COVER SHEET

4 3 3 7 0

SEC Registration Number

F & J PRINCE HOLDINGS CORPORATION

(Company's Full Name)

5TH FLOOR CITIBANK CENTER 8741 PASEO DE ROXAS MAKATI

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

Atty. Fina C. Tantuico

Contact Person

8927133 • 8927137

Company Telephone Numbers

12	31		04	12
Month	Day		Month	Day
Fiscal Year			Annual Meeting	

SEC FORM 17-A
(As of 31 December 2014)

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

Form Type

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total Number of Stockholders

Domestic

Foreign

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

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 THE CORPORATION CODE OF THE PHILIPPINES

1. FOR THE FISCAL YEAR ENDED .... 31 December 2014

2. SEC IDENTIFICATION NUMBER .... 43370 3. BIR TAX IDENTIFICATION NO. 000-829-097

4. EXACT NAME OF ISSUER AS SPECIFIED IN ITS CHARTER .... *F & J Prince Holdings Corporation*

5. Philippines
PROVINCE, COUNTRY OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION

6. (SEC Use Only)
INDUSTRY CLASSIFICATION CODE:

7. 5th Floor, Citibank Center Building, 8741 Paseo de Roxas, Makati City 1226
ADDRESS OF PRINCIPAL OFFICE POSTAL CODE

8. (632) 892-7133
ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE

9. ....
FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT

10. SECURITIES REGISTERED PURSUANT TO SECTIONS 8 AND 12 OF THE SRC OR SEC. 4 AND 8 OF THE RSA:

TITLE OF EACH CLASS	NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AND AMOUNT OF DEBT OUTSTANDING
Class "A" Common	292,610,118
Class "B" Common	189,217,535

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, Classes "A" and "B "**

……

12. CHECK WHETHER THE ISSUER:

(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 twelve (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 ninety (90) days.

Yes [✓] No [ ]

13. STATE THE AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT.

The market value of stocks held by non-affiliates of the Corporation, based on closing prices as of 29 December 2014, is Three Pesos and Thirty Centavos Philippine Currency (₱3.30) per share for Class "A" shares, with an aggregate market value of Seven Hundred Seventy One Million Eight Hundred Twelve Thousand and Eight Hundred Ten Pesos, Philippine Currency (₱771,812,810.00); and Three Pesos and Thirty-Nine Centavos, Philippine Currency (₱3.39) per share for Class "B" shares, with an aggregate market value of Five Hundred Thirteen Million Three Hundred Fifty Eight Thousand and Four Hundred Ten Pesos, Philippine Currency (₱513,358,410.00).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. CHECK WHETHER THE ISSUER HAS FILED ALL DOCUMENTS AND REPORTS REQUIRED TO BE FILED BY SECTION 17 OF THE CODE SUBSEQUENT TO THE DISTRIBUTION OF SECURITIES UNDER A PLAN CONFIRMED BY A COURT OR THE COMMISSION.

Yes [✓] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

No documents are incorporated by reference.

PART I - BUSINESS AND GENERAL INFORMATION

ITEM I. <u>BUSINESS</u>

A. BUSINESS DEVELOPMENT

<u>Business Development of the Registrant</u>

The Registrant was incorporated and registered with the Securities and Exchange Commission ("SEC") on 18 February 1971 to engage primarily in the business of mining, including mineral and oil exploration. Its shares were registered and listed with the SEC in 1979 and thereafter listed and traded at the Manila Stock Exchange. Presently, its shares are listed with the Philippine Stock Exchange ("PSE").

On 28 July 1997, the Registrant's primary purpose was changed to that of a holding company. At present, the Registrant holds a 94.34% majority interest in Magellan Capital Holdings Corporation ("MCHC").

In addition, the Registrant owns 30% of Pointwest Technologies Corporation ("PTC"), a software servicing and development company. The Registrant also owns 35% of Business Process Outsourcing International, Inc. ("BPOI") a provider of accounting-based business process outsourcing ("BPO") services to a large number of clients.

From its incorporation to the present, the Registrant has not been subject to any bankruptcy, receivership or similar proceedings. There has been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets other than in the ordinary course of business and other than the sale by MCHC of its shares in one of its subsidiaries to J.G. Summit Holdings, Inc.

<u>Business Development of the Registrant's Subsidiaries</u>

Magellan Capital Holdings Corporation ("MCHC"), is a corporation which was incorporated and registered with the SEC on 06 November 1990. The Registrant owns a 94.34% majority interest in MCHC. MCHC's primary purpose is to engage in the business of identifying, developing and implementing infrastructure and industrial projects. On December 7, 2006, the Registrant acquired the shares of MCHC owned by PSEG Philippines Holdings LLC which represented a 27.67% total equity stake in MCHC. As a result of this transaction, the Registrant increased its ownership stake in MCHC from 66.67% to 94.34%. Because the shares were acquired at a substantial discount to book value, the Registrant booked a gain of ₱201.3 million representing excess of fair value of net assets acquired over cost in 2006.

MCHC owns 100% of the shares of the following companies:

NAME OF COMPANY	DATE OF INCORPORATION	PRIMARY PURPOSE
Pinamucan Industrial Estates, Inc.	05 May 1993	Real Estate Holding and Development
Malabrigo Corporation	31 August 1993	Mining
Magellan Capital Trading, Inc.	04 January 1991	Trading
Magellan Capital Realty Development Corporation	14 November 1990	Realty

From its incorporation to the present, none of the Registrant's above-named subsidiaries have been subject to any bankruptcy, receivership or similar proceedings. There has also been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of their assets other than in the ordinary course of business.

Business of Registrant

Description of Registrant

The Registrant is a holding company. At present, it owns almost 95% of its subsidiary, MCHC, which is currently invested in real estate assets and in bond and stock investments and in shares of its subsidiaries. Most of the Registrant's indirect operating subsidiaries, i.e. MCHC's subsidiaries, are in development of infrastructure projects, as well as landholding and development. The Registrant also owns 30% of PTC, a soft ware servicing development company and 35% of BPOI which it acquired in 2004 and 2005.

Percentage of Consolidated Total Revenues

Breakdown of Revenue for the year 2014

	CONSOLIDATED TOTAL REVENUE	PERCENTAGE BREAKDOWN
Equity in Net Earnings of Associates	₱ 72,551,106	61.6%
Interest Income	37,719,971	32.0%
Gain on Disposal of AFS and HTM Financial Assets	235,949	0.2%
Rent	4,505,021	3.8%
Dividend Income	2,290,430	1.9%
Others	564,518	0.5%
Total	**₱ 117,866,995**	**100.00%**

Breakdown of Revenue for the year 2013

	CONSOLIDATED TOTAL REVENUE	PERCENTAGE BREAKDOWN
Equity in Net Earnings of Associates	₱ 89,756,009	57.9%
Interest Income	47,161,868	30.4%
Net Foreign Exchange Gain	11,699,326	7.5%
Gain on Disposal of AFS and HTM Financial Assets	1,302,487	0.9%
Rent	3,714,974	2.4%
Dividend Income	767,640	0.5%
Gain on Disposal of Transport Equipment	320,000	0.2%
Others	270,000	0.2%
Total	**₱ 154,992,338**	**100.00%**

The Registrant's consolidated revenue in 2014 decreased by 23.9% to ₱117.9 million from ₱155.0 million in 2013. Equity in net earnings of associates decreased by 19.2% from ₱89.8 million in 2013 to ₱72.6 million in 2014 as the Registrant's outsourcing affiliates experienced a drop in earnings caused by the loss of a major account by BPOI and lower operating margins on some accounts at Pointwest Technologies. Interest income also dropped from ₱47.2 million in 2013 to ₱37.7 million in 2014 as interest levels continued its decline due to the increasing liquidity in capital markets. A net foreign exchange gain of ₱11.7 million was recorded in 2013 as the Peso declined against foreign currencies which benefitted the foreign exchange denominated bonds and other securities hold by the Registrant and its subsidiary. However, 2014 saw a foreign exchange loss instead. Rent increased from ₱3.7 million in 2013 to ₱4.5 million in 2014 due to escalation of rental rates and leasing of an additional office unit in Citibank Tower. Gain on disposal of AFS and HTM Financial Assets dropped to ₱0.2 million compares to P1.3 million in 2013. Dividend income increased to ₱2.2 million in 2014 from ₱0.8 million in 2013.

B. PRINCIPAL PRODUCTS AND SERVICES OF MCHC

Currently, MCHC, the Registrant's subsidiary, has direct holdings in real estate and stock and bond investments. It also owns shares in subsidiaries and affiliates engaged in development of infrastructure projects and in real estate investment and development.

(a) Power Generation Project Companies

As a result of the crippling power shortages in the 1980s, the Philippine government launched its program to encourage private sector participation in the power industry through the enactment of Executive Order No. 215 ("EO 215"). Under EO 215, independent power producers ("IPPs") may participate in bulk generation to serve the requirements of the National Power Corporation ("NPC"), electric cooperatives, private utilities and other customers. It was against this background that MCHC's power generation project companies, Magellan Utilities Development Corporation ("MUDC"), Magellan Cogeneration, Inc. ("MCI") and Mactan Power Corporation ("MPC") were organized, on the basis of BOO schemes under Republic Act No. 6957, as amended by Republic Act No. 7718. The MPC project was sold by MCHC in 1997 right before the onset of the Asian economic crisis. The MCI project was completed and sold in 1998.

MUDC, which was established to develop an approximately 320MW power plant in Pinamucan, Batangas is 43%-owned by MCHC. The other major shareholder in MUDC is GPU Power Philippines, Inc. (“GPU Power”), with a 40% equity interest. GPU Power is a subsidiary of GPU Corporation (“GPU”), the former parent company of Manila Electric Company (“MERALCO”). GPU was a U.S.-based energy holding company with about US$11 billion in assets that operates utilities and power plants in New Jersey and Pennsylvania, U.S.A. GPU has been acquired by First Energy Corporation of Ohio which has decided to withdraw from the project and has done so by liquidating GPU Power.

MUDC initially had a 25-year power sales contract with MERALCO, under which MUDC was to supply power to MERALCO from its 300 MW coal-fired power plant to be constructed in Pinamucan, Batangas. Under a Memorandum of Agreement executed in December 1998, the parties agreed to execute a power purchase agreement whereby MERALCO would purchase the power generated from MUDC’s 320 MW power plant, which was to be fuelled primarily by natural gas. The said power purchase agreement has not yet been finalized.

As a result of the project’s uncertain prospects, the Registrant’s auditor recommended and management had agreed that provision be made for all project development expenditures and pre-operating expenses by MUDC in line with current accounting standards. MUDC has decided not to proceed with its power project due to MERALCO’s unwillingness to enter into a revised Power Purchase Agreement and due to the withdrawal of its foreign partner, GPU. In addition, MCHC has fully provided for its receivables due from MUDC. In 2008, in the Registrant’s Consolidated Financial Statements, receivables due to MCHC’s subsidiary, Pinamucan Industrial Estates, Inc., were also fully provisioned. Thus, the Registrant’s remaining exposure to the MUDC project is minimal at the end of 2013.

(b) Real Estate Holding and Development Companies

Until July 2011, MCHC owned 100% interest in Batangas Agro-Industrial Development Corporation (“BAID”).

BAID has the following wholly-owned subsidiaries which together with BAID own 50 hectares of land fronting Batangas Bay in Pinamucan, Batangas:

(1) Fruit of the East, Inc.;
(2) United Philippines Oil Trading, Inc.;
(3) Hometel Integrated Management Corporation;
(4) King Leader Philippines, Inc.;
(5) Samar Commodities & Industrial Corporation; and
(6) Tropical Aqua Resources, Inc.

In July 2011, MCHC sold all its shares in BAID to J.G. Summit Holdings, Inc. for a total consideration of ₱1.04 billion.

(c) Principal Products and Services of Pointwest Technologies Corporation ("PTC")

PTC is a global service company offering outsourced IT services from the Philippines. It is led by an experienced management team that helped pioneer offshore outsourcing in the Philippines. The Registrant is a founding shareholder of PTC and owns 30% of its equity. Among others, PTC offers software servicing, maintenance, testing, and development to various clients mostly in the United States. It started operations in 2003 and has now built up to a staffing level of over One Thousand (1,000) IT Professionals and Support Staff. PTC's consolidated revenue in 2014 reached over One Billion Three Hundred Eighty Nine Million Pesos (₱1.389 Billion).

(d) Principal Products and Services of Business Process Outsourcing International, Inc. ("BPOII")

BPOI is a provider of finance and accounting services such as payroll services, internal audit, payables processing and other accounting based services. It has a total of over 600 employees servicing many of the large multinationals operating in the country. BPOI was spun off from the BPO department of SGV & Co, the biggest auditing firm in the country. The Registrant is the biggest shareholder of BPOI with a 35% ownership stake. BPOI's revenues in 2014 exceeded ₱331 million.

Competition

Pointwest Technologies Corporation and BPOI face competition from other providers of software and business process outsourcing services both in the country and abroad. Outsourcing is a competitive industry and being competitive requires ability to provide quality and reliable service and ability to control costs so that operating margins are maintained at viable levels.

Transactions with and/or Dependence on Related Parties

The Registrant's subsidiary, MCHC and certain of MCHC's subsidiaries and affiliates as well as Registrant's affiliate, BPOI have transactions with each other such as rental contracts and intercompany loans. These transactions are on arms-length basis and, in the case of partially owned affiliates, are subject to approval of unrelated shareholders of these affiliates. In the case of rental contracts, the rental rates charged are similar to those charged to outside parties leasing similar properties.

Patents, Trademarks, Copyrights, Etc.

