/realized during the period	
Net loss during the period closed to Retained Earnings	<u>(262,236)</u>
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	7
Recognized deferred tax asset that increased the net income	162
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	<u>(241,187)</u>
Sub-total	<u>(241,018)</u>
Add: Non-Actual Losses	
Depreciation on revaluation increment (after tax)	<u>14,415</u>
Sub-total	<u>14,415</u>
Net Income actually earned during the period	<u>(6,803)</u>
Add (Less):	
Treasury shares	21,916
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	<u><u>(468,883)</u></u>

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

	Formula	2015	2014
Return on assets	$\frac{\text{Net Income (loss)}}{\text{Average Assets}}$	(0.06)	0.04
Return on equity	$\frac{\text{Net Income (loss)}}{\text{Average Equity}}$	(0.09)	0.07
Gross profit margin	$\frac{\text{Gross profit}}{\text{Total Revenues}}$	0.42	0.48
Net profit margin	$\frac{\text{Net income}}{\text{Sales revenue}}$	(0.40)	0.32
Cost to income ratio	$\frac{\text{Cost and expenses}}{\text{Revenues}}$	1.09	0.99
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	3.52	3.93
Quick ratio	$\frac{\text{Current Assets less Inventory}}{\text{Current Liabilities}}$	3.50	3.90
Solvency ratio	$\frac{\text{After tax net profit(loss) + Depreciation}}{\text{Long Term Liabilities + Short Term Liabilities}}$	(0.11)	0.17
Asset to equity ratio	$\frac{\text{Total Assets}}{\text{Equity}}$	1.67	1.59
Debt to equity ratio	$\frac{\text{Total Liability}}{\text{Equity}}$	0.64	0.56
Interest rate coverage ratio	$\frac{\text{EBITDA}}{\text{Interest expense}}$		not applicable
Gross Profit Margin	$\frac{\text{Sales - COGS or COS}}{\text{Sales}}$	(0.44)	(0.13)
Price/Earnings Ratio	$\frac{\text{Price Per Share}}{\text{Earnings Per Common Share}}$	(18.49)	6.33

**SCHEDULE IV
 PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
 MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
 AS AT JUNE 30, 2015**



*Inactive

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
AS AT JUNE 30, 2015

AMOUNTS IN THOUSANDS (Except for Number of Shares)

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet	Income received and accrued
A. CASH AND CASH EQUIVALENTS			
SAVINGS/CURRENT ACCOUNT (PESO)			
Asia United Bank		1,796	1
Banco de Oro Universal Bank		17,215	40
Bank of Commerce		894	0
Bank of the Philippine Islands		2,157	1
Development Bank of the Philippines		52	-
Landbank of the Philippines		17	0
Maybank Philippines, Inc.		321	2
Metropolitan Bank and Trust Company		10,910	43
Philippine Business Bank		167	0
Rizal Commercial Banking Corp.		7,020	3
Security Bank		305	0
Union Bank of the Philippines		116	0
United Coconut Planters Bank		14,229	31
Sub-total		55,199	120
SAVINGS/CURRENT ACCOUNT (FCDU)			
Banco de Oro Universal Bank		192	0
Metropolitan Bank and Trust Company		51	0
		243	1
SPECIAL SAVINGS ACCOUNT			
Bank of Commerce		506	8
China Bank Savings		1,001	78
Chinatrust (Philippines) Commercial Bank Corporation		706	8
Maybank Philippines, Inc.		1,001	11
Metropolitan Bank and Trust Company		1,200	11
Philippine Business Bank		4,146	48
Philippine Commercial Capital, Inc.		1,010	2
Philippine National Bank		119	1
Philippine Savings Bank		3,818	87
Rizal Commercial Banking Corporation		504	5
Security bank corporation		2,612	16
Sterling Bank		507	10
Union Bank of the Philippines		503	4
		17,633	291
TIME DEPOSIT			
Asia United Bank		1,015	1
Banco de Oro Universal Bank		14,328	49
Banco de Oro Universal Bank - FCDU		1,578	7
Metropolitan Bank and Trust Company		1,179	113
Philippine Commercial Capital, Inc.		4,118	104
Rizal Commercial Banking Corp.		55,608	685
		77,826	960
		150,901	1,371

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
AS AT JUNE 30, 2015

AMOUNTS IN THOUSANDS (Except for Number of Shares)

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet	Income received and accrued
B. INVESTMENT IN BONDS AND OTHER SECURITIES			
Available for sale investments:			
<i>Listed equity securities</i>			
<i>Alliance Global</i>	124,200	2,695	
<i>Asia United Bank</i>	6,500	475	
<i>Atlas Consolidated Mining and Development Corporation</i>	98,000	645	
<i>Ayala Corporation (Preferred)</i>	11,000	5,781	
<i>Cosco Capital, Inc.</i>	125,200	977	
<i>Cyber Bay Corporation</i>	1,388,231,404	610,822	
<i>Del Monte Pacific Limited</i>	35,900	414	
<i>DMCI Holdings, Inc.</i>	62,000	818	
<i>Energy Development Corporation</i>	750,000	5,610	
<i>Filinvest Land, Inc.</i>	612,400	1,139	
<i>First Gen (Preferred - Series G)</i>	10,000	1,195	
<i>First Gen Corporation</i>	20,000	540	
<i>Global Estate Resorts, Inc.</i>	1,000,000	1,220	
<i>Globe - Preferred</i>	13,000	6,760	
<i>International Container Terminal Services</i>	8,200	904	
<i>Lepanto Consolidated Mining Company</i>	1,000,000	221	
<i>LT Group, Inc.</i>	53,000	738	
<i>Manila Mining Corporation</i>	24,000,000	312	
<i>Meralco</i>	41,360	13,906	
<i>Metro Pacific Investments Corporation</i>	1,637,000	7,743	
<i>National Reinsurance Corporation of the Philippines</i>	700	1	
<i>Pepsi Cola Product Philippines, Inc.</i>	46	0	
<i>Petron Corporation</i>	228,700	2,024	
<i>Philex Mining Corporation</i>	548,100	3,360	
<i>Philippine Business Bank</i>	62,500	1,135	
<i>Philippine Long Distance Telephone Company</i>	500	140	
<i>Premium Leisure</i>	550,000	649	
<i>Puregold Price Club Inc.</i>	79,200	2,930	
<i>Rizal Commercial Banking Corporation</i>	53,840	2,159	
<i>San Miguel Corporation</i>	196,700	11,704	
<i>San Miguel Corporation (Preferred)</i>	114,000	8,567	
<i>SM Investment Corp</i>	2,401	2,149	
<i>Solid Group Inc.</i>	1,000,000	1,200	
<i>Super Store Inc. Group</i>	70,000	692	
<i>Top Frontier Holdings, Inc.</i>	9,670	788	
<i>Trans-Asia Oil and Energy Dev't. Corp.</i>	3,000,000	6,450	
<i>Trans-Asia Petroleum</i>	88,995	961	
<i>Travellers International Hotel Group, Inc.</i>	556,400	2,888	
<i>Zeus Holdings, Inc.</i>	11,225,452	3,199	
	1,435,626,368	713,908	-
<i>Quoted debt securities</i>			
<i>Ayala Corporation</i>	14,000,000	14,773	154
<i>Ayala Corporation</i>	3,000,000	3,168	335
<i>Ayala Land, Inc.</i>	11,680,000	30,685	1,142
<i>Ayala Land, Inc.</i>	9,000,000	9,243	132
<i>FMIC Fixed Rate Bond</i>	7,000,000	7,262	388
<i>GT Capital Holdings</i>	10,000,000	10,141	356
<i>GT Capital Holdings, Inc. - Bonds</i>	16,000,000	16,511	839
<i>JS Summit Holdings</i>	23,000,000	23,933	695

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
AS AT JUNE 30, 2015

AMOUNTS IN THOUSANDS (Except for Number of Shares)

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet	Income received and accrued
<i>Meralco</i>	10,000,000	10,000	340
<i>PLDT</i>	10,500,000	11,012	340
<i>Retail Treasury Bond</i>	5,000,000	5,103	371
<i>Retail Treasury Bond</i>	72,800,000	82,643	2,615
<i>San Miguel Brewery Bond</i>	3,000,000	3,194	178
<i>SM Investments Corp.</i>	11,500,000	12,338	124
<i>SM Prime Holdings</i>	18,000,000	18,201	-
	224,480,000	258,206	8,009
<i>Unquoted debt securities</i>			
<i>Land Bank of the Philippines</i>	5,000,000	5,000	184
<i>Land Bank of the Philippines</i>	600,000	644	2
<i>Security Bank Tier 2</i>	10,000,000	10,261	493
<i>United Coconut Planters Bank</i>	500,000	500	-
	16,100,000	16,405	679
<i>Nonlisted equity securities - net</i>			
<i>Asia United Bank-Money Market</i>	97,877	10,005	-
<i>BDO Money Market Fund</i>	5,000,000	4,726	-
<i>Canlubang Golf & Country Club</i>	1	800	-
<i>Global Business Holdings</i>	378	25	-
<i>Makati (Sports) Club, Inc.</i>	1	250	-
<i>Metrobank Max-5 Bond Fund</i>	16,111,111	25,814	-
<i>Metrobank Money Market Fund</i>	19,477,158	29,800	382
<i>Philam Bond Fund</i>	287,872	4,911	-
<i>Philippine Central Depository, Inc.</i>	5,000	500	-
<i>Philippine Machinery Management Services</i>	20	20	-
<i>Quedancor</i>	10,000	10	-
<i>RCBC Rizal Peso Bond Fund</i>	70,500,000	71,013	-
<i>RCBC Savings Money Market Fund</i>	15,876,440	339,813	-
<i>Sta. Elena Golf Club-A</i>	1	2,800	113
<i>Sunlife Prosperity Bond Fund</i>	9,728,713	26,317	-
<i>TAT International</i>	1	550	-
<i>Valley Golf Club</i>	2	360	-
<i>Zeus Holdings, Inc. - unlisted shares</i>	1,175,600	1,176	-
	138,270,175	518,889	495
TOTAL INVESTMENTS IN BONDS & OTHER SECURITIES		1,507,408	9,183

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES,
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

As of June 30, 2015

AMOUNTS IN THOUSANDS

Account Type	Balance at Beginning period	Additions	Deductions		Current	Not Current	Balance at end period
			Amounts Collected / Settlements	Amounts Written off			
Advances to employees for company expenses	4,246	7,980	7,702	-	146	4,377	4,523
Salary loan	1,145	1,865	1,947	219	430	414	844
Car loan	-	1,125	114	-	225	786	1,011
Others	2,896	490	852	513	1,697	324	2,020
	8,286	11,459	10,616	732	2,497	5,901	8,399

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

As of June 30, 2015

AMOUNTS IN THOUSANDS

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected/ Settlements	Accounts Written off	Current	Not Current	Balance at end period
Orion I Holdings Philippines, Inc./Subsidiary	199,002	153	(1)	-	-	199,154	199,154
Lepanto Ceramics, Inc./Subsidiary	9	110	(114)	-	5	-	5
OE Holdings, Inc./Subsidiary	34,018	72	(1)	-	34,089	-	34,089
Orion Maxis Inc./Subsidiary	10,991	8,903	(54)	-	19,840	-	19,840
FLT Prime Insurance Corp./Subsidiary	30,948	42,198	(177)	-	968	72,000	72,968
Tutuban Properties, Inc./Subsidiary	56	310	(309)	-	57	-	57
Orion Property Development, Inc./Subsidiary	138	94	(232)	-	-	-	-
Orion Land Inc./Subsidiary	1	0	-	-	1	-	1
Luck Hock Venture Holdings, Inc./Subsidiary	-	3	-	-	3	-	3
TPI Holdings Corporation/Subsidiary	0	2	-	-	2	-	2
Orion Beverage, Inc./Subsidiary	1	1	-	-	2	-	2
ZHI Holdings, Inc./Subsidiary	1	(0)	-	-	1	-	1
	275,165	51,844	(888)	-	54,967	271,154	326,121

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
As of June 30, 2015
AMOUNTS IN THOUSANDS