As previously stated, other than for MUDC's power supply agreement with MERALCO and Memorandum of Understanding with SPEX, there are no patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts and the like, owned by or pertaining to the Registrant and its subsidiary, MCHC.

Costs and Effects of Compliance with Environmental Laws

Since MUDC has decided not to pursue its power project, there is no anticipated need to comply with any environmental regulations. The other affiliates which are involved in the outsourcing industry which mainly involve the use of computer and other office equipment are expected to have negligible environmental impact.

Employees

The Registrant has three (3) full time employees, one (1) each for accounting, clerical, and administrative and one (1) consultant, not including the employees and consultants retained by the Registrant's subsidiary and affiliates. The Registrant's employees are not subject to any Collective Bargaining Agreements (CBA), nor are they involved in or have threatened to strike for the past three (3) years. Aside from the mandatory 13th month pay and additional 14th month pay and service incentive leaves (vacation and sick) benefits and retirement benefits mandated by R.A. 7641, there are no other benefits that are granted by the Registrant to its employees. The Registrant does not anticipate the need to hire additional employees within the ensuing twelve (12) months.

Risk of the Business of the Registrant and Subsidiaries

1. Pointwest Technologies Corporation (PTC)

PTC would face the normal risks faced by an IT services company serving mostly foreign clients. These risks include: 1) the risk that PTC may not find or retain clients; 2) some contracts are on non-recurring basis and may not be renewed; 3) risk of contract dispute in case of customer dissatisfaction with the services provided; 4) risk of non-collection of receivables due to contract dispute or to financial problems of customers; 5) high staff turnover which may affect service quality; 6) ability to recruit and retain qualified IT professionals; (7) change in foreign exchange rates that may affect the operating margin of its businesses.

2. Business Process Outsourcing International, Inc. ("BPOI")

BPO would face the normal risks faced by a BPO company which are very similar to the risks faced by an IT services outsourcing company such as PTC. BPOI currently services only domestic clients but intends to develop its foreign business. The risks BPOI takes include: 1) the risk that BPOI may not find or retain clients; 2) some contracts are on non-recurring basis and may not be renewed; 3) risk of contract dispute in case of customer dissatisfaction with the services provided; 4) risk of non-collection of receivables due to contract dispute or to financial problems of customers; 5) high staff turnover which may affect service quality; 6) ability to recruit and retain qualified accounting and finance professionals.

3. Portfolio Investments

The Registrant and its subsidiaries and affiliates also invest their excess cash in bonds, stocks and short-term placements. These involve government securities as well as corporate bond and stock investments which face the normal commercial risks such as price declines, payment defaults and foreign exchange risks in the case of foreign currency denominated investments.

Other Interests

MCHC also has a 100% interest in a mining company, Malabrigo Corporation ("Malabrigo"). Malabrigo has a paid-up capital of ₱10,000,000.00 and limestone mining claims in Batangas, which are not considered significant in potential. It has also invested as a partner in a shopping center project in the United States.

MCHC and MUDC (through Pinamucan Power Corporation) jointly own Magellan Power Partnership ("MPP"), at 25%-75% respectively. MPP has a capital of ₱100,000.00 and is presently registered with the Board of Investments. With the decision not to proceed with the MUDC project, this partnership will probably be liquidated.

Other than MUDC's power supply agreement with MERALCO and Memorandum of Understanding with SPEX, there are no patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts and the like owned by or pertaining to the Registrant and its subsidiary, MCHC. Also, no substantial expenditures have been made for research and development activities for the past three (3) years.

ITEM 2. PROPERTIES

Equity Interests. The Registrant' investment in MCHC, consists of shares of common stock with aggregate issued value representing approximately 94.34% of the outstanding shares of MCHC.

MCHC owns 70,458 shares of common stock, representing approximately 43% of the outstanding capital stock of MUDC. MUDC was set up to develop a 320 MW power plant project in Pinamucan, Batangas which has now been aborted. MCHC's exposure to MUDC has been fully provided for in the Consolidated Financial Statements.

MCHC also has equity interests in Pinamucan Industrial Estates, Inc. (100%-owned), Malabrigo (100%-owned) and Magellan Power Partnership (25%-owned). MCHC also owns 100% of Magellan Capital Trading Corporation and Magellan Capital Realty Development Corporation, two inactive shell companies.

The Registrant owns common shares in Pointwest Technologies Corporation which represent a 30% ownership interest in the company. The Registrant also owns shares of BPOI equivalent to 35% ownership interest in BPOI.

Real Estate. The Registrant has no real estate holdings except through its subsidiary, MCHC.

(a) Condominium Units

MCHC owns five (5) office condominium units which comprise the entire 5th Floor of the Citibank Center building, located at 8741 Paseo de Roxas, Makati City, including five (5) appurtenant parking units, *per* a Deed of Sale executed on 26 April 2000. Three of the five units are being leased out and two units are used as the corporate offices of the Registrant and its subsidiaries. MCHC also owns an office condominium unit on the 25th Floor and two condominium units on the 16th Floor of the Citibank Tower Building in Makati (acquired in December 2014) which are being leased out at prevailing commercial rates.

(b) Office Properties

MCHC, the Registrant's wholly-owned subsidiary, has relocated its corporate offices to its Citicenter Property which consists of the entire 5th Floor of the Citibank Center Building in Makati. The Registrant, as principal shareholder of MCHC, has been allocated office space by MCHC. MCHC has also leased out the four (4) remaining units. One of the units has been leased by Business Process Outsourcing International (BPOI) since February 16, 2009. Three other units are leased to Cathay United Bank, one of the largest banks in Taiwan and to two other lessees.

(c) Land/Property Ownership

MCHC has acquired a 985 m2 lot in Fort Bonifacio which it plans to develop into an office building for lease. As of 31 December 2013, the above land and properties are not subject to any mortgages, liens or encumbrances.

MCHC acquired, at the end of 2014, two additional condominium office units in Citibank Tower which are currently leased out. As a result, total rental income in 2015 is expected to exceed ₱1 million monthly.

ITEM 3. <u>LEGAL PROCEEDINGS</u>

There are no proceedings involving, and to the best of knowledge threatened against the Company. However, with respect to its subsidiaries, following is a summary of pending litigation involving them:

(a) ***"Rolando M. Zosa v. Magellan Capital Holdings Corporation and Magellan Capital Management Corporation"***, Civil Case No. CEB-18619, Regional Trial Court of Cebu City, Branch 58; *Magellan Capital Management Corporation and Magellan Capital Holdings Corporation v. Rolando M. Zosa, et al."* G.R. No. 129916, Supreme Court; *Ad Hoc Arbitration with an Arbitral Tribunal composed of Justice Florentino P. Feliciano, as Chairman and Attys. Ramon R. Torralba and Enrique I. Quiason as members; Regional Trial Court, Branch 139, SP Proc. No. M-6259 and SP Proc. No. 6264.*

This is a case for damages instituted in May 1996, wherein complainant Zosa seeks to enforce his purported rights under his Employment Agreement with defendants and claims entitlement to the following reliefs, to wit:

(1) actual damages in the amount of ₱10,000,000;
(2) attorney's fees in the amount of ₱300,000; and
(3) expenses of litigation in the amount of ₱150,000.

Defendants sought a dismissal of the case, invoking the provision of arbitration in the Employment Contract. In a Decision dated 18 July 1997, the trial court declared invalid the arbitration clause providing for the manner by which the arbitrators will be chosen and substituted the provisions of the Arbitration Law therefor. The Supreme Court, on 26 March 2001 affirmed the trial court's decision which became final and executory. Arbitrators were appointed one by Zosa, on the one hand, and the other jointly appointed by MCHC and MCMC and a third jointly chosen by the two arbitrators.

Sometime in November 2004, the Arbitral Tribunal was finally constituted composed of Justice Florentino P. Feliciano as Chairman and Attys. Ramon R. Torralba and Enrique I. Quiason as members.

On March 14 2005, the parties submitted to the Tribunal their Confirmation of Agreement to Submit to Arbitration. The Complainant has submitted its Statement of Claims & Memorials. The respondents have submitted their Statement of Defenses and are scheduled to submit their Counter-Memorials on 02 May 2004.

On 02 August 2005, the Memoranda of the parties were submitted and the case was submitted for resolution.

On 06 March 2005, the Tribunal rendered its decision awarding Zosa's claim for severance pay but disallowed his claims for attorney's fees and moral and exemplary damages and costs of suit.

On 12 April 2006, MCHC filed with the Regional Trial Court of Makati City, a verified petition with prayer for the issuance of an Order to Vacate the Arbitral Award, dated 6 March 2006, pursuant to Sections 22 to 29 of Republic Act No. 876 ("The Arbitration Law") and the relevant provisions of Republic Act No. 9825 (the "Alternative Dispute Resolution Act of 2004). Likewise, Zosa filed his Application for Confirmation of Award on 12 April 2006. The two cases were consolidated and are presently pending with Branch 139 of the Regional Trial Court of Makati as Sp. Proc. No. M-6259 and M-6264. The parties are presently awaiting the Court's resolution on the issue of whether the Application for Confirmation of Award was seasonably filed considering the non-payment of docket fees at the time of filing. On 17 March 2009, a hearing was held whereby the Court directed all the parties to submit their respective Memoranda. In compliance with the aforesaid order, MCHC submitted its Memoranda on 17 May 2009. The case has been submitted for resolution as of 29 January 2013.

(b) ***"People of the Philippines vs. Ariel Balatbat",*** Criminal Case No. 115515, Regional Trial Court of Pasig City, Branch 155. MCHC filed a complaint, through its authorized officer, against Ariel Balatbat for qualified theft relating to several unauthorized withdrawals of, and anomalous transactions involving, company funds in the total amount ₱41,021.50 (converted to US$1,000.00). On 29 October 2004, the Court rendered its decision finding the accused guilty beyond reasonable doubt of the crime of qualified theft under Article 310 of the Revised Penal Code and imposed the corresponding penalty of imprisonment of 10 years minimum to a maximum of 14 years. The case is pending appeal as of this writing.

"People of the Philippines vs. Ariel Balatbat", Criminal Case No. 114955, Regional Trial Court of Pasig City, Branch 151. MUDC, through its authorized officer, has also filed a complaint against Ariel Balatbat for qualified theft relating to several unauthorized withdrawals of, and anomalous transactions involving, company funds in the total amount of ₱121,500.00 (equivalent to US$3,000.00), US$4,000.00, and US$1,020.00. Said amounts were never recovered or accounted for. The case is currently pending before the Regional Trial Court, which also issued a warrant of arrest for the same. The bail was set for ₱40,000.00. The accused was arrested and subsequently arraigned. Three (3) witnesses have been presented - two (2) from the bank and one (1) from MUDC.

On 28 February 2005, the Prosecution filed its "Formal Offer of Evidence". Defense rested its case on 4 December 2006. On 22 January 2007, the Prosecution presented its rebuttal evidence. The Memorandum for the Prosecution having been filed, the case was submitted for decision. As of this writing or on April 29, 2013 the Court rendered its decision finding the accused guilty of the crime of qualified theft and sentenced the accused to *reclusion perpetua*. It also ordered the restitution to MUDC of the amount of $4,000.00 or its peso equivalent ₱105,720.00 Pesos. The Court found no liability for the amount of $3,000.00 withdrawn it appearing that same was credited to private complainant.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

For the period October to December 2014, there were no matters submitted to a vote by security holders of the Registrant.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

(1) MARKET INFORMATION

The shares of the Registrant are listed with the Philippine Stock Exchange.

The high and low prices for each quarter within the last two (2) fiscal years and 1st quarter of 2014 are as follows:

QUARTER; YEAR	CLASS "A"		CLASS "B"	
	High	**Low**	**High**	**Low**
1st Quarter, 2013	3.30	2.90	3.20	3.00
2nd Quarter, 2013	3.96	2.85	3.99	2.75
3rd Quarter, 2013	3.20	2.90	3.80	2.34
4th Quarter, 2013	3.30	2.51	3.97	3.00
1st Quarter, 2014	3.20	2.90	3.77	2.56
2nd Quarter, 2014	3.20	2.95	3.14	3.00
3rd Quarter, 2014	3.17	2.60	3.00	2.91
4th Quarter, 2014	3.32	2.95	3.49	2.88
1st Quarter, 2015	3.35	3.00	3.04	2.98

(2) HOLDERS

Number of Shareholders

As of 31 December 2014, the registrant had Four Hundred Eighty Four (484) stockholders of record, as follows: Class "A" shares – Four Hundred Thirty Eight (438) holders; Class "B" shares – Thirty Nine (39) holders; and Class "A" and "B" – Seven (7) holders.

The top twenty (20) stockholders of common equity of the Registrant as of 31 December 2014 are as follows:

TOP TWENTY (20) STOCKHOLDERS AS OF 31 DECEMBER 2014

	NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OWNERSHIP
1.	Essential Holdings Limited	139,778,670	29.01%
2.	PCD Nominee Corporation	72,563,988	15.06%
3.	Pinamucan Industrial Estates, Inc.	49,486,805	10.20%
4.	Magellan Capital Holdings Corporation	47,548,022	9.90%
5.	Consolidated Tobacco Industries of the Phils., Inc.	43,052,023	8.94%
6.	Vructi Holdings Corporation	34,250,628	7.11%
7.	Center Industrial and Investment, Inc.	23,991,000	4.98%
8.	Robert Y. Cokeng	15,501,072	3.22%
9.	Johnson Tan Gui Yee	15,371,747	3.19%
10.	Victorian Development Corporation	12,085,427	2.51%
12.	PCD Nominee Corporation (F)	10,756,581	2.23%
11.	Brixton Investment Corporation	2,815,000	0.59%
13.	Francisco Y. Cokeng, Jr.	2,160,000	0.45%
14.	Antonio H. Ozaeta	1,374,751	0.29%
15.	Johnson U. Co	1,100,000	0.23%
16.	Homer U. Cokeng, Jr.	1,100,000	0.23%
17.	Betty C. Dy	1,100,000	0.23%
18.	Rosalinda C. Tang	1,080,000	0.22%
19.	Olivia Chua Ng	950,000	0.20%
20.	Metro Agro Industrial Supply Corporation	793,977	0.16%

(3) DIVIDENDS

Dividends amounting to ₱0.20 per share were declared and paid out in 2014.