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Deferred reinsurance premium	24,059	-	-	-	(1,917)	22,141
Deferred acquisition cost	25,641	-	-	-	(3,246)	22,395
Deferred input tax	9,697	-	-	-	(586)	9,111
	59,397	-	-	-	(5,749)	53,648

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
As of June 30, 2015

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under the caption "Current Portion of long-term debt" in related balance sheet	Amount shown under the caption "Long-Term Debt" in related balance sheet
<div data-bbox="719 523 1543 592" style="border: 2px solid black; padding: 5px; display: inline-block;">NOT APPLICABLE</div>			

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
As of June 30, 2015
AMOUNTS IN THOUSANDS

Name of Related Party	Balance at beginning of period	Balance at end of period
NOT APPLICABLE		

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of June 30, 2015
AMOUNTS IN THOUSANDS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
<div data-bbox="958 584 1489 639" style="border: 1px solid black; padding: 5px; display: inline-block;">NOT APPLICABLE</div>				

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
As of June 30, 2015

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held Directors, officers and employees	Number of shares held by Others
COMMON SHARES	2,400,000,000					
ISSUED		1,882,302,383		745,306,218	49,190,281	
SUBSCRIBED		484,847,000				
		2,367,149,383				

INDEX TO EXHIBITS
Form 17 - A

Exhibit Number	Page No.
(3) Plan of Acquisition, Reorganization, Arrangements, Liquidation or Succession	*
(5) Instruments Defining the Rights of Security Holders, including Indentures	*
(8) Voting Trust Agreement	*
(9) Material Contracts	*
(10) Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13) Letter re Change in Certifying Accountant	*
(16) Report Furnished to Security Holders	*
(18) Subsidiaries of the Registrant	138
(19) Published Report regarding Matters Submitted to Vote of Security Holders	*
(20) Consent of Experts and Independent Counsel	*
(21) Power of Attorney	*
(29) Additional Exhibit	*

* These Exhibits are either not applicable to the Company or require no answer.

Exhibit (18)
Subsidiaries of the Registrant

As of 30 June 2015, POPI has the following wholly-owned subsidiaries:

Name	Jurisdiction
Orion Land Inc.	Philippines
Tutuban Properties, Inc.	Philippines
TPI Holdings Corporation	Philippines
Orion Property Development, Inc.	Philippines
Orion Beverage, Inc.	Philippines
22Ban Marketing, Inc.*	Philippines
Orion I Holdings Philippines, Inc.	Philippines
Lepanto Ceramics, Inc.	Philippines
Orion Solutions, Inc.	Philippines
OE Holdings, Inc.	Philippines
Orion Maxis Inc.	Philippines

*inactive

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A. BOARD MATTERS

1) *Board of Directors*

<i>Number of Directors per Articles of Incorporation:</i>	seven (7)
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<i>Actual Number of Directors for the Year</i>	seven (7)
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(a) *Composition of the Board*

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (If ID, state the relationship with the nominator.)	Date first elected	Date last elected (If ID, state the number of years served as ID)	Elected when (Annual/Special Meeting)	No. of Years served as director
Felipe U. Yap	NED	N/A	Mina Infante	23 Nov. 1993	2-Dec-2014	Annual Meeting	21
David C. Go	NED	N/A	Mina Infante	30 Aug. 1989	- do -	- do -	25
Yuen Po Seng	ED	N/A	Mina Infante	23 Nov. 1995	- do -	- do -	19
Daisy L. Parker	ED	N/A	Mina Infante	20 Feb. 2001	- do -	- do -	13
Ronald P. Sugapong	ED	N/A	Mina Infante	20 Dec. 2007	- do -	- do -	7
Victor C. Say	ID	N/A	Mina Infante (no relation to Mr. Say)	30 Aug. 1989	- do - (5 years served as ID- first elected as ID in Oct. 2009)	- do -	25
Ricardo J. Romulo	ID	N/A	Mina Infante (no relation to Atty. Romulo)	6 Nov. 1997	-do- (12 years served- first elected as ID in March 2002)	-do-	17

(b) *Provide a brief summary of the corporate governance policy that the Board of Directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.*

Section 3 of the Company's Revised Manual on Corporate Governance (revised as of July 2014) (the "Manual") provides:

"The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore

undertake every effort necessary to create awareness within the organization as soon as possible.

All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the Corporation.”

Pursuant to the foregoing, Section 4.2.1.7 of the Manual mandates the Board of Directors to, among others “formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board” and “establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation.”

In line with the policy on transparency, Section 7.2 of the Manual states:

“The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets.

All material information, i.e., anything that could potentially adversely affect the viability of the Corporation or interests of the stockholders shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.”

Further, Section 4.2.1.8 of the Manual mandates directors to immediately disclose an actual or potential conflict of interest and to refrain from the decision-making process thereon.

The Manual likewise reflects the Corporation’s policy of recognizing and respecting the rights of its minority shareholders, as it provides for cumulative voting, power of inspection of corporate books and records, the right to periodic reports, dividends, and the right of appraisal. In addition, Section 8.1.8 of the Manual states:

“Although all stockholders should be treated equally or without discrimination, the Board should, as far as practicable, give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. The Board shall determine which matters are proper for inclusion in the agenda for stockholders’ meetings.”

(c) *How often does the Board review and approve the vision and mission?*

The Board reviews and approves the Corporation’s vision and mission as may be necessary in response to the changing business environment. The Corporation’s vision and mission was last reviewed in 2010.

(d) *Directorships in Other Companies*

(i) *Directorship in the Company’s Group*

Identify, as and if applicable, the members of the Company's Board of Directors who hold the office of director in other companies within its Group.

Director's Name	Company Name of the Group Company	Type of Directorship (Executive (E), Non-Executive (NE), Independent (ID))
Felipe U. Yap	FLT Prime Insurance Corporation	NE
	Orion Land Inc.	NE
	Tutuban Properties, Inc.	NE
	Orion I Holdings Philippines, Inc.	NE
	Orion Property Development, Inc.	NE
David C. Go	OE Holdings, Inc.	NE
	Orion Maxis Inc.	NE
	Orion Property Development, Inc.	E
	Orion Beverage, Inc.	E
	Orion Land Inc.	E
	Tutuban Properties, Inc.	E
	TPI Holdings Corporation	E
	ZHI Holdings, Inc.	NE
	Orion I Holdings Philippines, Inc.	NE
	Orion Solutions, Inc.	NE
Yuen Po Seng	Orion I Holdings Philippines, Inc.	E
	FLT Prime Insurance Corporation	E
	ZHI Holdings, Inc.	E
	Orion Solutions, Inc.	E
	Orion Land Inc.	NE
	Tutuban Properties, Inc.	NE
	Orion Property Development, Inc.	NE
	TPI Holdings Corporation	NE
	BIB Aurora Insurance Brokers, Inc.	E
	OE Holdings, Inc.	NE
	Orion Maxis Inc.	NE
	Orion Beverage, Inc.	NE
Ronald P. Sugapong	Orion Land Inc.	E
	Tutuban Properties, Inc.	E
	Orion Property Development, Inc.	E
	Orion I Holdings Philippines, Inc.	E
	TPI Holdings Corporation	E
	ZHI Holdings, Inc.	E
	Orion Beverage, Inc.	E
	Orion Solutions, Inc.	E
	22Ban Marketing, Inc.	E
	OE Holdings, Inc.	E
Orion Maxis Inc.	E	
Daisy L. Parker	Orion Land Inc.	E
	Tutuban Properties Inc.	E
	Orion Property Development, Inc.	E
	TPI Holdings Corporation	E
	Orion I Holdings Philippines, Inc.	E
	Orion Beverage, Inc.	E
	FLT Prime Insurance Corporation	E
	BIB Aurora Insurance Brokers, Inc.	E
	Orion Solutions, Inc.	E
	ZHI Holdings, Inc.,	E
22Ban Marketing, Inc.	E	

	OE Holdings, Inc.	E
Ricardo J. Romulo	FLT Prime Insurance Corporation	ID

(ii) *Directorship in Other Listed Companies*

Identify, as and if applicable, the members of the Company's Board of Directors who are also directors of publicly-listed companies outside of its Group.

Director's Name	Name of Listed Company	Type of Directorship (Executive (ED), Non-Executive (NED), Independent (ID)). Indicate if director is also Chairman
1. Felipe U. Yap	a. Lepanto Consolidated Mining Company	ED – Chairman
	b. Manila Mining Corporation	ED – Chairman
	c. Zeus Holdings, Inc.	NED – Chairman
2. Yuen Po Seng	a. Zeus Holdings, Inc.	ED
	b. Cyber Bay Corporation	NED
3. Ronald P. Sugapong	Zeus Holdings, Inc.	ED
4. Daisy L. Parker	Zeus Holdings, Inc.	ED
5. Ricardo J. Romulo	a. Cebu Air, Inc.	NED – Chairman
	b. JG Summit Holdings, Inc.	NED
	c. SM Development Corporation	ID

(iii) *Relationship within the Company and its Group*

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the Company and/or in its group.

Director's Name	Name of the Significant Shareholder	Description of the relationship
Felipe U. Yap	Lepanto Consolidated Mining Company (LCMI)	Chairman of LCMI
David C. Go	David Go Securities Corporation (DGSC)	Shareholder/Corporate Nominee of DGSC
Yuen Po Seng	Genez Investments Corporation (GIC)	Shareholder/Director of GIC
Daisy L. Parker	GIC	Corporate Secretary of GIC

(iv) *Has the Company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly-listed companies imposed and observed? If yes, briefly describe other guidelines.*

Section 4.2.1.3 of the Manual provides:

“The Board may consider the adoption of guidelines on the number of directorships that its members can hold. The optimum number of

directorships should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.”

Further, Section 4.2.2.1.3 of the Manual provides:

“The CEO and other executive directors may submit themselves to a low indicative limit on membership in other corporate boards. The same low limit may apply to independent, non-executive directors who serve as full time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.”

The members of the Board have not exceeded the limit of five board seats in other publicly-listed companies.

(c) *Shareholding in the Company*

Complete the following table on the members of the Company's Board of Directors who directly and indirectly own shares in the Company.

Name of Director	Number of Direct Shares	Number of Indirect Shares/Through (name of record owner)	% of capital stock
Felipe U. Yap	3,010,000	0	0.127%
David C. Go	16,000,000	6,200,000 (David Go Securities Corp.)	0.938%
Yuen Po Seng	1	0	0%
Ronald P. Sugapong	50,000	35,429 (UCPB Securities Inc.)	0.004%
Daisy L. Parker	283,400	0	0.012%
Victor C. Say	21,500,000	2,000,000 (Cualoping Securities, Inc.)	0.993%
Ricardo J. Romulo	1	0	0%

2) *Chairman and CEO*

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and the CEO:

Chairman of the Board	Felipe U. Yap
CEO/President	Yuen Po Seng

(b) *Roles, Accountabilities and Deliverables*

Define and clarify roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	1) Preside at all meetings of the stockholders and directors and exercise such other powers and	1) In the absence or incapacity of both the Chairman and Vice Chairman, preside at meetings of

	<p>perform such other duties as are incident to his office or assigned to him by the Board of Directors from time to time</p> <p>2) Submit an annual report of the operation of the Corporation to the stockholders at the annual meeting, and to the Board of Directors, such statements, reports, memorandum and accounts as the latter may request from time to time, unless the President delivers such annual report himself.</p> <p>3) Sign stock certificates</p> <p>4) Perform such other duties as may be incident to his office or assigned to him by the Board from time to time.</p>	<p>the stockholders or the Board of Directors.</p> <p>2) Exercise general management and supervision of the affairs of the Corporation, except as otherwise prescribed by the Board.</p> <p>3) In the absence of the Chairman, submit an annual report of the operation of the Corporation to the stockholders at their annual meeting, and to the Board of Directors, such statements, reports, memoranda and accounts as the latter may request from time to time.</p> <p>4) Sign stock certificates, as he may be authorized by the Board.</p>
Accountabilities	<p>1) Meetings of the Stockholders and Board of Directors</p> <p>2) Dissemination of material information to the Stockholders and the Board of Directors</p> <p>3) Responsible for matters as may be assigned to him by the Board</p>	<p>1) Meetings of the Stockholders and Board of Directors in the absence of the Chairman and Vice-Chairman</p> <p>2) Dissemination to the Stockholders and the Board of Directors of information on the status of the affairs/operations of the Company.</p>
Deliverables	<p>Proper conduct of meetings of the Stockholders and Board of Directors.</p>	<p>1) Proper conduct of meetings of the Stockholders and Board of Directors in the absence of the Chairman and Vice-Chairman.</p> <p>2) Ensure that the Corporation is geared towards the attainment of its vision and mission</p> <p>3) Profitable business operations in accordance with policies laid down by the Board of Directors.</p> <p>4) Report to the Board the results of the Corporation's operations</p>

3) *Explain how the Board of Directors plans for the succession of CEO/Managing Director/President and the top key management positions.*

The key officers are chosen based on their qualifications and competencies after due evaluation by the Board. The Human Resources Department (HRD) of the Corporation is tasked to develop a plan for succession of top key management positions.