Under the Registrant's By-laws, there are no restrictions in the declaration of dividends other than what is prescribed in the Corporation Code, namely that these shall be declared only from surplus profit and no stock dividend shall be issued without the approval of stockholders representing not less than two-thirds of all stock outstanding and entitled to vote at a general or special meeting called for the purpose.

(4) RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

The Registrant has not sold any securities within the past three (3) years, which were not registered under the Securities Regulation Code, including sales of reacquired securities, as well as new issues, securities issued in exchange for property, services, or other securities and new securities resulting from the modification of outstanding securities.

(5) WARRANTS

There are no warrants outstanding as of the end of December, 2014.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

(1) MANAGEMENT'S DISCUSSION AND ANALYSIS

The Registrant's consolidated revenue in 2014 decreased by 23.9% to ₱117.9 million from ₱155.0 million in 2013. Equity in net earnings of associates decreased by 19.2% from ₱89.8 million in 2013 to ₱72.6 million in 2014 as the Registrant's outsourcing affiliates experienced a drop in earnings caused by the loss of a major account at BPOI and lower operating margins on some accounts of Pointwest. Interest income also dropped from ₱47.2 million in 2013 to ₱37.7 million in 2014 as interest levels continued its decline due to the increasing liquidity in capital markets. A net foreign exchange gain of ₱11.7 million was recorded in 2013 as the Peso declined against foreign currencies which benefitted the foreign exchange denominated bonds and other securities hold by the Registrant and its subsidiary against a foreign exchange loss in 2014. Rent increased from ₱4.5 million in 2014 to ₱3.5 million in 2013 due to escalation of rental rates and the leasing out of additional condominium office units in 2014. Gain on disposal of AFS and HTM Financial Assets of ₱1.3 million was recorded in 2013 against ₱0.2 million in 2014. Dividend income increased from ₱0.8 million in 2013 to ₱2.3 million in 2014. Rental income in 2015 is expected to exceed ₱12 million in 2015 as additional rental property was acquired at the end of 2014 and have been leased out.

Total consolidated expenses of the Registrant increased to ₱34.0 million in 2014 compared to ₱24.7 million in 2013. Fair Value losses of financial assets at FVPL of ₱5.5 million, foreign exchange loss of ₱2.8 million and loss on Disposal of AFS Financial assets of ₱1.1 million accounted for the bulk of the increase.

As a result of the above, total consolidated income before tax in 2014 totalled ₱83.9 million compared to ₱130.3 million in 2013. After provision for income tax, total consolidated net income after tax totalled ₱78.8 million in 2014 compared to ₱120.1 million in 2013.

Net income attributable to non-controlling interest, namely minority shareholder of Magellan Capital Holdings Corporation, totalled ₱1.5 million in 2014 compared to ₱3.3 million in 2013.

The Registrant's financial position is very strong as it has substantial cash resources available to undertake its planned projects. As of December 31, 2014, the Registrant's consolidated cash and cash equivalent totaled over ₱946 billion which was lower than the level of ₱1.024 billion as of December 31, 2013 due to additional investments made in 2014. The Registrant and its subsidiary is planning to undertake development of MCHC's land in Fort Bonifacio into an income producing building as well as to acquire income producing properties as well as additional land for development. The Registrant and its subsidiary are debt free with total consolidated liabilities of ₱30.1 million compared to total equity of ₱1.8 billion as of the end of 2014.

The Registrant and its subsidiary and affiliates are substantially debt free except for MUDC which has loans and advances from its principal shareholders. The Registrant and its subsidiaries have more than enough cash resources to meet any expected requirements in the next twelve months. Consolidated cash and cash equivalents at the end of 2014 totalled ₱946 million compared to ₱1,025 million at the end of 2013 while total current assets totalled ₱1.1 billion at year-end 2014 compared to ₱1.2 billion at year-end 2013. Other than the normal fluctuation of the Peso exchange rate as well as the effect of the normal market fluctuations on the value of stock and bond holdings owned by the Registrant and its subsidiary, the Registrant is not aware of any trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in its liquidity increasing or decreasing in any material way. Likewise, the Registrant does not know of any trends, events or uncertainties that have or that are reasonably expected to have a material favorable or unfavorable impact on the revenues or income from continuing operations.

Top Five (5) Key Performance Indicators

The top five (5) performance indicators for the Registrant are as follows:

(1) Revenue Generation
(2) Change in net income
(3) Earnings per share
(4) Current ratio
(5) Book value per share

Revenue Generation. Revenue in the last three fiscal years are summarized below along with vertical percentage analysis:

(₽000)	YEAR 2014	PER-CENTAGE	YEAR 2013	PER-CENTAGE	YEAR 2012	PER-CENTAGE
Equity in net earnings of associates	₽ 72,551	61.6%	₽ 89,756	57.9%	₽ 77,663	49.0%
Interest Income	37,720	32.0%	47,162	30.4%	69,540	43.9%
Fair value gains of Financial Assets at FVPL	-	-	-	-	6,646	4.2%
Rent	4,505	3.8%	3,714	2.4%	3,542	2.2%
Dividend Income	2,290	1.9%	767	0.5%	1,009	0.6%
Gain on Disposal of Transport Equipment	-	-	320	0.2%	125	0.1%
Gain on Disposal of AFS and HTM Investments	236	0.2%	1,302	0.9%	-	-
Net FX Gain	-	-	11,699	7.5%	-	-
Others	565	0.5%	270	0.2%	377	-
Total from continuing operation	₽ 117,867	100.0%	₽ 154,992	100.0%	₽ 158,327	100%

Because it is a holding company, the Registrant derives a large part of its revenue from its equity in net earnings of associates which in 2014 accounted for over 60% of consolidated total revenues from continuing operations. The Registrant's outsourcing affiliates have been increasing their earnings in the last few years. However, 2014 saw a drop in earnings of the outsourcing affiliates as BPOI lost a major account and Pointwest experienced lower margin on some new accounts. As a result, the Registrant's share in their net earnings dropped to ₽72.6 million in 2014 from ₽89.8 million in 2013. Interest income also decreased in 2014 to ₽37.7 million from ₽47.2 million in 2013 due to lower rates of interest in the capital markets. In the future, we would expect rental income to gradually increase as the Registrant and its subsidiary increases its portfolio of income producing properties by developing its land in Fort Bonifacio into an income producing building and by acquiring additional income producing properties and interest income to continue to drop. Rental income in 2015 is expected to exceed ₽12 million from ₽4.5 million in 2014 due to acquisition of additional income producing property. Poinwest has also gotten new projects which are expected to improve earnings prospects in 2015.

Change in net income. The summary income statement for the last three fiscal years are shown below with vertical percentage analysis.

(000)	YEARS ENDED DECEMBER 31					
	2014	PERCENTAGE	2013	PERCENTAGE	2012	PERCENTAGE
Revenue	₱ 117,867	100%	₱ 154,992	100.0%	₱ 158,527	100.0%
Expenses	33,996	28.8%	24,693	15.9%	29,730	18.8%
Net Income Before Tax	83,870	71.2%	130,299	84.1%	128,797	81.2%
Tax	(5,116)	4.3%	(10,155)	6.6%	(9,931)	6.3%
Net Income After Tax	78,754	66.8%	120,144	77.5%	118,868	74.9%
Total Net Income	**₱ 78,754**	**66.8%**	**₱ 120,144**	**77.5%**	**₱ 118,866**	**74.9%**
Attributable to Stockholders of Registrant	77,290	65.6%	116,865	75.4%	116,513	73.5%
Non-Controlling Interest	1,464	1.2%	3,277	2.1%	2,352	1.4%

As the above shows, net income dropped to ₱78.8 million in 2014 from ₱120.1 million in 2013. The drop in net income was due to lower equity in net earnings of associates, lower interest income and Fx losses and Fair Value loss on financial assets at FVPL. The net income in 2014 attributable to stockholders of the Registrant was ₱77.3 million while ₱1.5 million was attributable to non-controlling interests, namely minority shareholders of Magellan Capital Holdings Corporation. The net income attributable to stockholders of the Registrant in 2013 was ₱116.9 million while ₱3.3 million was attributable to non-controlling interests.

Earnings per share. The earnings per share in 2014 amounted to ₱0.201 per share compared to earnings per share from continuing operations of ₱0.304 in 2013 and ₱0.303 in 2012. The earnings per share are adjusted to reflect the shares held by the Registrant's subsidiaries which are classified as treasury shares in the Consolidated Financial Statements.

Current-Ratio. Current Ratio (current assets divided by current liabilities) which measures the liquidity position of the Registrant was 53 x at December 31, 2014 compared to 68 x at the end of 2013. The Registrant's liquidity position is very strong and gives it substantial resources to pursue its projects.

Book value per share. The Registrant's book value per share (excluding treasury shares owned by subsidiaries of the Registrant) was ₱4.39 per share at the end of 2014 from ₱4.34 at year-end 2013 and ₱4.35 at year-end 2012.

(i) Any known trends or any known demands, commitments, events or uncertainties

The Registrant and its subsidiary and affiliates are now substantially debt-free, except for MUDC, which has loans and advances from its principal shareholders. The Registrant and its subsidiaries have more than enough cash resources to meet any expected requirements during the next twelve (12) months. Consolidated cash and cash equivalents totalled ₱946 million at year end 2014 compared to ₱1,024 million at year end 2013. Other than the normal fluctuations of the Philippine Peso to the U.S. Dollar, the Registrant is unaware of any trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in its liquidity increasing or decreasing in any material way. Likewise, the Registrant does not know of any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the revenues or income from continuing operations.

(ii) Any events that will trigger direct or contingent financial obligation

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

(iii) All material off-balance sheet transactions, arrangements, obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

(2) OPERATIONS AND FINANCIAL CONDITION FOR THE LAST THREE (3) FISCAL YEARS

The following is a detailed discussion of the Registrant's operations and financial condition for the past three (3) fiscal years.

Exhibit "2" shows the audited consolidated balance sheet as of December 31, 2014 and December 31, 2013 and audited consolidated income statements for the years 2014, 2013 and 2012. The accounts are discussed below in more detail.

OPERATING RESULTS

Revenues. In the year ended 31 December 2014, total consolidated revenues totalled ₱117.9 million compared to ₱155.0 million in 2013 and ₱158.5 million in 2012. The reasons for the change have been discussed in the revenue generation section earlier in Item 6 of this Report.

Expenses. Total consolidated operating expenses increased to ₱34.0 million in 2014 from the ₱24.7 million in 2013 due to the reasons discussed in Item 6 of this report.

Net Income Before Tax. As a result of the movement in revenues and expenses discussed in the preceding sections, net income before tax totalled ₱83.9 million in 2014 compared to ₱130.3 million in 2013 and ₱128.9 million in 2012.

Provision For Income Tax. In 2014, there was a provision for income tax of ₱5.1 million compared to ₱10.2 million in 2013.

Net Income After Tax. As a result of the provision for income tax discussed above, the Registrant had a consolidated net income after tax of ₱78.8 million in 2014 compared to ₱120.1 million in 2013 and ₱118.9 million in 2012.

BALANCE SHEET ACCOUNTS

The following comparative financial analysis is based on audited consolidated balance sheets as of December 31, 2014 and December 31, 2013 shown in Exhibit "2". Exhibit "4" shows the vertical percentage analysis of balance sheet accounts as of December 31, 2014 and December 31, 2013. The movements in the various accounts are discussed below:

ASSETS

Current Assets. Total current assets at year-end 2014 totalled ₱1,096 million compared to ₱1,197million at year-end 2013. Cash and cash equivalents decreased to ₱946 million at year end 2014 from ₱1,024 million at year end 2013 as some cash was used for property investments and cash dividends during the year. Financial assets at Fair Value through Profit or Loss (FVPL) totalled ₱65.6 million at year-end 2014 from ₱62.3 million at year-end 2013. Receivables also decreased to ₱58.3 million at year-end 2014 from ₱65.6 million at year-end 2013 due mainly to lower dividend receivables from Pointwest Technologies Corporation and Business Process Outsourcing International, Inc. Current portion of HTM Investments totaled nil at year-end 2014 from ₱36.4 million at year end 2013. Prepayments and other assets increased to ₱16.6 million at year-end 2014 from ₱8.6 million at year-end 2013.

Non-Current Assets. Total non-current assets at year-end 2014 totalled ₱691.8 million versus ₱572.7 million at year-end 2013. Most of the increase was due to increase in investment property which increased from ₱46.3 million at year end 2013 to ₱136.7 million at year end 2013 due to investments made and due to increase in AFS Financial assets which increased due to reclassification of some investment from HTM to AFS and due to additional investments made.

Total Assets. As a result of the movement in the accounts described above, total consolidated assets of the Registrant at year-end 2014 totalled ₱1,778 million compared to ₱1,770 million at year-end 2013.

LIABILITIES AND EQUITY

Current Liabilities. Current liabilities increased to ₱20.4 million at year-end 2014 from ₱17.6 million at year-end 2013 mainly due to increase in accounts payable to ₱10.7 million at year end 2014 from ₱5.5 million at year end 2013.

Non-Current Liabilities. Non-current liabilities increased to ₱9.7 million at year-end 2014 from ₱8.1 million at year-end 2013 due mainly to increase in retirement benefit obligation.

Stockholder's Equity. Total Stockholder's Equity Attributable to Equity Holders of the Registrant increased to ₱1,688.7 million at year-end 2014 from ₱1,673.9 million at year end 2013. This was due mainly to the net income in 2014 attributable to equity holders of the Registrant of ₱77.3 million but reduced by dividends paid out during the year and the effect of unrealized gain on AFS Financial Assets and the effect of actuarial losses on retirement benefit obligations. Equity attributable to minority shareholders of MCHC totalled ₱69.4 million at year end 2014 compared to ₱70.8 million at year-end 2013 due to payment of dividends by Magellan Capital Holdings Corporation. As a result, total stockholders equity at year-end 2014 stood at ₱1,758.1 million compared to ₱1,744.7 million at year-end 2013.

INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

(1) External Audit Fees and Services

a) *Audit and Audit- Related Fees for the Last Three Fiscal Years*

	2012	**2013**	**2014**
Registrant	₽ 204,750	₽ 211,000	₽ 221,550
MCHC	316,050	325,000	341,250
Subsidiaries of MCHC	40,021	42,961	41,009
MUDC	23,157	24,013	19,149

b) *Tax Fees*: None
c) *All Other Fees*: None
d) Audit Committee has approved the audit fees

ITEM 7. FINANCIAL STATEMENTS

The Statement of Management's Responsibility is attached as Exhibit "1" hereof. The Audited Consolidated Financial Statements as of 31 December 2014 are attached as Exhibit "2" hereof.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements with the Registrant's accountants, past or present, on accounting and financial disclosures. In 1997, Sycip Gorres Velayo & Co. replaced Velandria, Dimagiba & Co. and at present, continues to be engaged as the external auditor of the Registrant. In 2000, Vicente E. Reyes and Associates, now known as Reyes, Galang, King & Company, replaced Sycip Gorres Velayo & Co. as the external auditor of some of the wholly owned subsidiaries of Magellan Capital Holdings Corporation as well as Magellan Utilities Development Corporation.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

(1) DIRECTORS AND EXECUTIVE OFFICERS

The following are the directors and executive officers of the Registrant, with the past and present positions held by them in the Registrant's subsidiaries and other companies for the past five (5) years:

ROBERT Y. COKENG, 63 years old, Filipino citizen.
Chairman, President & Chief Executive Officer

Re-elected on 31 July 2014 for a one-year term. Director and Officer since 1996.

President & Chief Executive Officer, Magellan Capital Holdings Corporation, Magellan Utilities Development Corporation, Pinamucan Power Corporation, Malabrigo Corporation, Consolidated Tobacco Industries of the Philippines, Inc. and Center Industrial and Investment, Inc.; *Director*, Alcorn Gold Resources Corporation (PSE listed company); Chairman, Pinamucan Industrial Estates, Inc.; *Managing Director*, Essential Holdings Ltd.; *Chairman*, Pointwest Technologies Corporation and Pointwest Innovations Corporation*; Director and Chairman of the Executive Committee*, Business Process Outsourcing International, Inc.; *Chairman*, Ipads Developers, Inc.

FRANCISCO Y. COKENG, JR., 61 years old, Filipino citizen.
Vice-Chairman and Director

Re-elected on 31 July 2014 to a one-year term. Director since 1996.
Also director from 1980-1991.

Director, Consolidated Tobacco Industries of the Philippines, Inc., Magellan Capital Holdings Corporation; *Chairman*, Sunflare Horizon International, Inc.

EMETERIO L. BARCELON, S.J., 87 years old, Filipino citizen.
Senior Vice-President and Director

Re-elected on 31 July 2014 for a one-year term. Director since 1980.

Former Director, Oriental Petroleum and Minerals Corporation; *Former President,* Ateneo de Davao; *Vice-President*, Xavier University; *Former Professor*, Asian Institute of Management; *Columnist*, Manila Bulletin; *Director*, Magellan Capital Holdings Corporation.

JOHNSON U. CO, 62 years old, Filipino citizen.
Vice-President for Administration

Re-elected on 31 July 2014 for a one-year term. Director and Treasurer since 1996.

President, Pinamucan Industrial Estates, Inc., Sunflare Horizon International, Inc.; *Vice-President for Administration and Director*, Magellan Capital Holdings Corporation; *Treasurer*, Magellan Utilities Development Corporation and Malabrigo Corporation; *Director*, Pinamucan Power Corporation; *Vice Chairman*, Consolidated Tobacco Industries of the Philippines, Inc.

MARK RYAN K. COKENG, 29 years old, Filipino citizen.
Treasurer and Director

Elected on 31 July 2014 to a one-year term.

Treasurer and Director, Magellan Capital Holdings Corporation; *Director and Treasurer*, Magellan Capital Corporation; *Director*, IPADS Developers, Inc.; *Director*, Pointwest Technologies Corporation, *Director*, Pointwest Innovations Corporation, *Director and Treasurer,* Business Process Outsourcing International, Inc. Bachelor of Arts in Economics and Statistics, Boston University.

MARY K. COKENG, 62 years old, Filipino citizen.
Director

Re-elected on 31 July 2014 to a one-year term. Director since 2008.

Director, Essential Holdings, Limited, *Director*, Magellan Capital Holdings Corporation.

JOHNNY O. COBANKIAT, 63 years old, Filipino citizen.
Director

Re-elected on 31 July 2014 to a one-year term. Director since 2008.

President, Ace Hardware Phils., Cobankiat Hardware, Inc. and Milwaukee Builders Center, Inc.; *Executive Vice President*, Hardware Workshop; *Vice Chairman*, R. Nubla Securities; *Director*, Shang Properties, Inc. (PSE-listed Company).

FRANCIS LEE CHUA, 63 years old, Filipino citizen.
Director

Re-elected 31 July on 2014 for a one-year term. Director since 2001.

General Manager, Sunny Multi Products and Land Management Inc., Rocky's Construction Supplies and Marketing, Inc.; *Corporate Secretary*, Sunflare Horizon International, Inc.

JOHNSON TAN GUI YEE, 68 years old, Filipino citizen.
Director

Re-elected on 31 July 2014 to a one-year term. Director since 1997.

Chairman, Armak Tape Corporation; *President & Chief Executive Officer*, Armak Holdings and Development, Inc.; *President*, Yarnton Traders Corporation; *Director*, Magellan Capital Holdings Corporation.

RUFINO B. TIANGCO, 65 years old, Filipino citizen.
Director

Re-elected on 31 July 2014 to a one-year term. Director since 1997.

Chairman of the Board, R.A.V. Fishing Corporation, Marala Vitas Central Terminal & Shipyard Corp.; *President*, Vructi Holdings Corporation; Trufsons Holdings Corporation, Ruvict Holdings Corporation; *Director*, Magellan Capital Holdings Corporation and Magellan Utilities Development Corporation.

ROBERT Y. YNSON, 67 years old, Filipino citizen.
Director

Re-elected on 31 July 2014 to a one-year term. Director since 1997.

President, Phesco, Incorporated, Benter Management & Construction Corporation, Pearl of the Orient Realty & Development Corporation; INAVEIT Systems Technologies, Inc., Pumps Internationale Corporation; *Director*, Super Industrial Corporation.

FINA C. TANTUICO, 53 years old, Filipino citizen.
Corporate Secretary

Elected on 31 July 2014 to a one-year term.

Legal Counsel and Corporate Secretary, F & J Prince Holdings Corporation and its subsidiaries and affiliates (2002 up to the present); Magellan Capital Holdings Corporation and its subsidiaries, Magellan Utilities Development Corporation, Pointwest Technologies Corporation, Pointwest Innovations Corporation, Pinamucan Industrial Estates Inc; *Corporate Secretary*, Philippine Telegraph & Telephone Co. (PT&T), Capitol Wireless Inc. (Capwire), Philippine Wireless Inc. (Pocketbell), Republic Telecommunications Company (Retelcom), U.P. Law Alumni Foundation Inc. (UPLAF), *Former Assistant Vice-President and Corporate Secretary,* United Overseas Bank Philippines (2000-2001).

Term of Office. The directors of the Registrant were elected during the annual stockholders' meeting held on 31 July 2014. The directors have a one (1) year term of office.

The Independent Directors. The independent directors of the Registrant are Robert Y. Ynson and Francis L. Chua.

(2) SIGNIFICANT EMPLOYEES

There are no other persons other than the Registrant's executive officers who are expected to make a significant contribution to its business.

(3) FAMILY RELATIONSHIPS

Messrs. Robert Y. Cokeng and Francisco Y. Cokeng, Jr. are brothers. They are first cousins of Johnson U. Co. Mary K. Cokeng is the spouse of Robert Y. Cokeng. Mark Ryan K. Cokeng is the son of Robert and Mary Cokeng.

ITEM 10. EXECUTIVE COMPENSATION

(1) GENERAL

None of the directors and executive officers of the Registrant are paid any compensation as such. Among its officers, only Messrs. Fina C. Tantuico, Robert Y. Cokeng, Johnson U. Co, and Mark Ryan K. Cokeng are paid professional fees and compensation by the Registrant or its affiliates, MCHC and PIEI, respectively. Directors are not paid any compensation by the Registrant other than a *per diem* of Five Thousand Pesos (₱5,000.00) per attendance of Board Meeting.

(2) SUMMARY COMPENSATION TABLE

Summary Compensation Table
Annual Compensation

NAME & PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION*
Robert Y. Cokeng, President	2015	-	-	
Johnson U. Co, Vice-President-Administration	2015	-	-	
Mark Ryan K. Cokeng, Treasurer	2015	-	-	₱9,100,000.00[1>]
Fina C. Tantuico, Corporate Secretary	2015	-	-	
All Other Officers & Directors	2015	₱ 370,000.00		

NAME & PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION*
Robert Y. Cokeng, President	2014	-	-	
Johnson U. Co, Vice-President-Administration	2014	-	-	
Mark Ryan K. Cokeng, Treasurer	2014	-	-	₱8,855,011.00
Fina C. Tantuico, Corporate Secretary	2014	-	-	
All Other Officers & Directors	2014	₱370,000.00		

NAME & PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION*
Robert Y. Cokeng, President	2013	-	-	
Johnson U. Co, Vice-President-Administration	2013	-	-	
Mark Ryan K. Cokeng, Treasurer	2013	-	-	₱8,578,566.00[⌖]
Fina C. Tantuico, Corporate Secretary	2013	-	-	
All Other Officers & Directors	2013	₱350,000.00		-***

* The amount given represents the professional fees and compensation paid by the affiliates of Registrant.

*** Other directors and executive officers of the Registrant are not paid any compensation as such.

(3) COMPENSATION OF DIRECTORS

Directors receive a *per diem* of ₱5000 *per* attendance at Board Meetings and no other compensation as such.[✥]

[1>] Estimated compensation for the year 2015.

[⌖] On 12 February 2002, the SEC approved the Amendment to the Registrant's By-Laws, specifically Article III, Section 6 on Compensation of Directors. The cap of Pesos (₱500.00) has been removed. Each director may now receive a reasonable per diem, as may be fixed by the Board of Directors, for attendance at board meetings.

[✥] Pursuant to the Amended By-Laws, the Securities and Exchange Commission approved the Amendment of By-Laws Registrant's Board of Directors, During a regular meeting held on 28 February 2002 approved and adopted a resolution fixing the per diem at ₱5000 per attendance at Board Meetings.

(4) EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

There are no employment contracts nor any compensatory plan or arrangements with the Executive Officers of the Registrant.

(5) WARRANTS AND OPTIONS OUTSTANDING: RE-PRICING

There are no existing warrants outstanding. One detachable Subscription Warrant was issued for each share subscribed under the share offering in 2002. Warrants for 723,727 "A" shares and 71,198 "B" shares were exercised. All the remaining warrants that were not exercised have expired as of May 2008. There are no options or warrants currently outstanding.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

(1) SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AS OF 31 DECEMBER 2014

The record or beneficial owners of 5% or more of the outstanding shares of the Registrant are as follows:

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES HELD	PER-CENTAGE
Common B	Essential Holdings Limited 11/F, Belgian House, 77-79 Gloucester Road, Hongkong	Same as Record Owner Robert Y. Cokeng Managing Director	Foreign	139,778,670 Record & Beneficial	29.01%
Common A & B	Pinamucan Industrial Estates, Inc. 5th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City	Same as Record Owner Robert Y. Cokeng Chairman	Filipino	49,486,805 Record & Beneficial	10.27%

Common A	Magellan Capital Holdings Corporation 5th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City	Same as Record Owner Robert Y. Cokeng President	Filipino	47,548,022 Record & Beneficial	9.87%
Common A	Consolidated Tobacco Industries of the Philippines, Inc. CTIP Compound, Ortigas Avenue Ext., Rosario Pasig City	Same as Record Owner Robert Y. Cokeng President	Filipino	43,052,023 Record & Beneficial	8.93%
Common A	Vructi Holdings Corporation 52 Narra Avenue, Forbes Park Makati City	Same as Record Owner Rufino B. Tiangco President	Filipino	34,250,628 Record & Beneficial	7.11%

Mr. Robert Y. Cokeng is the controlling stockholder of Essential Holdings Limited ("EHL"). He is also the President and Chairman of the Registrant.

Mr. Robert Y. Cokeng is the Chairman of Pinamucan Industrial Estates, Inc. ("PIEI"). He has been granted voting power over the shares of stock of PIEI by the Board of Directors of PIEI. He is also the President of the Registrant.

Mr. Robert Y. Cokeng has voting power over the shares of stock of Magellan Capital Holdings Corporation ("MCHC") in the Registrant.