4) *Other Executive, Non-Executive and Independent Directors*

Does the Company have a policy of ensuring diversity of experience and background of directors in the Board? Please explain.

The Corporation's Board of Directors is composed of a diverse mix of individuals – with accounting, legal or business background, consistent with its policy to ensure diversity of experience and background of directors.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. Section 4.2.1.5 of the Manual requires the Company's directors to have a practical understanding of the Corporation or relevant business experience. In addition Section 4.2.1.8 (v) of the Manual requires directors to have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-laws, the requirements of the Commission and other regulatory agencies, to be able to meaningfully contribute to the work of the Board.

The independent director, Mr. Victor C. Say is the Chairman of Onetree Holdings, Inc., a holding company with purpose similar to that of the Company. Mr. Say was formerly connected with a securities broker company and is familiar with requirements of listed companies.

The independent director, Atty. Ricardo J. Romulo, has extensive experience as director of holding companies as he is currently a director of a listed holding company, JG Summit Holdings, Inc.; he used to be a director of another listed company, SM Development Corporation, for many years.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors

	Executive	Non-Executive	Independent Director
Role	Manage the operations of the Company in accordance with policies and principles laid down by the Board and ensure that the Board lays down policies and makes business decisions that are sound, sustainable, and compliant with the principles of good corporate governance and applicable laws.	Ensure that the Board lays down policies and makes business decisions that are sound, sustainable, and compliant with the principles of good corporate governance and applicable laws and regulations.	Provide an independent and objective voice in the deliberations of the Board, guided by principles of good corporate governance and applicable laws and regulations.
Accountabilities	Compliance with principles of good governance and formulation of sound business strategies and policies. Wise and profitable use of Company resources, bearing in mind the	Compliance with principles of good governance and formulation of sound business strategies and policies.	Compliance with principles of good governance and formulation of sound business strategies and policies.

	interest of the Company's stockholders.		
Deliverables	Religious attendance in Board meetings and effective participation therein leading to sound, responsive and appropriate business strategies and policies. Profitable operations, and sustained competitiveness.	Religious attendance in Board meetings and effective participation in the deliberations therein, leading to sound, responsive and appropriate business strategies and policies.	Religious attendance in Board meetings and effective, objective, and independent participation in the deliberations therein, leading to sound, responsive and appropriate business strategies and policies.

Provide the Company's definition of "independence" and describe the Company's compliance to the definition.

Under Article III, Section 2 of the Corporation's By-laws:

"An independent director shall hold no interests or relationships with the company that may hinder his independence from the company or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director."

The current independent directors of the Corporation have no interests or relationships with the Corporation which may hinder their independence or interfere with their exercise of independent judgment. The different views and opinions expressed by the directors during the meetings are considered.

Does the Company have a term limit of five consecutive years for independent directors? If after two years, the Company wishes to bring back an independent director who had served for five years, does it limit the term for no more than additional four years? Please explain.

The Corporation follows the Securities and Exchange Commission (SEC) Memorandum Circular No. 9, Series of 2011 (which took effect on 2 January 2012) which set a term limit for independent directors – five years starting 2 January 2012, two years 'cooling off' period and re-election for another five years.

5) *Changes in the Board of Directors (Executive, Non-Executive, and Independent Directors)*

(a) *Resignation/Death/Removal*

Indicate any changes in the composition of the Board of Directors that happened during the period:

There were no changes in the composition of the Board of Directors in the fiscal year 2013-2014. All the directors were re-elected for FY 2014-2015.

(b) *Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension*

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors.

Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure.

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors (ii) Non-Executive Directors	Candidates for directorships are pre-screened by the Nomination Committee. The directors are elected during the Annual Stockholders Meeting, and appointed to executive positions, if any, during the Organizational Meeting that immediately follows.	The Nomination Committee is guided by the Manual and Sec. 27 of the Corporation Code in determining the qualifications and disqualifications (permanent or temporary) of nominees to the Board of Directors.
(iii) Independent Directors	The Nomination Committee receives the nomination letters for the independent directors from stockholders and pre-screens them. Pursuant to the By-laws, 5 regular directors and 2 independent directors who receive the highest number of votes from the stockholders present (in person or by proxy) during the annual stockholders' meeting are elected for a period of one (1) year and shall serve until the election and acceptance of their duly qualified successors,.	The independent directors may hold office provided he possesses all of the qualifications and none of the disqualifications provided in the Corporation's By-laws and Manual for a period of five (5) consecutive years. Thereafter, he may be re-elected as independent director for another five (5) years after a two-year cooling-off period.
b. Re-appointment		
(i) Executive Directors	Same as (a) above	Same as above
(ii) Non-executive Directors	The non-executive directors are elected by the stockholders	
(iii) Independent Directors	The independent directors are elected by the stockholders	
c. Permanent Disqualification		
(i) Executive Directors (ii) Non-executive Directors (iii) Independent Directors	The Nomination Committee passes upon the qualifications of the directors as provided in the Manual.	The grounds for disqualification are set forth in the Manual and other applicable issuances of the SEC and provisions of the Corporation Code
d. Temporary Disqualification		
(i) Executive Directors (ii) Non-executive Directors (iii) Independent Directors	Same as (a) above	Same as above
e. Removal		
(i) Executive Directors (ii) Non-Executive	As provided in the Manual and in accordance with Section 28	The stockholders may remove directors with or

Directors	of the Corporation Code, any director may be removed from office by the vote of stockholders holding or representing two thirds (2/3) of the members entitled to vote at a regular or special meeting duly called for the purpose, after due notice to the stockholders of the intention to propose such removal at the meeting.	without cause; Provided that removal without cause may not be used to deprive the minority stockholders of the right of representation to which they may be entitled (Section 8.1.2.3 of the Manual and Section 24 of the Corporation Code)
(iii) Independent Directors	In addition to the above, an independent director may be removed if he possesses any of the grounds for disqualification.	The grounds for disqualification are provided in the Manual and the issuances of the SEC and provisions of the Corporation Code.
f. Re-instatement		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	Same as (a) above.	
g. Suspension		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	No definite process for suspension of directors has been set.	No criteria set for suspension of directors.

Voting Result of the last Annual Stockholders' Meeting (ASM)

Name of Director	Votes Received
Felipe U. Yap	1,601,618,444
David C. Go	1,601,618,444
Yuen Po Seng	1,601,618,444
Ronald P. Sugapong	1,601,618,444
Daisy L. Parker	1,601,618,444
Victor C. Say	1,601,618,444
Ricardo J. Romulo	1,601,618,444

6) *Orientation and Education Program*

(a) *Disclose details of the Company's orientation program for new directors, if any.*

As provided in Section 6.2 of the Manual, a director shall, before assuming such position, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

(b) *State any in-house training and external courses attended by Directors and Senior Management* for the past three (3) years.*

Director	Date	Forum/Seminar/Course
Felipe U. Yap	10-12 Feb. 2015	Citi Asia Pacific Investor Conference
David C. Go	26 Sept. 2013	Customer Experience Management

Yuen Po Seng	28 January 2015	PCCI Securities 2015 Outlook
	5 Nov. 2014	Customer Experience Management
	25 Sept. 2014	Customer Experience Management
	26 Sept. 2013	Customer Experience Management
	9 May 2013	Unleash the Highest Potential of Your Work
	12 Dec. 2012	Advancing Together for Progress
Daisy L. Parker	21 Jan. 2015	Key Performance Indicators Coaching
	5 Nov. 2014	Customer Experience Management
	25 Sept. 2014	Customer Experience Management
	26 Sept. 2013	Customer Experience Management
	9 May 2013	Unleash the Highest Potential of Your Work
Ricardo J. Romulo	20 May 2015	Earthquake Resilience: Collaboration and Coordination in Preparedness and Response
	26 Mar. 2015	Investing in Judicial Reform
	4 Feb. 2015	Rising Sun: Specific Policy Options for the Philippines and United States
	30 Jan. 2015	Global Challenges and US-Philippines Relations: Views from Washington
	22 Jan. 2015	The Harvard Asia Center and the Harvard University's Growing Engagement in Southeast Asia
Ronald P. Sugapong	26 May 2015	Towards One Vision
	21 Jan. 2015	Key Performance Indicators Coaching
	5 Nov. 2014	Customer Experience Management
	25 Sept. 2014	Customer Experience Management
	26 Sept. 2013	Customer Experience Management
	9 May 2013	Unleash the Highest Potential of Your Work
	12 Dec. 2012	Advancing Together for Progress

*Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
David C. Go	28 August 2015	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc. (ROAM)
Yuen Po Seng	28 August 2015	Corporate Governance	ROAM
Daisy L. Parker	24 July 2015	Corporate Governance	ROAM
	25 June 2015	ASEAN Corporate Governance Scorecard (Orientation for Directors of Insurance Companies)	Institute of Corporate Directors (ICD)
	23 April 2015	SEC Corporate Governance Workshop on the ASEAN Corporate Governance Scorecard for Publicly-Listed Companies	Securities and Exchange Commission

	27 March 2015	ASEAN Corporate Governance Scorecard	ICD
Victor C. Say	28 August 2014	Corporate Governance	ROAM
Ronald P. Sugapong	24 July 2015	Corporate Governance	ROAM
Ricardo J. Romulo	8,9,15,16,22 May 2015	Mandatory Continuing Legal Education	UP Law Center Institute for Judicial Administration of Justice

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the Company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should consider resigning from his position. A conflict of interest is considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company. (Sec. 4.2.1.8 (i) of the Manual; Sec. 2.1, Conflict of Interest Policy)</p> <p>The Company has adopted a Full Business Interest Disclosure Form which the directors have to accomplish upon election.</p>	<p>The Corporation's Employees' Policy Manual prohibits an officer or employee from engaging in any activity or entering into any transaction where a potential conflict of interest may arise.</p> <p>The Company has adopted a Full Business Interest Disclosure Form to be accomplished by incoming officers as part of pre-employment requirements which includes, among others, a declaration under the penalty of perjury of all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired. (Sec. 4.2.2.2 of the Manual)</p> <p>An officer should not use his position to profit or gain some benefit or advantage for himself or his</p>	<p>The Corporation's Employees' Policy Manual prohibits an officer or employee from engaging in any activity or entering into any transaction where a potential conflict of interest may arise.</p> <p>An employee is expected to exercise corporate citizenship and protect corporate interest by conducting business affairs in fairness, honesty or in compliance with the law. He shall not use his position to profit or gain some benefit or advantage for himself or his related interests. (Sec. 2.2, Conflict of Interest Policy; Sec. 2.3 Related Party Transactions Policy)</p> <p>An employee should not engage, participate or involve oneself directly or indirectly in any transaction, undertaking or business enterprise where such engagement,</p>