Consolidated Tobacco Industries of the Philippines, Inc. ("CTIP") is principally owned and controlled by the Cokeng and Co families. Mr. Robert Y. Cokeng has voting power over the shares of stock of CTIP.

Vructi Holdings Corporation is controlled by Mr. Rufino B. Tiangco, a director of the Registrant. He has the voting power over the shares of Vructi Holdings Corporation.

(2) SECURITY OWNERSHIP OF MANAGEMENT

As of 31 December 2014, the Directors, Executive Officers and Nominees of the Corporation are the beneficial owners of the following number of shares:

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF OWNERSHIP
Common A	Robert Y. Cokeng	15,501,072	Filipino	3.22%
Common A	Francisco Y. Cokeng, Jr.	2,160,000	Filipino	0.45%
Common A	Johnson U. Co	1,100,000	Filipino	0.23%
Common A	Emeterio L. Barcelon, SJ	304,952	Filipino	0.06%
Common A	Mark Ryan K. Cokeng	10,000	Filipino	0.002%
Common A	Johnson Tan Gui Yee	15,371,747	Filipino	3.19%
Common A	Mary K. Cokeng	1,000	Filipino	0.0002%
Common A	Johnny O. Cobankiat	7,227,076	Filipino	1.50%
Common A & B	Rufino B. Tiangco	128,000	Filipino	0.03%
Common A & B	Robert Y. Ynson	325,667	Filipino	0.07%
Common A	Francis L. Chua	100,000	Filipino	0.02%
Total		**42,229,514**		**8.77%**

TITLE OF CLASS	NAME OF DIRECTOR/EXECUTIVE OFFICER/BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF OWNERSHIP
Common A & B	All Directors & Executive Officers	42,229,514	Filipino	8.77%

(3) VOTING TRUST HOLDERS OF 5% OR MORE OF THE OUTSTANDING SHARES

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

(4) CHANGES IN CONTROL

There are no arrangements that may result in a change in control of the Registrant.

ITEM 12. CERTAIN RELAT IONSHIPS AND RELATED TRANSACTIONS

There were no transactions with any related parties other than normal business transactions such as rental agreements between affiliates on the basis of arms length negotiations. These rental rates are in line with rental rates for similar properties and were negotiated with non-majority owned affiliates where other shareholders provide checks and balances.

There were no transactions with any entities controlled or owned by former managers of the registrant or its subsidiaries and affiliates.

PART IV. CORPORATE GOVERNANCE

ITEM 13. Please refer to attached Annual Corporate Governance Report (ACGR).

PART V – EXHIBITS AND SCHEDULES

EXHIBITS AND REPORTS ON SEC FORM 17-C

(1) Exhibits

EXHIBIT NO.	DOCUMENT
1	Statement of Managements' Responsibility
2	Audited Consolidated Financial Statements as of 31 December 2014 and 2013
3	Breakdown of various accounts Schedules A-I
4	Consolidated Balance Sheet as of December 31, 2014, and December 31, 2013 with vertical percentage analysis
5	Breakdown of Receivables-Others Schedule "1" Breakdown of Accounts Payable and Accrued Expenses-Schedule "2"
6	Organizational Chart of Subsidiaries and Associates

(2) Reports on SEC Form 17-C

For the period January to December 2014, the following matters were duly reported to the SEC and PSE under SEC Form 17-C, to wit:

DATE	MATTERS DISCLOSED
28 May 2014	**OTHER EVENTS (Item 9)** **Date of Annual Stockholders' Meeting** Please be informed that the Board of Directors of F & J PRINCE HOLDINGS CORPORATION during its regular meeting held on 28 May 2014, approved and adopted a resolution scheduling the Annual Stockholders' Meeting of the corporation on 31 July 2014 (Thursday). We shall accordingly inform the stockholders concerned of this schedule and the details as to time and venue. In this regard, the record date fixed for determining the list of stockholders entitled to vote at said meeting is 13 June 2014. Accordingly, the transfer books of the Corporation will be closed from 16 June 2014 until 20 June 2014 for the purpose of preparing said list.

28 May 2014	The Board also approved and adopted a resolution declaring cash dividends, as follows: "Resolved, that there is hereby declared out of the Corporation's unrestricted retained earnings a cash dividends of a total of Twenty (₱0.20) Centavos per share, payable as follows: (i) Ten (₱0.10) Centavos per share, to stockholders of record as of 20 June 2014 (the "Record Date"), payable on or before 16 July 2014; and (ii) Ten (₱0.10) Centavos per share, to stockholders of record as of 21 July 2014 (the "Record Date"), payable on or before 11 August 2014.
31 July 2014	**OTHER EVENTS: Annual Stockholders' Meeting** **Election of Directors and Officers (Item 4)** During the Annual Meeting of the Stockholders of the Corporation held on 24 July 2013, the following persons were elected as the new members of the Board of Directors of the Corporation, to wit: (in alphabetical order) Emeterio L. Barcelon, S.J. Francis L. Chua Johnson U. Co Johnny O. Cobankiat Francisco Y. Cokeng, Jr. Mark Ryan K. Cokeng Mary K. Cokeng Robert Y. Cokeng Johnson Tan Gui Yee Rufino B. Tiangco Robert Y. Ynson The independent directors of the Corporation are Francis L. Chua and Robert Y. Ynson.

31 July 2014	Thereafter, at the Organizational Meeting of the newly elected directors, held immediately after the annual stockholders meeting, the following persons were elected to the positions indicated opposite their respective names: ROBERT Y. COKENG - Chairman & President FRANCISCO Y. COKENG, JR. - Vice-Chairman EMETERIO L. BARCELON, S.J. - Senior Vice-President JOHNSON U. CO - Vice-President for Administration MARK RYAN K. COKENG - Treasurer FINA C. TANTUICO - Corporate Secretary The members of the different committees were elected as follows: **<u>Audit Committee:</u>** Francis L. Chua - Chairman/Independent Director Robert Y. Cokeng Johnson U. Co Johnson Tan Gui Yee Rufino B. Tiangco **<u>Nomination Committee:</u>** Robert Y. Cokeng - Chairman Johnson U. Co Johnson Tan Gui Yee Rufino B. Tiangco Robert Y. Ynson - Independent Director **<u>Compensation Committee:</u>** Robert Y. Cokeng - Chairman Johnson U. Co Johnson Tan Gui Yee Rufino B. Tiangco Francis L. Chua - Independent Director

31 July 2014	**<u>OTHER EVENTS (Item 9)</u>** The Annual Stockholders' Meeting of the Corporation was held as scheduled on 31 July 2014 at the Function Room 7, Top of the Citi, 34th Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City. During said meeting, where the stockholders owning at least a majority of the outstanding capital stock of the Corporation were present and/or represented, the following matters were approved by unanimous affirmative vote: (i) the Minutes of the Annual Meeting of Stockholders held on 24 July 2013; (ii) ratification of the corporate actions approved and adopted by the Board of Directors during the year 2013; (iii) the Audited Financial Statements as of 31 December 2013; (iv) re-appointment of Sycip Gorres Velayo & Co. as external auditor of the Corporation.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 30, 2015.

F & J Prince Holdings Corporation
Issuer

Pursuant to Section 17 of the Code, this Annual Report has been signed by the following persons in the capacities and on the dates indicated.

By:

ROBERT Y. COKENG
Chairman/Principal Executive Officer/
Principal Operating Officer

MARK RYAN K. COKENG
Principal Financial Officer/
Comptroller

(ATTY.) FINA C. TANTUICO
Corporate Secretary

APR 29 2015

SUBSCRIBED AND SWORN to before me this ______ day of ____________ 2015, affiants exhibiting to me their Community Tax Certificates, as follows:

NAMES	COMMUNITY TAX CERTIFICATE NO.	DATE OF ISSUE	PLACE OF ISSUE
Robert Y. Cokeng	02444315	January 14, 2015	Makati City
Mark Ryan K. Cokeng	02444316	January 14, 2015	Makati City
Fina C. Tantuico	33126059	January 28, 2015	San Juan City

NOTARY PUBLIC

ATTY. SOCRATES G. MARANAN
NOTARY PUBLIC UNTIL DEC. 31, 2015
IBP No. 901984, MLA. 10-22-13 Until 12-31-15
PTR No. 3760290 MLA. 12-12-14 Until 12-31-15
NC No. 2014-023/ ROA No. 31923
MCLE No. IV-0018168/ CP #09157914910

Doc. No. 257;
Page No. 51;
Book No. 36;
Series of 2015.

My Docs>F&J>2015 Files>
SEC Form 17-A [Annual Report 2014]

EXHIBIT "1"

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **F& J Prince Holdings Corporation and its subsidiaries** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. 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 or Trustees reviews and approves the financial statements and submits the same to the stockholders or members.

Sycip, Gorres, Velayo and Company, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed under oath by the following:

Robert Y. Cokeng
President/ CEO/ Chairman

Mark Ryan K. Cokeng
Treasurer/Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 14 day of 2015 ,2015, affiants exhibiting to me their Community Tax Certificates, as follows:

Names	Community Tax Cert. No.	Date of Issue	Place of Issue
Robert Y. Cokeng	02444315	14 January, 2015	Makati City
Mark Ryan K. Cokeng	02444316	14 January, 2015	Makati City

ATTY. SOCRATES G. MARANAN
NOTARY PUBLIC
NOTARY PUBLIC UNTIL DEC. 31, 2015
IBP No. 901984, MLA. 10-22-13 Until 12-31-15
PTR No. 3760290 MLA. 12-12-14 Until 12-31-15
NC No. 2014-023/ ROA No. 31923
MCLE No. IV-0018168/ CP #09157914910

Doc.No. 288 ;
Page No. 78 ;
Book No. 32 ;
Series of 2015

EXHIBIT "2"

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

As of

December 31, 2014 and December 31, 2013

F & J Prince Holdings Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and Years Ended December 31, 2014, 2013 and 2012

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
F & J Prince Holdings Corporation

We have audited the accompanying consolidated financial statements of F & J Prince Holdings Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, 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 F & J Prince Holdings Corporation and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-A (Group A),
April 8, 2014, valid until April 7, 2017
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001988-103-2014,
March 10, 2014, valid until March 9, 2017
PTR No. 4751286, January 5, 2015, Makati City

April 10, 2015

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱946,841,757**	₱1,024,774,443
Financial assets at fair value through profit or loss (FVPL) (Note 6)	**65,604,929**	62,307,751
Receivables (Note 7)	**58,259,175**	65,568,796
Current portion of available-for-sale (AFS) financial assets (Note 9)	**8,978,882**	–
Current portion of held-to-maturity (HTM) investments (Note 10)	**–**	36,408,628
Prepayments and other current assets	**16,643,654**	8,636,902
Total Current Assets	**1,096,328,397**	1,197,696,520
Noncurrent Assets		
Receivables from related parties (Note 18)	**1,884,564**	1,863,314
Investments in associates (Note 8)	**149,116,248**	143,793,015
AFS financial assets - net of current portion (Note 9)	**351,427,991**	138,608,895
HTM investments - net of current portion (Note 10)	**–**	161,749,853
Property and equipment (Note 11)	**13,875,919**	42,310,973
Investment properties (Note 12)	**136,677,566**	46,319,625
Other noncurrent assets (Note 13)	**38,822,113**	38,086,634
Total Noncurrent Assets	**691,804,401**	572,732,309
TOTAL ASSETS	**₱1,788,132,798**	₱1,770,428,829
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**₱10,710,792**	₱5,495,080
Dividends payable (Note 17)	**2,524,522**	1,608,488
Income tax payable (Note 16)	**2,153,252**	5,537,208
Provision for legal obligation (Note 21)	**5,000,000**	5,000,000
Total Current Liabilities	**20,388,566**	17,640,776
Noncurrent Liability		
Retirement benefit obligation (Note 15)	**9,679,932**	8,143,006
Total Liabilities	**30,068,498**	25,783,782
Equity		
Common stock (Note 17)	**481,827,653**	481,827,653
Additional paid-in capital	**144,759,977**	144,759,977
Treasury shares (Note 17)	**(98,942,697)**	(98,942,697)
Net unrealized valuation gains (losses) on AFS financial assets (Note 9)	**12,590,012**	(15,891,249)
Actuarial loss on retirement benefit obligation (Note 15)	**(2,376,318)**	(1,902,158)
Accumulated share in other comprehensive income of associates (Note 8)	**(26,709,841)**	(13,171,541)
Retained earnings (Note 17)	**1,177,526,941**	1,177,181,819
Equity Attributable to Equity Holders of the Parent	**1,688,675,727**	1,673,861,804
Non-controlling Interests	**69,388,573**	70,783,243
Total Equity	**1,758,064,300**	1,744,645,047
TOTAL LIABILITIES AND EQUITY	**₱1,788,132,798**	₱1,770,428,829

See accompanying Notes to Consolidated Financial Statements.

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2014	2013	2012
INCOME			
Equity in net earnings of associates (Note 8)	**₱72,551,106**	₱89,756,009	₱77,663,475
Interest income (Notes 5, 9 , 10 and 13)	**37,719,971**	47,161,868	69,540,176
Rent income (Notes 12 and 21)	**4,505,021**	3,714,974	3,542,743
Dividend income (Notes 6 and 9)	**2,290,430**	767,640	1,009,024
Gain on disposal of AFS and HTM financial assets (Notes 9 and 10)	**235,949**	1,302,487	–
Net foreign exchange gains (Note 22)	**–**	11,699,326	–
Gain on disposal of property and equipment (Note 11)	**–**	320,000	125,000
Fair value gains on financial assets at FVPL (Note 6)	**–**	–	6,646,383
Others	**564,518**	270,034	377
	117,866,995	154,992,338	158,527,178
EXPENSES			
Personnel expenses:			
Salaries and wages	**9,819,912**	8,998,307	8,784,003
Retirement benefits (Note 15)	**1,103,105**	1,512,887	731,334
Other employee benefits	**1,807,045**	1,628,883	1,583,049
Fair value losses on financial assets at FVPL (Note 6)	**5,534,800**	48,360	–
Depreciation (Notes 11 and 12)	**3,549,572**	2,992,212	2,903,072
Professional fees	**2,976,152**	2,851,545	2,741,558
Net foreign exchange losses (Note 22)	**2,837,688**	–	5,759,957
Condominium dues	**2,241,724**	3,586,024	1,943,374
Loss on disposal of AFS financial assets (Note 9)	**1,110,399**	–	173,022
Taxes and licenses	**681,952**	889,716	2,943,245
Entertainment, amusement and recreation	**597,417**	438,226	499,091
Utilities	**454,720**	389,170	359,100
Bank charges	**291,315**	195,930	215,478
Others	**990,414**	1,161,708	1,016,578
	33,996,215	24,692,968	29,652,861
INCOME BEFORE INCOME TAX	**83,870,780**	130,299,370	128,874,317
PROVISION FOR CURRENT INCOME TAX (Note 16)	**5,116,409**	10,155,438	9,931,283
NET INCOME	**₱78,754,371**	₱120,143,932	₱118,943,034
NET INCOME ATTRIBUTABLE TO			
Equity holders of the parent	**₱77,290,274**	₱116,865,971	₱116,590,657
Non-controlling interests	**1,464,097**	3,277,961	2,352,377
	₱78,754,371	₱120,143,932	₱118,943,034
Basic/Diluted Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 19)	**₱0.201**	₱0.304	₱0.303

See accompanying Notes to Consolidated Financial Statements.

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**₱78,754,371**	₱120,143,932	₱118,943,034
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to consolidated statements of income			
Movements in net unrealized valuation losses on AFS financial assets (Note 9):			
Changes in fair value of AFS financial assets (Note 9)	**24,664,540**	(13,769,240)	17,857,366
Reclassification of HTM investments to AFS financial assets (Notes 9 and 10)	**4,530,346**	–	–
Disposal of AFS financial assets (Note 9)	**749,301**	–	164,371
Amortization of net unrealized valuation gains on AFS financial assets reclassified to HTM investments (Note 9)	**36,088**	905,310	–
Disposal of AFS financial assets reclassified to HTM investments (Notes 9 and 10)	**–**	(2,113,797)	–
Items that will not be reclassified to consolidated statements of income			
Actuarial loss on retirement benefit obligation (Note 15)	**(433,821)**	(280,905)	(883,101)
Share in actuarial loss on retirement obligation of associates (Note 8)	**(13,538,300)**	(2,081,585)	(12,371,540)
	16,008,154	(17,340,217)	4,767,096
TOTAL COMPREHENSIVE INCOME	**₱94,762,525**	₱102,803,715	₱123,710,130
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of the parent	**91,759,075**	99,525,754	121,357,753
Non-controlling interests	**3,003,450**	3,277,961	2,352,377
	₱94,762,525	₱102,803,715	₱123,710,130

See accompanying Notes to Consolidated Financial Statements.

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Attributable to Equity Holders of the Parent									
	Common Stock (Note 17)	Additional Paid-in Capital	Treasury Shares (Note 17)	Net Unrealized Valuation Gains (Losses) on AFS Financial Assets (Notes 9 and 17)	Actuarial Gains (Losses) on Retirement Benefit Obligation (Note 15)	Share in Other Comprehensive Income of Associates (Note 8)	Retained Earnings (Note 17)	Total	Non-controlling Interests	Total Equity
Balances at January 1, 2012	₱481,827,653	₱144,759,977	(₱96,336,907)	(₱17,625,131)	(₱738,152)	₱1,281,584	₱1,086,907,693	₱1,600,076,717	₱78,145,394	₱1,678,222,111
Net income for the year	–	–	–	–	–	–	116,590,657	116,590,657	2,352,377	118,943,034
Other comprehensive income										
Net unrealized valuation gains on changes in fair value of AFS financial assets (Notes 9 and 17)	–	–	–	16,711,609	–	–	–	16,711,609	1,310,128	18,021,737
Actuarial loss on retirement benefit obligation (Note 15)	–	–	–	–	(883,101)	–	–	(883,101)	–	(883,101)
Share in other comprehensive income of associates (Note 8)	–	–	–	–	–	(12,371,540)	–	(12,371,540)	–	(12,371,540)
Total comprehensive income for the year	–	–	–	16,711,609	(883,101)	(12,371,540)	116,590,657	120,047,625	3,662,505	123,710,130
Dividends declared - ₱0.12 per share	–	–	–	–	–	–	(46,816,971)	(46,816,971)	–	(46,816,971)
Acquisition of treasury shares (Note 17)	–	–	(63,540)	–	–	–	–	(63,540)	–	(63,540)
Dividends declared by the subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	(7,330,200)	(7,330,200)
Balances at December 31, 2012	₱481,827,653	₱144,759,977	(₱96,400,447)	(₱913,522)	(₱1,621,253)	(₱11,089,956)	₱1,156,681,379	₱1,673,243,831	₱74,477,699	₱1,747,721,530

(Forward)

	Attributable to Equity Holders of the Parent									
	Common Stock (Note 17)	Additional Paid-in Capital	Treasury Shares (Note 17)	Net Unrealized Valuation Gains (Losses) on AFS Financial Assets (Notes 9 and 17)	Actuarial Gains (Losses) on Retirement Benefit Obligation (Note 15)	Share in Other Comprehensive Income of Associates (Note 8)	Retained Earnings (Note 17)	Total	Non-controlling Interests	Total Equity
Balances at January 1, 2013	₱481,827,653	₱144,759,977	(₱96,400,447)	(₱913,522)	(₱1,621,253)	(₱11,089,956)	₱1,156,681,379	₱1,673,243,831	₱74,477,699	₱1,747,721,530
Net income for the year	–	–	–	–	–	–	116,865,971	116,865,971	3,277,961	120,143,932
Other comprehensive income										
Net unrealized valuation losses on changes in fair value of AFS financial assets (Notes 9 and 17)	–	–	–	(14,977,727)	–	–	–	(14,977,727)	–	(14,977,727)
Actuarial loss on retirement benefit obligation (Note 15)	–	–	–	–	(280,905)	–	–	(280,905)	–	(280,905)
Share in other comprehensive income of associates (Note 8)	–	–	–	–	–	(2,081,585)	–	(2,081,585)	–	(2,081,585)
Total comprehensive income for the year	–	–	–	(14,977,727)	(280,905)	(2,081,585)	116,865,971	99,525,754	3,277,961	102,803,715
Dividends declared - ₱0.20 per share	–	–	–	–	–	–	(96,365,531)	(96,365,531)	–	(96,365,531)
Acquisition of treasury shares (Note 17)	–	–	(2,542,250)	–	–	–	–	(2,542,250)	–	(2,542,250)
Dividends declared by the subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	(6,972,417)	(6,972,417)
Balances at December 31, 2013	₱481,827,653	₱144,759,977	(₱98,942,697)	(₱15,891,249)	(₱1,902,158)	(₱13,171,541)	₱1,177,181,819	₱1,673,861,804	₱70,783,243	₱1,744,645,047

(Forward)

	Attributable to Equity Holders of the Parent									
	Common Stock (Note 17)	Additional Paid-in Capital	Treasury Shares (Note 17)	Net Unrealized Valuation Gains (Losses) on AFS Financial Assets (Notes 9 and 17)	Actuarial Gains (Losses) on Retirement Benefit Obligation (Note 15)	Share in Other Comprehensive Income of Associates (Note 8)	Retained Earnings (Note 17)	Total	Non-controlling Interests	Total Equity
Balances at January 1, 2014	**₱481,827,653**	**₱144,759,977**	**(₱98,942,697)**	**(₱15,891,249)**	**(₱1,902,158)**	**(₱13,171,541)**	**₱1,177,181,819**	**₱1,673,861,804**	**₱70,783,243**	**₱1,744,645,047**
Net income for the year	–	–	–	–	–	–	**77,290,274**	**77,290,274**	**1,464,097**	**78,754,371**
Other comprehensive income										
Net unrealized valuation gains on changes in fair value of AFS financial assets (Notes 9 and 17)	–	–	–	**28,481,261**	–	–	–	**28,481,261**	**1,499,014**	**29,980,275**
Actuarial loss on retirement benefit obligation (Note 15)	–	–	–	–	**(474,160)**	–	–	**(474,160)**	**40,339**	**(433,821)**
Share in other comprehensive income of associates (Note 8)	–	–	–	–	–	**(13,538,300)**	–	**(13,538,300)**	–	**(13,538,300)**
Total comprehensive income for the year	–	–	–	**28,481,261**	**(474,160)**	**(13,538,300)**	**77,290,274**	**91,759,075**	**3,003,450**	**94,762,525**
Dividends declared - ₱0.20 per share	–	–	–	–	–	–	**(76,945,152)**	**(76,945,152)**	–	**(76,945,152)**
Dividends declared by the subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	**(4,398,120)**	**(4,398,120)**
Balances at December 31, 2014	**₱481,827,653**	**₱144,759,977**	**(₱98,942,697)**	**₱12,590,012**	**(₱2,376,318)**	**(₱26,709,841)**	**₱1,177,526,941**	**₱1,688,675,727**	**₱69,388,573**	**₱1,758,064,300**

See accompanying Notes to Consolidated Financial Statements

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱83,870,780**	₱130,299,370	₱128,874,317
Adjustments for:			
Fair value losses (gains) on financial assets at FVPL (Note 6)	**5,534,800**	48,360	(6,646,383)
Depreciation (Notes 11 and 12)	**3,549,572**	2,992,212	2,903,072
Retirement benefits expense (Note 15)	**1,103,105**	1,512,887	731,334
Loss (gain) on disposal of:			
AFS financial assets (Note 9)	**1,110,399**	–	173,022
HTM investments and AFS financial assets (Note 10)	**(235,949)**	(1,302,487)	–
Property and equipment (Note 11)	**–**	(320,000)	(125,000)
Equity in net earnings of associates (Note 8)	**(72,551,106)**	(89,756,009)	(77,663,475)
Interest income (Notes 5, 9 and 10)	**(37,719,971)**	(47,161,868)	(69,540,176)
Dividend income (Notes 6 and 9)	**(2,290,430)**	(767,640)	(1,009,024)
Net unrealized foreign exchange losses (gains)	**(1,870,226)**	1,973,170	2,002,275
Operating losses before working capital changes	**(19,499,026)**	(2,482,005)	(20,300,038)
Decrease (increase) in:			
Receivables	**837,680**	684,456	(79,237)
Prepayments and other current assets	**(8,006,752)**	(3,061,606)	(248,535)
Accounts payable and accrued expenses	**425,372**	2,246,890	287,750
Net cash flows used in operations	**(26,242,726)**	(2,612,265)	(20,340,060)
Dividends received	**60,915,292**	99,772,545	69,698,076
Interest received	**40,819,972**	41,695,059	50,423,637
Income taxes paid	**(8,500,365)**	(5,570,866)	(11,852,992)
Net cash flows from operating activities	**66,992,173**	133,284,473	87,928,661
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal/redemption of:			
AFS financial assets	**55,736,008**	–	7,577,883
HTM investments	**17,992,000**	32,692,197	–
Property and equipment	**–**	320,000	125,000
Additions to:			
Investments in associate (Note 8)	**(1,875,000)**	–	–
Financial assets at FVPL (Note 6)	**(8,831,978)**	(3,180,000)	(157,087)
Property and equipment (Note 11)	**(643,190)**	(16,649,984)	(125,364)
Investment properties (Notes 12 and 25)	**(60,038,929)**	–	–
HTM investments	**–**	(16,571,100)	–
AFS financial assets	**(67,457,497)**	(46,982,401)	(40,106,677)
Decrease (increase) in:			
Other noncurrent assets	**(735,479)**	(26,518,709)	3,484,382
Receivables from related parties	**(21,250)**	1,997,200	44,276
Net cash flows used in investing activities	**(65,875,315)**	(74,892,797)	(29,157,587)

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchases of treasury shares (Note 17)	**₱–**	(₱2,542,250)	(₱63,540)
Dividends to non-controlling interest	**(4,398,120)**	(6,972,417)	(7,330,200)
Dividends paid (Note 17)	**(76,029,118)**	(95,437,013)	(45,857,413)
Cash flows used in financing activities	**(80,427,238)**	(104,951,680)	(53,251,153)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,377,694**	23,790,454	(179,625)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(77,932,686)**	(22,769,550)	5,340,296
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,024,774,443**	1,047,543,993	1,042,203,697
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱946,841,757**	₱1,024,774,443	₱1,047,543,993

See accompanying Notes to Consolidated Financial Statements.

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Organization

F & J Prince Holdings Corporation (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 18, 1971. Its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including, but not limited to, land, building, condominium units, shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities, contracts or obligations of any corporation and associations, domestic or foreign. The Parent Company's shares of stock are listed in and traded through the Philippine Stock Exchange (PSE). The principal activities of its subsidiaries are described in Note 2.

The registered office address of the Parent Company is 5th Floor, Citibank Center Building, 8741 Paseo de Roxas corner Villar Street, Salcedo Village, Makati City.

Authorization for Issuance

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the Group) were authorized for issue by the Board of Directors (BOD) on April 10, 2015.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available for sale (AFS) financial assets that have been measured at fair value (see Notes 6 and 9). The consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company and its subsidiaries' functional currency, and rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS and new Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC). Except as otherwise indicated, the following amended standards and new interpretation did not have any significant impact on the Group's financial statements:

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 application of these exceptions requires investment entities to account for subsidiaries at FVPL.