	<p>The Company follows the provisions of Sections 32 and 33 of the Corporation Code on dealings of directors and officers. (Secs. 2.1 and 2.2, <i>Related Party Transactions Policy</i>)</p>	<p>related interests. He should avoid situations which may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of an officer, he should immediately disclose it and should not participate in the decision-making process. An officer who has a continuing material conflict of interest should consider resigning from his position. (Sec. 2.1, <i>Conflict of Interest Policy</i>)</p> <p>An employee is expected to exercise corporate citizenship and protect corporate interest by conducting business affairs in fairness, honesty and in compliance with the law. He shall not use his position to profit or gain some benefit or advantage for himself or his related interests. (Sec. 2.2 <i>Conflict of Interest Policy</i>; Sec. 2.3, <i>Related Party Transactions Policy</i>)</p>	<p>participation or involvement is in conflict with, or is improper or undesirable to the interest of the Company. (Sec. 2.3, <i>Related Party Transactions Policy</i>)</p>
(b) Conduct of Business and Fair Dealings	<p>A director should not use his position to profit or gain some benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality. (Sec. 4.2.1.8 (i) of the <i>Manual</i>)</p>	<p>The Corporation's Employees' Policy Manual prohibits an officer or employee from using his position to profit or gain benefit or advantage for himself or related interests.</p>	<p>The Corporation's Employees' Policy Manual prohibits an officer or employee from using his position to profit or gain benefit or advantage for himself or related interests.</p>
(c) Receipt of gifts from third parties		<p>The Corporation's Employees' Policy Manual regulates the receipt of officers and employees of exorbitant gifts.</p>	<p>The Corporation's Employees' Policy Manual regulates the receipt of officers and employees of exorbitant gifts.</p>

		He should exercise utmost discretion in accepting personal favor or gifts from individuals or entities seeking to do business with the Corporation and refuse gifts that may be considered as a form of bribery of any form. (Sec. 2.2, <i>Conflict of Interest Policy</i>)	He should exercise utmost discretion in accepting personal favor or gifts from individuals or entities seeking to do business with the Corporation and refuse gifts that may be considered as a form of bribery of any form. (Sec. 2.2, <i>Conflict of Interest Policy</i>)
(d) Compliance with Laws and Regulations	The Board shall ensure that the Company complies with all relevant laws, regulations and codes of business practices. (Sec. 4.2.1.7 (c) of the <i>Manual</i>)	The Corporation's Employees' Policy Manual provides that the officers and employees of the Corporation shall comply with the laws and regulations and codes of business practices.	The Corporation's Employees' Policy Manual provides that the officers and employees of the Corporation shall comply with the laws and regulations and codes of business practices.
(e) Respect for Trade Secrets/Use of Non-Public Information	A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position. He should not reveal confidential information to unauthorized persons without the authority of the Board. (Sec. 4.2.1.8 (vi) of the <i>Manual</i>) Directors, officers and employees of the Company who in the course of their work or relationship with the Company which have not been disclosed to the public, including information likely to affect the market price of the Company's securities, are prohibited from buying or selling the Company's securities. Material Information refer to: (1) such information necessary	The Corporation's Employees' Policy Manual requires officers and employees to respect trade secrets/use of non-public information. Directors, officers and employees of the Company who in the course of their work or relationship with the Company which have not been disclosed to the public, including information likely to affect the market price of the Company's securities, are prohibited from buying or selling the Company's securities. Material Information refer to: (1) such information necessary to enable the Company and general public to	The Corporation's Employees' Policy Manual requires officers and employees to respect trade secrets/use of non-public information. Directors, officers and employees of the Company who in the course of their work or relationship with the Company which have not been disclosed to the public, including information likely to affect the market price of the Company's securities, are prohibited from buying or selling the Company's securities. Material Information refer to: (1) such information necessary to enable the Company and general public to appraise their position and standing; (2) such information

	to enable the Company and general public to appraise their position and standing; (2) such information necessary to avoid a false market; and (3) such information which may reasonably be expected to affect market activity and price of the Company's securities. (Secs. 1 and 2.1 (b), Insider Trading Policy of POPI)	appraise their position and standing; (2) such information necessary to avoid a false market; and (3) such information which may reasonably be expected to affect market activity and price of the Company's securities. (Secs. 1 and 2.1 (b), Insider Trading Policy of POPI)	necessary to avoid a false market; and (3) such information which may reasonably be expected to affect market activity and price of the Company's securities. (Secs. 1 and 2.1 (b), Insider Trading Policy of POPI)
(f) Use of Company Funds, Assets, and Information	A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness (Sec. 4.2.1.8 of the Manual.)	The Management is tasked to formulate, under the supervision of the Audit Committee, a system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company.	The Corporation's Employees' Policy Manual provides guidelines for the handling of company property. The Employees Handbook prescribes penalties for use of company tools, materials and equipment without authorization, as well as for theft or robbery of company property and funds
(g) Employment & Labor Laws & Policies	The Board shall ensure that the Company complies with all relevant laws, regulations and codes of business practices, including labor laws.	Management ensures that Company benefits and employee policies are compliant with the Labor Code and other relevant laws.	Employee benefits are compliant with the Labor Code
(h) Disciplinary Action	Section 4.2.1.6(2) of the Manual provides for grounds for temporary disqualification of directors.	The Corporation's Employees' Policy Manual and Code of Ethics enumerate the grounds for, and nature of, disciplinary action covering officers and employees.	The Corporation's Employees' Policy Manual and Code of Ethics enumerate the grounds for, and nature of, disciplinary action covering officers and employees.
(i) Whistle Blower	The Corporation's Policy on Whistle Blowing provides for the grounds and procedure for reporting suspected misconduct or irregularities in the	The Corporation's Policy on Whistle Blowing provides for the grounds and procedure for reporting suspected misconduct or irregularities in the	The Corporation's Policy on Whistle Blowing provides for the grounds and procedure for reporting suspected misconduct or irregularities in the

	<p>Corporation. The policy aims to encourage directors, officers, employees, suppliers, business partners, contractors and subcontractors to come forward and report serious concerns about any suspected misconduct, malpractice, irregularity or a risk involving the Company.</p> <p>The Whistle-blower will be protected from reprisals, harassment, victimization, or unwarranted disciplinary action, unfair dismissal even if the concerns raised turned out to be unsubstantiated, as long as the report is made in good faith believing the disclosure to be true and is not made maliciously or for personal gain.</p> <p>The Corporation reserves the right to take appropriate actions against anyone who initiates or threatens to retaliate against those who have raised concerns under this Policy.</p>	<p>Corporation. The policy aims to encourage directors, officers, employees, suppliers, business partners, contractors and subcontractors to come forward and report serious concerns about any suspected misconduct, malpractice, irregularity or a risk involving the Company.</p> <p>The Whistle-blower will be protected from reprisals, harassment, victimization, or unwarranted disciplinary action, unfair dismissal even if the concerns raised turned out to be unsubstantiated, as long as the report is made in good faith believing the disclosure to be true and is not made maliciously or for personal gain.</p> <p>The Corporation reserves the right to take appropriate actions against anyone who initiates or threatens to retaliate against those who have raised concerns under this Policy.</p>	<p>Corporation. The policy aims to encourage directors, officers, employees, suppliers, business partners, contractors and subcontractors to come forward and report serious concerns about any suspected misconduct, malpractice, irregularity or a risk involving the Company.</p> <p>The Whistle-blower will be protected from reprisals, harassment, victimization, or unwarranted disciplinary action, unfair dismissal even if the concerns raised turned out to be unsubstantiated, as long as the report is made in good faith believing the disclosure to be true and is not made maliciously or for personal gain.</p> <p>The Corporation reserves the right to take appropriate actions against anyone who initiates or threatens to retaliate against those who have raised concerns under this Policy.</p>
(j) Conflict Resolution	Conflicts are resolved by the Board as a body in accordance with the voting requirements provided in the Corporation Code and applicable laws	Conflicts are resolved through meetings/discussions of concerned parties.	Conflicts are resolved through meetings/discussions of concerned parties. Conflicts are brought to the immediate manager of the parties or to the HRD for resolution.

2) *Has the code of ethics or conduct been disseminated to all directors, senior management and employees?*

The Corporation's Code of Ethics and Employees' Policy Manual have been disseminated to the senior management and employees to formally adopt a code of ethics. The Corporation's Corporate Governance Manual (revised as of July 2014) has been disseminated to the Board of Directors and at least one (1) hard copy of the Manual has been distributed to each department.

- 3) *Discuss how the Company implements and monitors compliance with the code of ethics or conduct.*

The Corporation's HRD implements and monitors compliance by the senior management and employees with the Code of Ethics. The Corporation's Compliance Officer implements and monitors compliance by the Board of Directors with the Manual. The HRD is presently reviewing the Code of Ethics.

- 4) *Related Party Transactions*

(a) *Policies and Procedures*

Describe the Company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the Company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Section 4.2.1.7 of the Manual mandates the Board of Directors to formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board. In addition, Section 7.2 of the Manual mandates the public disclosure of all material information, including related party transactions. On 2 December 2014, the Board of Directors approved the Related Party Transactions Policy of the Company.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Corporation has no parent company.
(2) Joint Ventures	The Corporation has no joint venture transactions at present.
(3) Subsidiaries	Transactions with subsidiaries are on arm's length basis similar to those with non-related parties. Transactions are reviewed and approved by the CEO.
(4) Entities Under Common Control	Transactions with entities under common control are on arm's length basis. Transactions are reviewed and approved by the CEO.
(5) Substantial Stockholders	Transactions with substantial stockholders are on an arm's length basis similar to those with non-related parties. Transactions are reviewed and approved by the CEO
(6) Officers including spouse/ children/siblings/parents	Transactions with officers are on arm's length basis similar to those with non-related parties. Officers disclose their business interests.
(7) Directors including spouse/ children/siblings/parents	Transactions with directors are on arm's length basis. Notice of related party transactions are to be given to the Board, which would review the same and decide whether to approve ratify or disapprove the same.

<p>(8) Interlocking director relationship of Board of Directors</p>	<p>Transactions with interlocking directors are to be disclosed and are on an arm's length basis. Notice of related party transactions are to be given to the Board, which would review the same and decide whether to approve, ratify or disapprove the same.</p> <p>Pursuant to Section 33 of the Corporation Code of the Philippines, except in cases of fraud, and provided the contract is fair and reasonable under the circumstances, a contract between the Company and another corporation having interlocking directors shall not be invalidated on that ground alone, provided, that if the interest of the interlocking director in one corporation is substantial and his interest in the other corporation is merely minimal, he shall be subject to the provisions of Section 32 of the Corporation Code insofar as the latter corporation is concerned. (Stockholdings exceeding 20% of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.)</p> <p>Section 32 of the Corporation Code provides that a contract of the Company with one or more of its directors is voidable, at the option of the Company unless all of the following conditions are present:</p> <ol style="list-style-type: none"> a. The presence of such director in the Board meeting in which the contract was approved was not necessary to constitute a quorum for said meeting; b. The vote of such director was not necessary for the approval of the contract; c. The contract is fair and reasonable under the circumstances; d. In the case of an officer, the contract with the officer has been previously authorized by the Board. <p>When any of the first 2 conditions is absent, in the case of a contract with a director, such contract may be ratified by the vote of the stockholders representing 2/3 of the outstanding capital stock in a meeting called for the purpose; provided that full disclosure of the adverse interest of the directors involved is made at such meeting; provided further, that the contract is fair and reasonable. (Secs. 2.1 and 2.2, Related Party Transactions Policy of the Company)</p>
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- (b) *Conflict of Interest*
 (i) *Directors/Officers and 5% or more Shareholders*

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

There is no known actual or probable conflict of interest in which directors/officers and 5% or more shareholders may be involved.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the Company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Full Business Interest Disclosure Form
Group	Full Business Interest Disclosure Form

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family, commercial contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the Company.

There is no known relation of a family, commercial or business nature that exists between the holders of significant equity.

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the Company.

There is no known relation of a commercial, contractual or business nature that exists between the holders of significant equity and the Company.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the Company.

There is no shareholder agreement at this time involving the Company's shares of stock.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the Company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution (ADR) System
Corporation & Stockholders	There were no conflicts with stockholders which the Corporation had to settle within the last three (3) years.
Corporation & Third Parties	There were no conflicts or differences with third parties which had to be settled by the Corporation within the last three (3) years.
Corporation & Regulatory Authorities	There were no conflicts with regulatory agencies which the Corporation had to settle within the last three (3) years.