PAS 32 (Amendments), *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
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.

PAS 36 (Amendments), *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets*
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 assets or cash-generating units for which impairment loss has been recognized or reversed during the period.

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

Philippine Interpretation IFRIC 21, *Levies*
Philippine Interpretation 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.

Annual Improvements to PFRSs
The Annual Improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2010-2012 Cycle
PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

2011-2013 Cycle
PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

<u>Basis of Consolidation</u>
The consolidated financial statements include the accounts of the Parent Company and Magellan Capital Holdings Corporation (MCHC) and its subsidiaries (MCHC Group) as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014.

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

As of December 31, 2014 and 2013, the Group has 94.37% interest in the unquoted equity stocks of MCHC, a holding company involved in investing real and personal properties of every kind, including, but not limited to, land, buildings, condominium units, shares of stock, bonds, and other securities of any corporation or association, domestic or foreign.

MCHC has investments in the following subsidiaries:

	Country of Incorporation	Percentage of Ownership	
		2014	2013
Pinamucan Industrial Estates, Inc. (PIEI)	Philippines	**100%**	100%
Malabrigo Corporation (MC)*	Philippines	**100%**	100%
Magellan Capital Realty Development Corporation (MCRDC)*	Philippines	**100%**	100%
Magellan Capital Trading Corporation (MCTC)*	Philippines	**100%**	100%

**Still in the preoperating stage.*

PIEI
PIEI was organized primarily as a real estate developer and was registered with the Philippine SEC on May 5, 1993. It started its commercial operations on July 14, 1994.

MC
MC was organized primarily to purchase, operate, maintain and sell coal mines and their products and by-products. MC was incorporated on August 31, 1993 and has not yet started commercial operations.

On December 11, 2012, the BOD of MC authorized the issuance of its remaining 7,500,000 unissued shares to MCHC and convert part of MCHC's advances to MC as payment of the subscription.

MCRDC
MCRDC was organized to purchase, subscribe for, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities, contracts and obligations of any corporation or corporations, domestic or foreign. MCRDC was registered with the Philippine SEC on November 14, 1990 and has not yet started commercial operations.

MCTC
MCTC was organized to conduct and carry on the business of buying, selling, distributing, marketing at wholesale and retail all kinds of goods, commodities, wares and merchandise. MCTC was registered in the Philippine SEC on January 7, 1991 and has not yet started commercial operations.

Transactions with Non-controlling Interests
Non-controlling interests represent the portion of net income or loss and net assets in MCHC not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from total equity attributable to equity holders of the Parent Company. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals of non-controlling interests is also recognized directly in equity.

Investments in Associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associates are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the financial performance of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income. The financial statements of the associate or joint venture 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 impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investments in the associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss in the consolidated statement of income.

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

The Group has equity interest in the unquoted equity securities of and additional deposits for stock subscription to the following associates as of December 31:

	Country of Incorporation	Percentage of Ownership	
		2014	2013
Magellan Utilities Development Corporation (MUDC)	Philippines	**43**	43
Business Process Outsourcing, International (BPO)	Philippines	**35**	35
Pointwest Technologies Corporation (PTC)	Philippines	**30**	30

3. Summary of Significant Accounting Policies

Fair Value Measurement
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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 the end of each reporting period.

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

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to insignificant risk of changes in value.

Financial Instruments

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and disposals or retirements, as applicable, is done using settlement date accounting.

Financial assets and financial liabilities are recognized at fair value at inception. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at FVPL.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets

Financial assets, within the scope of PAS 39, are classified into the following categories: financial asset at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial assets are classified as current assets when these are expected to be realized within 12 months after the reporting date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as other noncurrent assets.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading purposes and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognized in the consolidated statement of income. Interest earned is recorded in interest income, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

Financial assets may be designated at initial recognition as at FVPL if the following criteria are met: (a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (b) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (c) the financial asset contains an embedded derivative that would need to be separately recorded.

The Group's investments in trading securities are classified under financial assets at FVPL as of December 31, 2014 and 2013 (see Note 6).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group's cash and cash equivalents, receivables, fixed income deposit included under "Other noncurrent assets" account and receivables from related parties are classified as loans and receivables as of December 31, 2014 and 2013 (see Notes 5, 7, 13 and 18).

HTM investments
HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets and the Group will be precluded from using the HTM investments account for the current period and for the next two succeeding periods from tainting date. After initial measurement, HTM investments are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

AFS financial assets
AFS financial assets are those non-derivative financial assets that are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets, or loans and receivables. AFS financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component in the equity section of the consolidated statements of financial position until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income.

Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS equity instruments are recognized in the consolidated statement of income when the right to the payment has been established. AFS financial assets are classified as current if they are expected to be realized within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. The losses arising from impairment of AFS financial assets are recognized in the consolidated statement of income.

The Group's AFS financial assets consist of debt and equity securities as of December 31, 2014 and 2013 (see Note 9).

Derivative financial instruments
Derivative instruments (including embedded derivatives) are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Gains and losses from changes in fair value of these derivatives are recognized in the consolidated statement of income.

An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and
- the hybrid or combined instrument is not recognized at FVPL.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group has no bifurcated embedded derivatives as of December 31, 2014 and 2013.

Financial liabilities
Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities.

Financial liabilities are classified as current liabilities when these are expected to be realized within 12 months from the reporting date or the Group does not have an unconditional right to defer settlement for at least 12 months from reporting date. Otherwise, these are classified as noncurrent liabilities.

Other financial liabilities
Issued financial instruments or their components, which are not held for trading or not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument, as a whole, the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to accounts payable and accrued expenses, dividends payable and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition of Financial Assets and Liabilities

Financial asset

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 retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset 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.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all 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. 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 liability

A financial liability is derecognized when the obligation under the liability is discharged or 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 is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or 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 (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers 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 measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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 on loans and receivables carried at amortized cost 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of the discounting is not material. The carrying amount of the asset is reduced either directly or through use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. The amount of the loss shall be recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for impairment losses is made when there is objective evidence (such as the probability of insolvency or significant financial difficulty of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

The carrying amount of the receivables shall be reduced through the use of an allowance account. Impaired debts shall be derecognized when they are assessed as uncollectible.

Assets carried at cost
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.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that the financial asset is impaired.

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is 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. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases 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.

"Day 1" Profit or Loss

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" profit or loss amount.

Reclassification of Financial Instruments

If, as a result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available, it becomes appropriate to carry a financial asset or financial liability at cost or amortized cost rather than at fair value, the fair value carrying amount of the financial asset or the financial liability on that date becomes its new cost or amortized cost, as applicable.

In the case of a financial asset with a fixed maturity, any previous gain or loss on that asset that has been recognized directly in equity shall be amortized to the consolidated statement of income over the remaining life of the investment using the effective interest rate method. Any difference between the new amortized cost and maturity amount shall also be amortized over the remaining life of the financial asset using the effective interest rate method, similar to the amortization of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognized directly in equity is recognized in the consolidated statement of income.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall remain in equity until the financial asset is sold or otherwise disposed of, when it shall be recognized in the consolidated statement of income. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized directly in equity is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts; and
- there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Input Value-added Taxes (VAT)

Input VAT, included in "Prepayments and other current assets" account in the consolidated statement of financial position, represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is stated at its estimated net realizable value.

Creditable Withholding Taxes (CWTs)

CWTs, included in “Prepayments and other current assets” account in the consolidated statement of financial position, are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve months are classified as current asset.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment, including borrowing cost for long-term construction projects, when that cost is incurred and if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

Category	Number of Years
Condominium	25
Condominium improvements	10
Transportation equipment	10
Office furniture, fixtures and equipment	5

An item of property 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 difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

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 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.

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the values, periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Investment Properties

Investment properties, comprising a parcel of land and condominium units, is held either to earn rental income or for capital appreciation or both. Investment property is measured at cost, including transaction costs less any accumulated impairment in value.

Investment property pertaining to condominium is carried at cost less any accumulated depreciation and any impairment in value. Depreciation is computed using straight line method over the estimated useful life of 25 years.

Investment properties are derecognized when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the period of the retirement or disposal.

Transfers are made to or from investment properties only when there are changes in use. For a transfer from investment property under the cost model to owner occupied property or inventories, no change in the carrying value of the property transferred and the transfers do not change the deemed cost for subsequent accounting of that property for measurement or disclosure purposes.

Impairment of Nonfinancial Assets
At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely: prepayments and other current assets, investments in associates, property and equipment, investment properties, and other noncurrent assets) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. The estimated recoverable amount is the higher of the asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the estimated recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its estimated recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its estimated recoverable amount. 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 (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date 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 assumptions used to determine the asset’s estimated recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated 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 the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Capital Stock and Additional Paid-in Capital
The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital also arises from additional capital contribution from the shareholders.

Treasury Shares
The Group's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the considerations received is recognized as capital reserves.

Dividends Payable
Dividends payable are recorded in the financial year in which they are declared by the BOD.

Retained Earnings
The amount included in retained earnings includes income attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company's and subsidiaries' BOD. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the relevant transitional provisions.

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

Interest
Interest income from bank deposits and investments is recognized as the interest accrues on a time proportion basis on the principal outstanding balance and at the effective interest rate as applicable.

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

Fair value gains on financial assets at FVPL
Financial assets at FVPL which consist of equity securities are stated at fair values based on the current market quotations. The difference between the aggregate market values of investments in securities at respective reporting dates and the carrying value is shown as "Fair value gains or losses on financial assets at FVPL" account in the consolidated statement of income.

Rent
Rent income from condominium spaces is accounted for on a straight-line basis over the lease term.

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are used or the expenses arise.

Retirement Benefits
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.

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 expense in profit or loss. 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 expense or income in profit or loss.

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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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 Company, nor can they be paid directly to the Company. 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.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after 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 that 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 specific 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 gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating lease - Group as a lessor
Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. 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 same basis as rental income.

Foreign Currency Transactions
The consolidated financial statements are presented in Philippine peso, which is the Parent Company and its subsidiaries' functional and presentation currency. Each entity in the Group determines its own functional and presentation currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are measured in the functional currency and are recorded on initial recognition in that functional currency at exchange rates approximating those ruling at transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date. Nonmonetary 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. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair values were determined. Exchange gains or losses arising from foreign currency-denominated transactions are credited or charged to current operations.

Income Taxes
Final tax
Final tax on interest income is recognized in the consolidated statement of income at the time the interest is received.

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 at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Deferred income tax

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or 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 income nor taxable income or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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, carryforward benefits of unused tax credits in the form of minimum corporate income tax (MCIT) and unused tax losses in the form of net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where 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 income nor taxable income 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 taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income 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 reporting date and are recognized to the extent that it has become probable that future taxable income 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 the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Sales tax
Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables 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 a 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. Where 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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 benefits is probable.

Earnings Per Share

Earnings per share is computed by dividing the net income for the year by the weighted average number of common shares issued and outstanding during the year after giving retroactive effect to stock dividends or stock splits declared during the year and adjusted for the effects of dilutive stock warrants and other dilutive securities. Effects of anti-dilutive potential common shares are not considered in computing diluted earnings per share.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets (see Note 20).

Events after the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (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.

Future Changes in Accounting Policies

Pronouncements Issued but Not yet Effective

Pronouncements issued but not yet effective as at December 31, 2014 are listed below. These pronouncements are those that the Group reasonably expects to have an impact on its accounting policies or disclosures unless otherwise indicated. The Group intends to adopt the following pronouncements when they become effective.

New Pronouncements	Effective for Annual Periods Beginning On or After
PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)	
PFRS 9 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 fair value through profit or loss. 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 fair value through profit or loss. 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 in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The Group, however, has yet to conduct a quantification of the full impact of this standard.	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 FRSC. Such adoption, however, is still for approval by the Board of Accountancy (BOA).
IFRIC 15, *Agreements for the Construction of Real Estate*	
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The adoption of this interpretation will not have any material effect on the consolidated financial statements of the Group.	The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB), and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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

New Pronouncements	Effective for Annual Periods Beginning On or After
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 will have an effect on the classification and measurement of the Group's financial assets but will have no impact 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 impact of adopting this standard.	
PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)	
The amendments require 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.	January 1, 2015
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. The amendments have no potential impact to the Group as there are no contributions from employees or third parties to the plan.	

New Pronouncements	Effective for Annual Periods Beginning On or After
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 to be applied prospectively, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.	January 1, 2016
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 to be applied retrospectively, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.	January 1, 2016
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. These amendments will not have any impact on the Group's consolidated financial statements.	January 1, 2016

New Pronouncements	Effective for Annual Periods Beginning On or After
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. The 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.	January 1, 2016
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 to be applied retrospectively, with early adoption permitted. These amendments are not expected to have any impact to the Group.	January 1, 2016
PFRS 9, *Financial Instruments* (2014 or final version)	
In July 2014, the final version of PFRS 9, Financial Instruments, 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. The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact 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 impact of adopting this standard.	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.

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 impact on the Group.

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39. 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 impact on the Group.

- 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.

- 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).

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 impact on the Group.

- 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).

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

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, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

4. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Estimates and judgments 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.

Judgments

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Parent Company and its subsidiaries has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the revenue and expenses of the Group.

Determining Non-controlling Interest (NCI) that is Material to the Group

The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of the activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in MCHC is not material to the Group.