C. BOARD MEETINGS AND ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The Board of Directors' meetings are scheduled at the beginning of the year and the schedule is sent by email to the directors. For CY 2014, the schedule of the Board meetings was as follows: 18 February 2014, 13 May 2014, 2 October 2014, 13 November 2014 and 2 December 2014.

For CY 2015, the schedule of Board meetings is as follows:

13 February 2015
 6 May 2015
 6 October 2015
 28 October 2015
 2 December 2015

2) *Attendance of Directors*

Board	Name	Date of Election	No. of Meetings Held During the FY	No. of Meetings Attended	%
Chairman	Felipe U. Yap	2 December 2014	12	11	92
Member	David C. Go	2 December 2014	12	12	100
Member	Yuen Po Seng	2 December 2014	12	12	100
Member	Ronald P. Sugapong	2 December 2014	12	12	100
Member	Daisy L. Parker	2 December 2014	12	12	100
Independent	Victor C. Say	2 December 2014	12	12	100
Independent	Ricardo P. Romulo	2 December 2014	12	9	75

3) *Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?*

The non-executive directors do not hold separate meetings at this time.

4) *Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.*

The Company follows Section 25 of the Corporation Code, which sets the minimum quorum requirement at majority of the Board of Directors. The same requirement is provided in the Company's By-Laws.

5) *Access to Information*

(a) *How many days in advance are board papers for Board of Directors meetings provided to the Board?*

As much as practicable, documents and resources needed for Board meetings are given to the directors at least five (5) days prior to the date of the meeting.

(b) *Do Board members have independent access to Management and the Corporate Secretary?*

Yes. Section 4.2.6 of the Manual states in part:

"To enable the members of the Board to properly fulfill their duties and responsibilities, management should provide them with complete,

adequate and timely information about the matters to be taken in their meetings.

*Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. **Hence, the members of the Board shall be given independent access to Management and the Corporate Secretary.**" (Emphasis supplied)*

- (c) *State the policy of the role of the Company Secretary. Does such role include assisting the Chairman in preparing the Board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?*

Under Section 4.2.3.4 of the Company's Manual, the Company Secretary has the following duties and responsibilities:

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees as well as official records of the Corporation;
- Be loyal to the mission, vision, and objectives of the Corporation;
- Work fairly and objectively with the Board, Management and stockholders;
- Have a working knowledge of the operations of the Corporation;
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so, and maintain records of the meetings;
- Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the Code, which include the filing with the Commission on the advisement letter on Directors' attendance within five (5) days from the end of the Company's fiscal year and updating of the pertinent portion of the ACGR, and reporting on the attendance of directors and key officers in corporate governance seminar each year; and
- Report/give an update on the attendance of the directors in Board meetings each year.

- (d) *Is the Company Secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.*

Section 4.2.3.3 of the Manual requires the Company Secretary to possess administrative and interpersonal skills, some legal skills (if not the general counsel), and some financial and accounting skills. The Company Secretary, Atty. Daisy L. Parker, is a lawyer by

profession and has extensive administrative and legal experience in her more than twenty years as a corporate lawyer.

(e) *Committee Procedures*

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees.

Yes

No

Committee	Details of Procedure
Executive	The Corporation has no Executive Committee at this time.
Audit (renamed as Audit and Risk Management Committee)	Materials and agenda are given prior to the meeting
Nomination	Materials and agenda are given prior to the meeting
Compensation and Remuneration	Materials and agenda are given prior to the meeting
Other (specify)	Not Applicable

The Company follows the policy on Directors' access to information found in Section 4.2.6 of the Manual, which states:

"To enable the members of the Board to properly fulfill their duties and responsibilities, management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members of the Board shall be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Corporation's expense.

The Corporate Secretary attends meetings of the Board Committees and likewise provides the members thereof with all information and resources needed in preparation for the meetings.

6) *External Advice*

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details.

There is no procedure at present whereby directors can receive external advice. However, directors are free to secure external advice, if they deem such as necessary.

7) *Change/s in existing policies*

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the Company and the reason/s for the change.

The Board of Directors has not recently introduced any policy change.

D. REMUNERATION MATTERS

1) *Remuneration Process*

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers.

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Based on qualifications, tenure, performance and industry practice Yearly merit increase is provided based on the performance of the Group, subject to Board approval	Based on qualifications, tenure, performance and industry practice Yearly merit increase is provided based on the performance of the Group and in accordance with the established annual merit increase, subject to Board approval
(2) Variable remuneration	N/A	N/A
(3) Per diem allowance	Based on company's performance, industry practice and as approved by the Board	Based on industry practice
(4) Bonus	Determined yearly based on the company's performance and individual performance for the year, subject to Board approval	Determined yearly based on the company's performance and individual performance for the year, subject to Board approval
(5) Stock options and other financial instrument	N/A	N/A
(6) Others (specify)	Director's Fee	Director's Fees for executive directors

2) *Remuneration Policy and Structure for Executive and Non-Executive Directors disclose the Company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.*

The Human Resources Department of the Corporation implements the Corporation's policy on remuneration and structure of compensation package.

	Remuneration Policy	Structure of Compensation Package	How compensation is Calculated
Executive Directors	Based on qualification, tenure, performance and industry practice	Fixed compensation and bonus and Director's Fees	Yearly merit increase is provided based on the performance of the Group and in accordance with the established annual merit increase, subject

			to Board approval Director's fees are as may approved by the Board, subject to the By-laws and industry practice.
Non-executive Directors	Based on By-laws	Director's Fees and bonus as may be approved by the Board	As may be approved by the Board

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

The stockholders ratify at the annual stockholders' meeting, all the acts and resolutions of the Management and the Board of Directors, which includes the approval of director's fees.

Remuneration Scheme	Date of Stockholders' Approval
<p>The stockholders granted authority to the Board of Directors to set per diems each year in accordance with the Corporations' By-laws.</p> <p>Subject to the approval of the stockholders, the Board of Directors is authorized to fix the per diems of the directors attending board meetings, executive committee meetings and other committee meetings. The amounts of the per diem shall be guided by reasonableness and industry practice. (Section 10, Article III of the By-laws)</p> <p>An amount equivalent to five percent (5%) of net income before tax in each year shall be paid and distributed at the Board's discretion, to the members of the Board, the Executive Committee and officers of the Corporation (Section 12, Article III of the By-laws)</p>	14 November 2005

3) *Aggregate Remuneration (Amounts in millions)*

Complete the table on the aggregate remuneration accrued during the most recent year (in millions).

Remuneration Item	Executive Directors	Non-Executive Directors (other than Independent Directors)	Independent Directors
(a) Fixed remuneration	<u>P27.03</u>	N/A	N/A
(b) Variable remuneration	N/A	N/A	N/A
(c) Per diem allowance	P2.2	P0.6	P1.3
(d) Bonuses	<u>P7.6</u>	P0.5	P1.0
(e) Stock options and other	N/A	N/A	N/A

financial instrument			
(f) Others (specify)	N/A	N/A	N/A
Total	<u>P36.8</u>	<u>P1.1</u>	<u>P2.3</u>

Other Benefits	Executive Directors	Non-Executive Directors (other than Independent Directors)	Independent Directors
(1) Advances	N/A	N/A	N/A
(2) Credit granted	N/A	N/A	N/A
(3) Pension Plan/s Contributions	N/A	N/A	N/A
(4) Pension Plans., Obligations incurred	N/A	N/A	N/A
(5) Life Insurance Premium	<u>P0.36</u>	N/A	N/A
(6) Hospitalization Plan	P2.4	N/A	N/A
(7) Car Plan	N/A*	N/A	N/A
(8) Others (specify)	N/A	N/A	N/A
Total	<u>P2.76</u>		

*The Company provides a company car to the Executive Directors

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the table, on the members of the Company's Board of Directors who own or are entitled to stock rights, options or warrants over the Company's shares.

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
No member of the Board of Directors owns or is entitled to stock rights, options or warrants over the Company's shares.	N/A	N/A	N/A	N/A

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting.

Incentive Program	Amendments	Date of Stockholders' Approval
Except for the Employees' Stock Option Plan which was approved by the stockholders on 14 December 2009, there were no incentive programs introduced, amended or discontinued. The terms and conditions of the 2009	N/A	N/A

<p>stock option plan have yet to be determined.</p> <p>On 13 August 2015, the Board of Directors approved the Terms and Conditions of the Company's Stock Ownership Plan. A request for exemption from registration of the Plan was filed by the Company on 27 August 2015 with the SEC.</p>		
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5) *Remuneration of Management*

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year.

Name of Officer/Position	Total Remuneration
Ma. Rhodora dela Cuesta/VP-Legal, Asst. Corp. Sec.	P7.06 M
Edwin M. Silang/AVP-Group Human Resources	
Victor V. Rafael/Manager-Corporate and Financial Planning Manager	

E. BOARD COMMITTEES

1) *Number of Members, Functions and Responsibilities*

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Exec. Dir.	Non-Exec. Dir.	Indep. Dir.				
Audit and Risk Management Committee (“Audit and Risk Committee”)	1	1	1	Audit Committee Charter	Assist the Board in the performance of its oversight responsibility over the Company's financial reporting system, internal control system, audit processes and compliance with applicable laws, rules and regulations	1. Financial statements and disclosures 2. Evaluation of internal controls and risk including information technology security 3. Review of internal and external audit 4. Coordinate and monitor compliance with legal and regulatory	Access to records, properties and personnel to enable them to perform audit functions

				<p>Risk Committee Charter</p>	<p>The Board Risk Committee is primarily responsible in providing advice to and assisting the Board in reviewing and recommending the Company's Risk Appetite, the Risk Management Statement and the Risk Management Framework to align with the Company's Risk Appetite and to support business objectives.</p>	<p>requirements</p> <ol style="list-style-type: none"> 1. Ensure that the overall risk management policies and procedures exist for the Company. 2. Review the adequacy of the Company's risk management framework/process. 3. Review the results of the annual risk assessment done by the Chief Risk Officer (CRO)/ Risk Management Officers (RMO), including the risks identified and the risk treatments, their impact on the Company's business. 4. Evaluate the risk assessment and treatment report submitted by the CRO on a periodic basis, which may include existing and identified possible risks faced by the Company and/ or its subsidiaries as well as the risk treatment or action plans adopted by Management. 5. Monitor the Company's implementation of the various 	<p>Access to records, properties and personnel to enable them to review the risk-related issues and to recommend the Risk Appetite and Risk Management Framework of the Company.</p>
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						risk management activities and evaluate the effectiveness of the risk treatments and action plans, with the assistance of the internal auditors. 6. Meet with Management to discuss the Committee's observations and evaluation on its risk management activities.	
Nomination	1	1	1	Nomination Committee Charter	Shortlisting and Evaluation of qualifications of candidates nominated for election to the Board	Evaluation of candidates to the Board	Pre-screens and shortlists candidates for directorships based on the qualifications and disqualification for directors
Remuneration	1	1	1	Compensation and Remuneration Committee Charter	Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing remuneration packages of corporate officers, directors and employees	Develop compensation related policies	Develops and recommends remuneration policies for officers and employees

2) *Committee Members*

(a) *Audit and Risk Committee*

Office	Name	Date of Appointment	No. of Meetings Held during FY	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ricardo J. Romulo	2-Dec-2014	5	4	80	13 years
Member	Victor C. Say	2-Dec-2014	5	5	100	5 years
Member	Ronald P. Sugapong	2-Dec-2014	5	5	100	13 years

Disclose the profile or qualifications of the Audit and Risk Committee members.

Atty. Ricardo J. Romulo is 82 years old and has been an Independent Director of the Company since 2002. A graduate of Harvard Law School, he is the Senior Partner of Romulo Mabanta Buenaventura Sayoc & de Los Angeles Law Offices. Positions in other companies that he currently holds are as follows:

- o Chairman of Cebu Air, Inc. (*listed company*), Federal Phoenix Assurance Co. Inc., Sime Darby Pilipinas, Inc., Towers Watson Philippines, Inc. and Interphil Laboratories, Inc.
- o Director of BASF Philippines, Inc., FLT Prime Insurance Corporation, Honda Philippines, Inc., Johnson & Johnson (Phils.), Inc., Maersk-Filipinas Inc., Zuellig Pharma Corporation, JG Summit Holdings, Inc. (*listed company*), Beneficial Life Insurance Company and MCC Transport Philippines, Inc.

Mr. Victor C. Say is 70 years old and has been an Independent Director of the Company since 2009. A holder of a degree in Business Administration, major in Management, he is the Chairman of Onetree Holdings, Inc, and Director of SEATO Trading Co., Inc., San Juan Enterprises, Inc., Kolin Philippines, Inc., Seven of Us Foods, Inc. and Laview Security Phils., Inc.

Mr. Ronald P. Sugapong, 48 years old, is a Certified Public Accountant, and has been Director and Treasurer of the Company since 2001. Positions in other companies that he currently holds are as follows:

- o Director/Treasurer of Orion Land Inc., Tutuban Properties, Inc., Orion Property Development, Inc., Orion I Holdings Philippines, Inc., TPI Holdings Corporation, ZHI Holdings, Inc., Orion Beverage, Inc., Orion Maxis Inc., Orion Solutions, Inc., 22Ban Marketing, Inc., OE Holdings, Inc., Zeus Holdings, Inc., ZHI Holdings, Inc., Guoman Philippines Incorporated, Guoco Assets (Philippines), Inc., and Hong Way Holdings, Inc.
- o Treasurer of FLT Prime Insurance Corporation and BIB Aurora Insurance Brokers, Inc.

Describe the Audit and Risk Committee's responsibility relative to the external auditor.

Under Section 4.2.2.3.2 of the Manual, the Audit and Risk Committee is tasked to perform oversight functions over the Company's external auditor. Pursuant thereto, prior to the commencement of audit, the Audit and Risk Committee discusses with the external audit the nature, scope and expenses of the audit. The Audit Committee reviews the reports submitted by the external auditor.

(b) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held During the FY	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Felipe U. Yap	2-Dec-14	1	1	100	13 years
Member	Yuen Po Seng	2-Dec-14	1	1	100	13 years
Member	Victor C. Say	2-Dec-14	1	1	100	6 years

(c) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held During the FY	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Felipe U. Yap	2-Dec-14	2	2	100	13 years
Member	Yuen Po Seng	2-Dec-14	2	2	100	13 years
Member	Ricardo J. Romulo	2-Dec-14	2	2	100	13 years

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes.

There was no change in the membership of the Board Committees of the Company during the year.

4) Work Done and Issues Addressed

Describe the work done by each Committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Audit and Risk Management Committee	Prepared and/or presented to the Board of Directors for approval the audited financial statements for Fiscal Year (FY 2014-2015) and the quarterly reports for FY 2014-2015; Conducted self-assessment of the performance of the Audit Committee Recommended the appointment of SGV as external auditors of the Company	There were no issues to be addressed
Nomination Committee	Confirmed the Final List of Nominees for Directors for FY 2014-2015 Approved the Nomination Committee Charter	No issues to be addressed
Compensation and Remuneration Committee	Made recommendations for adjustment of salaries of executives and employees Recommended the director's fee and Board Committee member's fee (for FY 2014-2015)	No issues to be addressed

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

The Board Committees have no list of programs to undertake at this time as there are no new relevant governance issues to be addressed this year.

F. RISK MANAGEMENT PROGRAM

1) *Disclose the following:*

- (a) *Overall risk management philosophy of the Company.*
- (b) *A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof.*
- (c) *Period covered by the review.*
- (d) *How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness.*
- (e) *Where no review was conducted during the year, an explanation why not.*

The risk management policy of the Company is already developed while the implementation of the risk management system which includes identification of the risk exposure, possible risk treatment and control system are still ongoing. The risk management system which is currently being implemented by the different responsible departments within the Company is expected to be completed before the end of fiscal year 2015.

2) *Risk Policy*

(a) *Company*

Give a general description of the Company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk.

Risk Exposure	Risk Management Policy	Objective
N/A	The Company is in the process of identifying possible treatments for risk exposures.	

(b) *Group*

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk.

Risk Exposure	Risk Management Policy	Objective
N/A	The Group's risk management system is being developed. The responsible departments are now identifying possible treatments for risk exposure.	

(c) *Minority Shareholders*

Indicate the principal risk of the exercise of the controlling shareholders' voting power.

The Company implements cumulative voting of directors, prohibits the removal of a director if it would deny the minority shareholders representation in the Board (Section 8.1.2.3 of the Manual), and recognizes the appraisal right of shareholders (Section 8.1.7 of the Manual).

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Company.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
N/A		

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Company.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
N/A		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions.

Committee/Unit	Control Mechanism	Details of its Functions
N/A		

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the Company:

(a) Explain how the internal control system is defined for the Company.

Internal Control system is designed to provide reasonable assurance to the achievement of the objectives on the effectiveness and efficiency of operation, reliability of financial reporting, compliance with applicable laws and regulations, and safeguarding of the assets of the Company. These internal control systems are monitored and evaluated on a regular basis to ensure that they are functioning properly and effectively through a regular review of control environment, risk assessment, control activities, information and communication and monitoring.

Financial and Operational Control

The Company's disclosure controls and procedures include without limitation controls and procedures that are designed to ensure that information required to be disclosed in reports filed or submitted is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our Company's management, including the President and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Compliance

The Company's corporate compliance is managed by the Corporate Secretary and Internal Audit/Compliance Department. This unit endeavors to ensure that our policies, corporate decisions and business activities are done in compliance with prevailing law and regulations, both internal and external. The Company proactively implements compliance policies at the business unit level and the transactional level. Its compliance activities in 2013 included:

- a. Supporting business activities with legal advice by delivering legal opinions on planned actions and issues in relation to their compliance with the applicable laws or regulations (legal advisory);
- b. Conducting a risk and legal review of planned business initiatives, policies and planned cooperation (legal review of business & policy initiatives); and
- c. Settlement of litigation and non-litigation cases (litigation).

Evaluation on the Effectiveness of Internal Audit Management's Report on Internal Control over Financial Reporting

The Company's Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed by, or under the supervision of, our CFO, and executed by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS as issued by the IASB and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS, and that receipts and expenditures of our Company are being made only in accordance with authorizations of management and Directors of our Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our Company's assets that could have a material effect on the Consolidated Financial Statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate.*

Under the supervision and with the participation of the Company's President, Chief Finance Officer and the Group Compliance, management conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as of 30 June 2015. Based on this evaluation, Management has concluded that, as of 30 June 2015, the Company's disclosure controls and procedures were effective.

- (c) Period covered by the review.*

The review covers the period of 1 July 2014 to 30 June 2015.

- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system.*

The internal controls are reviewed annually and based on the reports of the Audit Committee on the audit areas covered during the year.

- (e) *Where no review was conducted during the year, an explanation why not.*
 N/A

2) *Internal Audit*

(a) *Role, Scope and Internal Audit Function*

Give a general description of the role and scope of internal audit work and other details of the internal audit function.

The Internal Audit Function sees to it that the Company's key organizational and procedural controls are effective, appropriate, and complied with, and shall be guided by the International Standards on Professional Practice of Internal Auditing.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting Process
Active	Review and Evaluation of Control Functions- all Subsidiaries	In-house		Reports to President and Audit Committee
Active	Providing Assurance and Internal Consulting Service-All Subsidiaries	In-house		President and CFO
Active	Monitoring and Reporting Application of Control Functions- All Subsidiaries	In-house		President; CFO and Audit Committee

- (b) *Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the Audit and Risk Committee?*

Yes. Section 4.2.2.3.2 of the Manual tasks the Audit and Risk Committee to organize an internal audit department, and consider the appointment of an independent internal auditor and terms and conditions of its engagement and removal.

The Internal Audit Head is appointed and discharged by President and require the approval of the Audit and Risk Committee.

- (c) *Discuss the internal auditor's reporting relationship with the Audit Committee. Does the internal auditor have direct and unfettered access to the Board of Directors and the audit committee and to all records, properties and personnel?*

Sections 4.2.5.2 and 4.2.2.3.2 of the Manual provide that the internal auditor shall functionally report directly to the Audit and Risk Committee. In addition, Section 4.2.5.1 of the Manual provides that the Internal Auditor shall submit to the Audit and Risk Committee and Management an annual report on the internal audit department's

activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit and Risk Committee. The internal auditor shall have unrestricted access to all the Corporation's records, properties and personnel to enable them to perform their audit functions.

Internal Audit is an independent unit to other units within the Company and reports directly to the President and Audit and Risk Committee.

(d) *Resignation, Re-assignment and Reasons*

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
No Audit Staff resigned in <u>FY 2014-2015</u>	N/A

(e) *Progress against Plans, Issues, Findings and Examination Trends*

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Internal Audit completed the various audit activities and other consultancy services in accordance with the approved Audit Master Plan
Issues	Summarized issues and findings gathered during the audit process and discussed with auditees for resolution
Findings	
Examination Trends	Identified recurring issues and findings and initiated immediate corrective actions.

(f) *Audit Control Policies and Procedures*

Disclose all internal audit controls, policies and procedures that have been established by the Company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Investments and Capital Expenditures	Implemented
Revenue Cycle- Various Procedures	Implemented
Disbursements and Payment to Government Agencies	Implemented
Operation Policies and Procedures-complete	Implemented

(g) *Mechanism and Safeguards*

State the mechanism established by the Company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the Company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company).

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>The Internal and External Auditors report directly to the Audit and Risk Committee. Their reports are approved by the Audit Committee and the Board of Directors.</p> <p>In addition, the Manual provides that:</p> <p>(i) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency. (Section 4.2.7 (A) (v) of the Manual)</p> <p>(ii) The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence. (Section 4.2.7 (B) of the Manual)</p> <p>(iii) If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports. (Section 4.2.7 (B) of the Manual)</p>	<p>The Company does not perceive any need at this time to establish a mechanism to safeguard the independence of these entities.</p>	<p>The Company does not perceive any need at this time to establish a mechanism to safeguard the independence of these entities.</p>	<p>The Company does not perceive any need at this time to establish a mechanism to safeguard the independence of these entities.</p>

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the Company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the Company have

been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Section 7.1 of the Manual provides that the reports or disclosures required therein shall be prepared and submitted to the Commission by the responsible committee or officer through the Corporation's Compliance Officer. Hence, the Certification of the Company's compliance with the Manual is signed by the Corporate Secretary in her capacity as Compliance Officer, and by the President. However, pursuant to SEC Memorandum Circular No. 5, Series of 2013, the submission of the Certification of Compliance with the Manual was discontinued in 2013. In lieu thereof, the ACGR signed by the Chairman, President/CEO, Independent Directors and Compliance Officer shall be submitted by the Corporation starting June 2013 and every five (5) years thereafter. The ACGR shall be updated yearly.

H. ROLE OF STAKEHOLDERS

- 1) *Disclose the Company's policy and activities relative to (a) customers' welfare, (b) supplier/contractor selection practice, (c) environmentally friendly value chain, (d) community interaction, (e) anti-corruption programs and procedures, and (f) safeguarding of creditors' rights.*

	Policy	Activities
Customer's welfare	Safety and Security	Compliance with government regulations
Supplier/contractor selection practice	Consider price bid and reliability of supplier	The Company gets the price bid of at least three (3) suppliers before an award is made.
Environmentally friendly value-chain	N/A	N/A
Community interaction	Corporate Social Responsibility (CSR) Policy	The Company, through its subsidiary, undertakes CSR initiatives in the communities within the area
Anti-corruption programmes and procedures	Company's Policies and Procedures on Employee Conduct	Enforcement in accordance with the Company's Policy Manual
Safeguarding creditors' rights	Refer to relevant agreements or contracts	Monitor contracts

- 2) *Does the Company have a separate corporate responsibility (CR) report/section or sustainability report/section?*

The Company includes a CSR report in its Annual Report.

- 3) *Performance-enhancing mechanisms for employee participation.*

- (a) *What is the Company's policy for its employees' safety, health, and welfare?*

The Company seeks to provide services and programs designed to promote the well-being of employees such as health and safety, rest and recreation, economic security and family welfare.

The Company provides services and programs designed to care for the well-being of its employees. Programs for health, safety, and employee welfare are implemented to communicate and demonstrate a caring atmosphere in the work place.

The Company maintains a medical and wellness program which provides for in-patient and out-patient benefits for the employees. Employees undergo annual medical examinations for health maintenance. Medical consultations are also made available to the employees through the regular visits of a medical doctor in the office.

Furthermore, policies to promote a safe and healthy work environment have been established in accordance with the requirements of the Department of Labor and Employment.

Drug-Free Workplace Policy

The Company is committed to safeguard the well-being of its employees from the harmful effects of dangerous drugs on their physical and mental well-being by increasing employee awareness on the adverse effects of dangerous drugs and by monitoring employees who are susceptible to drug abuse.

Workplace Policy and Program on Hepatitis B

The aim of this Policy is to ensure that the employees' right against discrimination and confidentiality is maintained. This Policy also enlightens the employees of their role as well as the Company's role in dealing with Hepatitis B.

Workplace Policy and Program on Tuberculosis (TB) Prevention and Control

The purpose of this Policy is to address the stigma attached to employees with TB and to ensure that the employee's right against discrimination, brought by the disease, is protected. This Policy also intends to facilitate free access to anti-TB medicines of affected employees through referrals.

HIV and AIDS Policy

The purpose of this Policy is to provide information and guidance in the diagnosis, treatment and prevention of HIV/AIDS in the workplace to the employees. This Policy also intends to address the stigma attached to employees with HIV/AIDS and make sure that the workers' right against discrimination and confidentiality is maintained.

Anti-Sexual Harassment Policy

The Company values the dignity of its human resources and guarantees full respect for its employees, trainees or applicants for employment. The Company likewise commits to maintain a work environment free from sexual harassment and all forms of sexual intimidation and exploitation, and it will not tolerate harassment of its employees (either male or female) by anyone, including any of its officers, managers, supervisors, vendors, clients or customers.

Breastfeeding Policy

The Corporation recognizes the importance of breastfeeding for both mother and baby and hereby supports and promotes breastfeeding for its mother-employees. POPI provides facilities and the support necessary to enable mothers in their employment to balance breastfeeding / breast milk expression with their work.

Other initiatives to promote wellness include learning sessions, sports programs, recreational activities such as outings, and other company events that also foster

camaraderie and cooperation among the employees.

The Company also participates in fire and earthquake drills, in coordination with the office building administrator and the Company's Safety Committee headed by a Certified First Aider.

Training

Training efforts focus on the three (3) core areas: 1) Personal Effectiveness; 2) Functional / Professional Skills; and 3) Leadership Skills.

The Company stages in-house programs through the Group Training Curriculum and the Management Coffee Sessions.

The Group Training Curriculum is envisioned to be a venue where all employees can be equipped with core, common and critical skills within the Prime Orion Group.

As part of the Company's culture-building initiatives, the HRD conducts or holds Management Coffee Sessions with the objective of facilitating informative and interactive discussions among the leaders of the Group on various topics of leadership, management and the business landscape.

The Company also sends its employees to public seminars to continuously equip them with the necessary technical or functional knowledge and expertise necessary for meeting the present and future demands for achieving the business objectives of the Company.

(b) Show data relating to health, safety and welfare of its employees.

The Company conducts an annual medical examination for primary and secondary prevention of diseases and to promote healthy behavior among the employees. The top 1 illness based on the recent annual medical examination (19 March 2014) is Obesity/Overweight. Results of the annual medical examination show:

Levels of Fitness	Percentage of Employees
Class A (Physically Fit)	3.71%
Class B (Physically Fit but with minor ailment conditions)	62.96%
Class C (with non-disabling conditions that must be controlled and maintained by medication)	33.33%
Class D (Unfit to Work)	0%
Pending (To undergo medical examination)	0%

(c) State the Company's training and development programmes for its employees. Show the data.

The Company promotes employee learning, education and growth through training and development programs to equip them with a whole range of knowledge, skills and experiences in the areas of personal effectiveness, functional/job-related competencies and leadership development for effective performance in their current and future jobs. Training programs include:

- (i) Management Coffee Sessions – around 70 supervisors and managers attend regular learning sessions in the area of leadership development

- (ii) Group Training Program – around 20 employees attend regular courses that focus on competencies that are core, critical and common to all employees in the Group
- (iii) Functional Training – based on identified training needs, employees attend public seminars that focus on enhancing their specific job-related competencies.

(d) *State the Company's reward/compensation policy that accounts for the performance of the Company beyond short-term financial measures.*

It is the policy of the Company to manage work performance through a year-round process of helping and guiding people to achieve desired results. Our performance Management System (PMS) aims to systematically and periodically monitor results against established individual or organizational goals and thus improve the overall performance and potentials of the Company and its employees. The system allows the Company to be linked to employee rewards and compensation. Performance of the individual, department and the company as a whole bears the greatest weight in determining annual merit increases.

4) *What are the Company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.*

In accordance with the Company's Policies and Procedures on Employee Conduct, the Company adheres to the policies of fair and consistent implementation of its regulations and the procedural due process in handling complaints by employees concerning illegal and ethical behavior and in ensuring their protection from retaliation.

I. DISCLOSURE AND TRANSPARENCY

1) *Ownership Structure*

(a) *Holding 5% shareholding or more* (as of 4 September 2015)*

Shareholder	No. of Shares	Percent	Beneficial Owner
PCD Nominee Corp. (Filipino)	1,323,385,699	55.91%	Various Clients
Genez Investments Corp.	250,000,000	10.56%	NA
F.Yap Securities, Inc.	206,882,000	8.74%	Various Clients
Lepanto Consolidated Mining Co.	180,000,000	7.61%	NA

*based on the report dated 4 September 2015 of Stock and Transfer Agent, BDO Unibank, Inc.-Trust and Investments Group

Name of Senior Management	No. of Direct Shares	No. of Indirect Shares	% of Capital Stock
Yuen Po Seng	1	0	-
Ronald P. Sugapong	50,000	35,429	0.004%
Daisy L. Parker	283,400	0	0.012%
Ma. Rhodora P. dela Cuesta	111,450	0	0.005

2) *Does the Annual Report disclose the following:*

Key Risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes

Details of whistle-blowing policy	The Company's policy on whistle blowing is posted in its website.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors	Yes
Training and/or continuing education program attended by each director	No. With the ACGR, the Corporate Governance section in the Annual Report was discontinued as per SEC Memorandum Circular No. 5 Series of 2013. The subsequent trainings of directors were not included in the Annual Report but reported in the Consolidated Changes to ACGR.
Number of Board of Directors meetings held during the year	No. The number of Board meetings held in a year and the attendance details of the directors in such meetings are disclosed in the ACGR as the submission of Certification of Attendance of Directors was discontinued as per SEC Memorandum Circular No. 5 Series of 2013. The Compliance Officer submitted the report on the attendance of Directors in Board and Committee meetings for the fiscal year by way of advisement letter to the SEC last 4 July 2014 and disclosed as an update to the ACGR.
Attendance details of each director in respect of meetings held	No. See above.
Details of remuneration of the CEO and each member of the Board of Directors	No. The remuneration of the CEO and top 4 officers of the Company is reported as a lump sum amount. The total compensation paid to the members of the Board are reported in the General Information Sheet submitted by the Company each year.

3) *External Auditor's Fee*

Name of Auditor	Audit Fee (FY 2014-2015)	Non-Audit Fee
SGV and Co.	<u>P2,787,160.32</u> (inclusive of VAT)	0

4) *Medium of Communication*

List down the mode/s of communication that the Company is using for disseminating information.

- a) Disclosures to the SEC and PSE
- b) Company Website
- c) E-mail
- d) Registered mail
- e) Publication in newspapers of general circulation

5) *Date of release of audited financial report:* 9 October 2015

6) *Company Website*

Does the Company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	NA
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (By-laws and Articles of Incorporation)	Yes

7) *Disclosure of Related Party Transactions (RPT)*

RPT	Relationship	Nature	Value (in Thousands) (FY 1 July 2014- 30 June 2015)
Lepanto Ceramics, Inc.	Subsidiary	Advances	P 5
Orion I Holdings Philippines, Inc.	Subsidiary	Advances	199,154
OE Holdings, Inc.	Subsidiary	Advances	34,089
FLT Prime Insurance Corp.	Subsidiary	Charges	72,968
Orion Property Development, Inc.	Subsidiary	Charges	79
Orion Maxis Inc.	Subsidiary	Charges	20,035
Tutuban Properties, Inc.	Subsidiary	Charges	58

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the Company and in particular of its minority shareholders and other stakeholders?

Section 7.2 of the Manual states:

“All material information, i.e., anything that could potentially adversely affect the viability of the Corporation or interests of the stockholders shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.” (Emphasis supplied)

J. RIGHTS OF STOCKHOLDERS

1) *Right to participate effectively in and vote in Annual/Special Stockholders' Meetings*

(a) *Quorum*

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-Laws.

Quorum Required	Majority of the issued and outstanding stock of the Corporation having voting powers. (Art. III, Sec. 5 of the Company's By-Laws)
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(b) *System used to approve corporate acts*

Explain the system used to approve corporate acts.

System Used	Stockholders' affirmative vote during a regular or special Stockholders' Meeting
Description	Majority vote of the stockholders are required to approve corporate acts.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under the Corporation Code	Stockholders' Rights <u>not</u> in the Corporation Code
Notice period of 2 weeks for regular stockholders' meetings and 1 week for special stockholders' meetings. (Section 50)	In practice, the Company provides its stockholders with the notice and agenda of the Annual Stockholders' Meeting at least 15 business days from the date thereof.
No provision on the right of minority stockholders to propose holding of stockholders' meetings.	Minority stockholders may propose the items for discussion in the agenda that relate directly to the business of the Corporation.

Dividends

The Corporation has not declared any dividends in the last five (5) years.

(d) Stockholders' Participation

1-7. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

During Annual or Special Stockholders' Meetings, after the Chairman has completed his report, stockholders are encouraged to ask questions and to give comments on any matter involving the Company. The Company ensures the attendance of the external auditors and relevant personnel during such meetings so that any and all answers that may be asked by stockholders may be given the appropriate response. Before the end of the meeting, the Chairman asks if the stockholders have any questions.

- 8. State the Company policy of asking shareholders to actively participate in corporate decisions regarding:*
- (a) Amendments to the Company's constitution;*
 - (b) Authorization of additional shares; and*
 - (c) Transfer of all or substantially all assets, which in effect results in the sale of the Company*

The Company complies with the procedures set forth in its By-laws and the provisions of the Corporation Code and other regulations implemented by the SEC and the PSE.

For the Special Stockholders' Meeting on 20 October 2015, notice/agenda of the meeting and the explanation of each item to be taken up during the meeting were sent out to all the stockholders together with the Definitive Information Statement (SEC Form 20-IS). For this meeting, the Definitive Information Statement explained the purpose of the proposed amendments to the Articles of Incorporation, specifically, (a) increase in the authorized capital stock from P2.4 billion to P7.5 billion, and (b) increase in the number of directors from 7 to 9.

9. Does the Company observe a minimum of 21 business days for giving out of notices to the Annual/Special Stockholders' Meeting where items to be resolved by shareholders are taken up?

(a) Date of sending out notices: 29 September 2015 (Notice sent out with the Definitive Information Statement)

(b) Date of the Annual/Special Stockholders' Meeting: 20 October 2015

10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting (SSM) (held on 20 October 2015).

The following questions were raised by two (2) stockholders during the SSM:

Question 1: What is the percentage of ownership of the Corporation in Cyber Bay Corporation?

Answer : The Corporation used to have majority in CBC but a few years ago, a new investor came in and took over CBC- the investor bought the loans of CBC and converted the loans to equity. As result, the Corporation's ownership in CBC is down to 10%.

Question 2: How much is the price for which ALI will buy the Corporation's shares?

Answer : ALI's entry price is P2.25 per share or a total of P5.625 billion representing about 51% of the Corporation. In other words, ALI will infuse about P5.6 billion and did not buy out any stockholder and will have 51% control of the Corporation.

Question 3: What is the term of payment of ALI for the Corporation's shares?

Answer : The payment is by cash. As soon as the initial payment is made, the Corporation will apply for increase in capital.

11-23. Results of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
"RESOLVED, That considering that copies of the minutes of the previous meeting of the stockholders have been earlier distributed to the stockholders, let the reading of the minutes of the previous stockholders' meeting dated 2 December 2014, be dispensed with and that the same be approved without reading."	100% of capital stock present in person or by proxy	0	0
"WHEREAS, Ayala Land, Inc.	100% of	0	0

<p>(“ALI”) entered into an agreement with Prime Orion Philippines, Inc. (the “Corporation”), whereby ALI agreed to subscribe to 2.5 billion shares of stock of the Corporation for a total consideration of P5.625 billion (the “ALI Subscription”), subject to certain terms and conditions;</p> <p>WHEREAS, upon fulfillment of the terms and conditions, ALI shall proceed with the ALI Subscription;</p> <p>WHEREAS, the Corporation has, at present, an authorized capital stock of P2.4 billion divided into 2.4 billion common shares of stock with par value of P1.00 per share; hence, the need to increase its authorized capital stock to cover the ALI Subscription;</p> <p>NOW THEREFORE, BE IT RESOLVED, as it is hereby resolved, That the Corporation increase the Corporation’s authorized capital stock from P2.4 billion (divided into 2.4 billion common shares with par value of P1.00 per share) to P7.5 billion (divided into 7.5 billion common shares with par value of P1.00 per share), and for this purpose, to amend Article VII of the Corporation’s Articles of Incorporation;</p> <p>RESOLVED FURTHER, That the Stockholders of the Corporation approve the subscription of Ayala Land, Inc. (“ALI”) to Two Billion Five Hundred Million (2,500,000,000) common shares of stock of the Corporation (the “ALI Subscription”), out of the increase in authorized capital stock from 2.4 billion shares to 7.5 billion shares, for a total consideration of P5.625 billion;</p> <p>RESOLVED FURTHER, That the Corporation secure confirmation from the Securities and Exchange</p>	<p>capital stock present in person or by proxy</p>		
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<p>Commission of the exemption of the ALI Subscription from the mandatory tender offer rules of the Securities Regulation Code;</p> <p>RESOLVED FURTHER, That the Corporation authorize and empower its President and/or Corporate Secretary to file the application for increase in authorized capital stock and request for exemption from the mandatory offer rules and such other documents as may be required to implement the foregoing resolutions.”</p>			
<p>“RESOLVED, That Prime Orion Philippines, Inc. (the “Corporation”) increase its authorized capital stock from P2.4 billion (divided into 2.4 billion common shares with par value of P1.00 per share) to P7.5 billion (divided into 7.5 billion common shares, with par value of P1.00 per share), and for this purpose, hereby amend Article Seventh of the Corporation’s Articles of Incorporation, to read as follows:</p> <p>‘SEVENTH: That the capital stock of said Corporation is SEVEN BILLION FIVE HUNDRED MILLION PESOS (P7,500,000,000.00) Philippine currency, divided into Seven Billion Five Hundred Million (7,500,000,000) Common Shares, with par value of One Peso (P1.00) per share.’</p> <p>The second paragraph of Article Seventh is hereby deleted while the third and last paragraphs of Article Seventh remain unchanged.</p> <p>RESOLVED FURTHER, That the Corporation increase the number of Directors of the Corporation from seven (7) to nine (9) directors, and pursuant thereto, amend Article Sixth of the</p>	<p>100% of capital stock present in person or by proxy</p>	<p>0</p>	<p>0</p>

<p>Corporation's Articles of Incorporation, to read as follows:</p> <p>'SIXTH: That the number of directors of the said corporation shall be nine (9) xxx'</p> <p>and the remaining portion of Article Sixth remain unchanged;</p> <p>RESOLVED FURTHER, That the Corporation authorize and empower its President and/or Corporate Secretary to file the application for amendment of the Articles of Incorporation and such other documents as may be required to implement the foregoing resolutions."</p>			
<p>"RESOLVED, That Prime Orion Philippines, Inc. (the "Corporation") upon approval of the increase in its authorized capital stock to P7.5 billion and the issuance of the ALI Subscription, apply for listing the ALI Subscription with the Philippine Stock Exchange ("PSE");</p> <p>RESOLVED FURTHER, That the Corporation authorize and empower its President and/or Corporate Secretary to file the application for listing of the ALI Subscription with the PSE, and such other documents as may be required to implement the foregoing resolutions."</p>	<p>100% of capital stock present in person or by proxy</p>	<p>0</p>	<p>0</p>

There were no dissenting votes.

24. Date of publishing of the result of the votes taken during the most recent Annual/Special Stockholders' Meeting for all resolutions:

The results were disclosed to the SEC and PSE on 20 October 2015.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification.

Except for the inclusion of an Explanation of the items in the agenda (as required by the corporate governance guidelines of the SEC and sent out with the Notice of Meeting), no modifications were made in the regulations of the Special Stockholders' Meeting on 20 October 2015.

(f) *Stockholders' Attendance*

(i) *Details of Attendance in the Annual/Special Stockholders' Meeting held on 20 October 2015:*

Type of Mtg.	Names of Board Members/ Officers Present	Date of Mtg.	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH present
Special	All of the seven Directors of the Board attended the meeting.	20 October 2015	Voting is by <i>poll of votes.</i>	1.74%	75.36%	77.10%

(ii) *Does the Company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSM?*

Yes. The validation of the votes is conducted by the Company's stock transfer agent, BDO Unibank, Inc..

(iii) *Do the Company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the Company has more than one class of shares, describe the voting rights attached to each class of shares.*

The Company only has one class of shares -- common -- which carry one vote for one share.

(g) *Proxy Voting Policies*

State the policies followed by the Company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The Company has a prescribed proxy form but does not strictly enforce it as long as the proxy submitted is in writing, signed by the stockholder and timely submitted.
Notary	There is no need for the proxy to be notarized.
Submission of proxy	The proxy has to be submitted at the office of the Company, prior to the date of the validation of proxies indicated in the Notice/Agenda
Several proxies	Several proxies are acceptable, but only one can vote on behalf of the principal during the meeting.
Validity of proxy	A proxy is valid only for the meeting for which it was intended, unless otherwise stated therein. However, as provided in the Corporation Code, no proxy can be valid for a period longer than 5 years.
Proxies executed abroad	Proxies executed abroad are acceptable subject to the Company's validation process.
Invalidated proxy	The Company does not have any established policy on invalidated proxies, except that such proxies would not be recognized or entitled to vote.
Validation of proxy	Proxies are validated on the date, time, and at the

	place indicated in the Notice/Agenda by representatives of the Company's stock transfer agent and external auditor.
Violation of proxy	The Company does not have any established policy at this time concerning violation of proxy. However, in such case, the Company would take it on a case-to-case basis in determining whether to count the votes of the proxy.

(h) *Sending of Notices*

State the Company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
The Company's By-Laws provide that Notices shall be sent by personal delivery, mail, telegraph, cable, or electronically to stockholders of record at his last known address at least 10 days prior to the date of meeting, if annual meeting, or at least 5 days prior to date of meeting, if special meeting. Pursuant to the Implementing Rules of the Securities Regulation Code, the notice/agenda together with the Explanation of the items to be taken up and the Information Statement are distributed at least 15 business days before the date of the meeting.	The Company transmits Notices to brokers in Pasig and Makati by hand or by fax. It transmits Notices to stockholders in Metro Manila by messengerial service or by ordinary mail. Notices to stockholders outside Metro Manila were sent via ordinary mail.

(i) *Definitive Information Statement and Management Report*

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and other Materials	877 stockholders + 82 PCD/trading participants
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials Held by Market Participants/Certain Beneficial Owners	29 September 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and other Materials held by Stockholders	29 September 2015
State whether CD format or hard copies were distributed	Hard copies of the Notice/Agenda and Explanation, Definitive Information Statement and Management Report were distributed.
If yes, indicate whether requesting stockholders were provided hard copies	Not Applicable. There were no requests for hard copies during the SSM.

(j) *Does the Notice of Annual/Special Stockholders' Meeting include the following:*

Each resolution to be taken up deals with only one item.	Yes.
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies)	No. This information is already indicated in the Definitive Information Statement which is likewise transmitted to the

nominated for election/ re-election.	stockholders of record. The agenda of the SSM on 2 October 2015 does not include election of directors.
The auditors to be appointed or re-appointed.	No. This information is already indicated in the Definitive Information Statement which is likewise transmitted to the stockholders of record. The agenda of the SSM on 2 October 2015 does not include appointment of auditors.
An explanation of the dividend policy, if any dividend is to be declared.	No. This information is already indicated in the Management Report which is likewise transmitted to the stockholders of record. However, the Company has not declared any dividend in the last several years.
The amount payable for final dividends.	No dividends were declared.
Documents required for proxy vote.	Yes.

2) *Treatment of Minority Stockholders*

(a) *State the Company's policies with respect to the treatment of minority stockholders*

Policies	Implementation
A director shall not be removed without cause if it will deny minority shareholders representation in the Board. (Sec. 8.1.2.3 of the Manual)	N/A. No director was removed during the year.
Although all stockholders should be treated equally or without discrimination, the Board should, as far as practicable, give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. The Board shall determine which matters are proper for inclusion in the agenda for stockholders' meetings. (Sec. 8.1.8 of the Manual)	During the year, no minority shareholder has proposed the holding of a meeting or the inclusion of any item for discussion in the agenda.

(b) *Do minority stockholders have a right to nominate candidates for Board of Directors?*

Yes.

K. INVESTORS RELATIONS PROGRAM

1) *Discuss the Company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major Company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.*

The Company's internal and external communications policies are reviewed by key officers as may be required and practicable. The Corporate Secretary reviews any external communication to be released. Internal communication is handled by Compliance Officer in coordination with the top management and/or the President.

2) *Describe the Company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in*

general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	Inform stockholders, stakeholders and the public in general of the results of operations of the Company
(2) Principles	Transparency Accountability Fiscal Management
(3) Modes of Communication	Annual Stockholders' Meeting Corporate website Disclosures to SEC and PSE Annual Report Press releases
(4) Investors Relations Officer	Victor V. Rafael was appointed on 2 December 2014 as Investor Relations Officer.

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- 3) *What are the Company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? Name of the independent party the Board of Directors of the Company appointed to evaluate the fairness of the transaction price.*

The Company follows the provisions of its By-laws and the Corporation Code with respect to the above transactions.

The Company engages consultants as may be necessary for the evaluation of the fairness of the transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the Company. (For the period of February to July 2015)

Initiative	Beneficiary
Feeding Program	Day Care students of Brgys. 48, 49 and 51 (Tondo, Manila)
Free Haircut	Students residing in Brgys. 48, 49 and 51 of Tondo, Manila
Brigada Eskwela Program	Day Care Centers of Brgys. 48 and 49 of Tondo, Manila
School Kit Distribution	Students of Day Care Centers in Brgys. 48, 49 and 50 of Tondo, Manila
Computer Donation	Gregorio Perfecto High School in Tondo. Manila

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the Board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Members of the Board of Directors to accomplish a Self-Assessment Form	Performance rating of 1-5, with 1 as highest rating; Performance levels range from Needs Improvement, Good, Satisfactory and Excellent
Board Committees	Self-assessment to be done yearly by the Audit Committee members as prescribed in its Audit Committee Charter (using the Self-Assessment Worksheet and Self-Rating Form)	Performance rating of 1-5, with 5 as the highest
Individual Directors	Members of the Board of Directors to accomplish a Self-Assessment Form	Performance rating of 1-5, with 1 as the highest rating Performance levels range from Needs Improvement, Good, Satisfactory and Excellent
CEO/President	Process to be developed	N/A

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the Corporate Governance Manual involving directors, officers, management and employees.

Violations	Sanctions
Section 11.1 of the Manual imposes the following penalties, after notice and hearing, on the Company's directors, officers, and staff in case of violation of any of the provision of this Manual:	<ul style="list-style-type: none"> • First Violation - Violator shall be subject to written reprimand. • Second Violation - Suspension from office shall be imposed on such person violating the Manual. The duration of the suspension shall depend on the gravity of the violation. • Third Violation - The maximum penalty of removal from office shall be imposed.