Operating Lease - The Group as a Lessor

The Group entered into various lease agreements as a lessor. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating lease due to the following:

a. the ownership of the asset does not transfer at the end of the lease term;
b. the lessee has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that at the inception of the lease, it is reasonable and certain that the option will be exercised;
c. the lease term is not for the major part of the economic life of the asset even if title is not transferred; and
d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Contingencies

In the ordinary course of business, the Group is a defendant in various litigations and claims. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsels handling the Group's defense in these matters and is based upon analysis of potential results. Although there can be no assurances, the Group believes, based on information currently available and the advise by its legal counsels, that the ultimate resolution of these legal proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these litigations and claims (see Note 21).

Estimates and Assumptions

Determination of Fair Values of Financial Instruments

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted prices, interest rates and foreign exchange rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect either income or loss or amount disclosed.

Where the fair value of certain financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Group’s financial instruments are disclosed in Note 23 to the consolidated financial statements.

Estimating Allowance for Impairment Losses on Loans and Receivables
The Group reviews its loans and receivables (cash and cash equivalents, receivables, and fixed income deposit included under “Other noncurrent assets” account and receivables from related parties) at each reporting date to assess whether an impairment loss 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 receivables from 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 reserve allowance against recorded receivable amounts. For trade receivables, the Group evaluates specific accounts where the Group has information that certain third parties are unable to meet their financial obligations. 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 reserves that will be recorded in “Receivables”. These allowances are re-evaluated and adjusted as additional information is received. The allowance for impairment losses on receivables and receivables from related parties amounted to ₱90.1 million and ₱97.3 million as of December 31, 2014 and 2013, respectively (see Notes 7 and 18). No provision for impairment losses on receivables was recognized in 2014, 2013 and 2012. The Group’s current receivables are disclosed in Note 7 to the consolidated financial statements. The balance of the Group’s noncurrent receivables from related parties, net of allowance for impairment losses, amounted to ₱1.9 million as of December 31, 2014 and 2013 (see Note 18).

Estimating Impairment of AFS Equity Financial Assets
The Group treats AFS equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment.

The Group treats ‘significant’ generally as 20% or more and ‘prolonged’ as greater than six (6) months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

The balance of the Group’s allowance for impairment losses on investment in equity securities amounted to ₱10.7 million as of December 31, 2014 and 2013 (see Notes 9 and 22). The carrying amount of the Group’s AFS equity financial assets as of December 31, 2014 and 2013 are disclosed in Note 9 to the consolidated financial statements.

Estimating Impairment of Nonfinancial Assets
The Group determines whether prepayments and other current assets, investments in associates, property and equipment, investment properties, and other noncurrent assets are impaired whenever events or changes in circumstances indicate that the carrying amount of the assets 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.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The Group has an allowance for impairment losses on its investment in MUDC, an associate, amounting to ₱94.8 million as of December 31, 2014 and 2013 (see Note 8). The impairment is based on the Group's assessment of the fair value of the investment in MUDC using the discounted cash flows method. The Group has fully impaired its investment in MUDC since the Group does not expect any cash inflows from the investment. The carrying amount of the Group's investment in MUDC amounted to nil as of December 31, 2014 and 2013 (see Note 8). The carrying amounts of the Group's remaining investments in associates as of December 31, 2014 and 2013 are disclosed in Note 8 to the consolidated financial statements.

The Group has not identified any events or changes in circumstances that would indicate an impairment loss on the following other nonfinancial assets as of December 31, 2014 and 2013:

	2014	2013
Prepayments and other current assets	**₱16,643,654**	₱8,636,902
Property and equipment (see Note 11)	**13,875,919**	42,310,973
Investment properties (see Note 12)	**136,677,566**	46,319,625
Other noncurrent assets (see Note 13)	**26,056,343**	27,097,370
	₱193,253,482	₱124,364,870

The balance excludes investment in limited liability partnership and fixed income deposit, which are classified as financial assets, amounting to ₱12.8 million and ₱11.0 million as of December 31, 2014 and 2013, respectively.

Estimating Useful Lives of Property and Equipment and Investment Properties
The estimated useful lives used as bases for depreciating the Group's property and equipment and investment properties were determined on the basis of management's assessment of the period within which the benefits of these assets 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 net book value of the Group's property and equipment and investment properties are disclosed in Notes 11 and 12 to the consolidated financial statements.

Estimating Retirement Benefit Obligation
The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The assumptions and the carrying amount of the Group's retirement benefit obligation as of December 31, 2014 and 2013 are disclosed in Note 15 to the consolidated financial statements.

Estimating Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces it to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

The Group recognized deferred income tax asset amounting to ₱19.4 million and ₱18.8 million as of December 31, 2014 and 2013, respectively. The Group has deductible temporary differences, carryforward benefits of unused NOLCO and excess MCIT, for which no deferred income tax assets were recognized (see Note 16).

Estimating Provision for Legal Obligation
The Group's estimate of provision for legal obligations has been developed by management. The Group's management currently does not believe the provision will have a material adverse effect on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates of provisions. In 2011, the Group recognized provision for legal obligation amounting to ₱5.0 million for claims arising from lawsuits filed by third parties which are either pending decision by the courts or are subject to settlement obligations (see Note 21). No additional provisions were made in 2014, 2013 and 2012.

5. Cash and Cash Equivalents

	2014	2013
Cash on hand	**₱9,000**	₱9,000
Cash with banks	**127,714,828**	31,503,261
Short-term placements	**819,117,929**	993,262,182
	₱946,841,757	₱1,024,774,443

Cash with banks earn interest at the respective bank deposit rates. Short-term placements are fixed rate time deposits denominated in United States (US) dollar and Philippine peso, made for varying periods of up to three months or less depending on the immediate cash requirements of the Group and earn interest at the respective bank rates ranging from 1% to 3.5% in 2014 and 2013. Interest income earned from cash and cash equivalents amounted to ₱12.7 million, ₱21.8 million and ₱34.9 million in 2014, 2013 and 2012, respectively.

6. Financial Assets at FVPL

Financial assets at FVPL consist of listed securities which are traded in the PSE, New York Stock Exchange (NYSE) and Hong Kong Stock Exchange (HKEx). Fair values of listed equity securities are based on quoted market prices in the PSE, NYSE and HKEx.

The carrying value of financial assets at FVPL includes net unrealized loss on fair value changes amounting to ₱5.5 million and ₱0.05 million in 2014 and 2013, respectively, and net unrealized gain on fair value changes amounting to ₱6.6 million in 2012. Fair value changes are presented under "Fair value gains/losses on financial assets at FVPL" in the consolidated statements of income. Net cumulative unrealized gains on financial assets at FVPL amounted to ₱24.4 million and ₱30.0 million as of December 31, 2014 and 2013, respectively.

The rollforward of the Group's investments in financial assets at FVPL is as follows:

	2014	2013
Cost:		
Balances at beginning of year	**₱32,349,524**	₱29,169,524
Additions	**8,831,978**	3,180,000
Balances at end of year	**41,181,502**	32,349,524
Changes in fair value:		
Balances at beginning of year	**29,958,227**	30,006,587
Unrealized losses on change in fair value	**(5,534,800)**	(48,360)
Balances at end of year	**24,423,427**	29,958,227
	₱65,604,929	₱62,307,751

Dividend income earned on investments in financial assets at FVPL amounted to ₱0.5 million, ₱0.4 million and ₱0.5 million in 2014, 2013 and 2012, respectively.

7. Receivables

	2014	2013
Third parties:		
Accrued interest (see Note 9)	**₱4,554,022**	₱9,175,998
Others	**791,417**	456,000
Related parties:		
Dividends receivable (see Notes 8 and 18)	**53,374,543**	56,434,832
Management fees (see Note 18)	**45,197,865**	45,197,865
Accrued interest (see Note 18)	**43,753,772**	43,753,772
Others (see Note 18)	**697,743**	660,516
	148,369,362	155,678,983
Less allowance for impairment losses	**90,110,187**	90,110,187
	₱58,259,175	₱65,568,796

Accrued interest receivables from third parties pertain to interest earned on investments in AFS debt securities, HTM investments and short-term placements that are expected to be collected within one year.

The terms and conditions related to receivables from related parties are discussed in Note 18.

The breakdown of allowance for impairment losses on receivables is as follows:

Third parties		₱1,120,789
Related parties (see Note 18):		
Management fees	₱45,197,865	
Accrued interest	43,753,772	
Others	37,761	88,989,398
Total		₱90,110,187

8. **Investments in Associates**

	2014	2013
Costs:		
Acquisition costs	**₱186,260,135**	₱186,260,135
Deposit for future stock subscription	**1,875,000**	–
	188,135,135	186,260,135
Accumulated equity in net earnings and OCI:		
Balances at beginning of year	**52,363,009**	64,461,130
Share in net income from associates	**72,551,106**	89,756,009
Share in OCI from associates	**(13,538,300)**	(2,081,585)
Dividends received/declared	**(55,564,573)**	(99,772,545)
Balances at end of year	**55,811,242**	52,363,009
	243,946,377	238,623,144
Less allowance for impairment losses	**94,830,129**	94,830,129
	₱149,116,248	₱143,793,015

The Group has equity interest in the unquoted equity securities of and additional deposits for stock subscription to the following associates as of December 31:

	Country of Incorporation	Percentage of Ownership **2014**	2013	Carrying Amount of Investments **2014**	2013
MUDC	Philippines	**43**	43	**₱94,830,129**	₱94,830,129
Less allowance for impairment losses				**(94,830,129)**	(94,830,129)
				–	–
BPO	Philippines	**35**	35	**53,954,394**	54,051,885
PTC	Philippines	**30**	30	**95,161,854**	89,741,130
				₱149,116,248	₱143,793,015

MUDC
The Group has a 43% interest in MUDC. As of December 31, 2014, MUDC has not yet started commercial operations. However, it has obtained the necessary requirements for the signing of a supply agreement with a public utility firm and a purchase agreement with certain oil companies. As of December 31, 2014 and 2013, MUDC has project development costs of ₱207.1 million.

The recoverability of these assets and the ultimate success of MUDC's future operations are dependent upon the signing of these agreements. The foregoing conditions indicate the existence of a material uncertainty which may cast significant doubt on MUDC's ability to continue as a going concern and the recoverability of the Group's significant investment in MUDC.

As of December 31, 2014 and 2013, MUDC has incurred significant losses, which resulted in deficit of ₱438.0 million and capital deficiency of ₱257.2 million.

Moreover, the Group's share of the losses of MUDC exceeded the carrying amount of its investments. Consequently, the Group has discontinued recognizing its share of further losses of MUDC. Additional losses are provided for by the Group to the extent that it has made payments on behalf of MUDC to satisfy MUDC's obligations that the Group has guaranteed or otherwise committed.

The Group has assessed that its investment in and advances to MUDC amounting to ₱94.8 million is impaired since management believes that it will no longer recover from such investment and advances. Accordingly, the Group provided a full allowance for impairment losses on its investment and receivables from MUDC due to non-recoverability of the project development costs incurred.

The summarized financial information of MUDC is as follows ('000):

	2014	2013
Current assets	**₱188**	₱160
Noncurrent assets	**16,030**	16,023
Total assets	**16,218**	16,183
Current liabilities	**280**	284
Noncurrent liabilities	**273,133**	273,062
Total liabilities	**273,413**	273,346
Capital deficiency	**(257,195)**	(257,163)

	2014	2013
Revenues	**₱2**	₱1
Expenses	**34**	40
Net loss	**32**	39

BPO
BPO is a provider of accounting and finance related services such as payroll, internal audit, payables processing and others. It is involved in outsourcing business process services in the Philippines, servicing many of the multinational and large corporations operating in the country.

Dividends
On December 17, 2013, the BOD of BPO approved the declaration of cash dividends amounting to ₱58.5 million or ₱75.0 per share of BPO's common stocks as of record date December 17, 2013. The dividends were paid on April 30, 2014.

On December 15, 2014, the BOD of BPO approved another declaration of cash dividends amounting to ₱30.0 million or ₱38.5 per share of the outstanding stocks as of record date December 15, 2014. The dividends are payable on May 30, 2015.

The Group's share in the dividends declared amounted to ₱10.5 million and ₱20.5 million in 2014 and 2013, respectively. As of December 31, 2014 and 2013, the outstanding dividend receivable amounted to ₱10.5 million and ₱20.5 million, respectively (see Note 18).

The summarized financial information of BPO is as follows (‘000):

	2014	2013
Current assets	**₱135,886**	₱177,194
Noncurrent assets	**66,223**	61,705
Total assets	**202,109**	238,899
Current liabilities	**96,148**	131,424
Noncurrent liabilities	**12,388**	13,623
Total liabilities	**108,536**	145,047
Equity	**93,573**	93,852

	2014	2013
Gross revenue	**₱331,975**	₱375,664
Operating profit	**41,447**	84,518
Net income	**30,187**	57,123
Group’s share in net income	**10,565**	19,993

The difference between the carrying value of the investment in BPO against the share in net assets of BPO amounting to ₱21.2 million represents goodwill at acquisition date.

PTC
PTC is a global service company outsourcing information technology services from the Philippines. Among others, it offers software servicing, maintenance, testing and development to various clients, mostly in the US.

Dividends
On July 1, 2013, the BOD of PTC approved the declaration of cash dividends amounting to $6.0 million or $0.0533 per share of the outstanding stocks as of record date of July 31, 2013. Dividends were paid as follows: August 2, 2013 - $1.65 million, September 5, 2013 - $1.65 million and November 27, 2013 - $2.7 million.

On December 1, 2014, the BOD of PTC approved the declaration of cash dividends amounting to $2.0 million or $0.045 per share of the issued and outstanding common stock of record as of December 31, 2014. Dividends are payable on or before April 2015.

On December 31, 2014, the BOD of PTC approved the declaration of cash dividends amounting to $3.4 million or $0.0311 per share of the outstanding stocks as of record date of October 31, 2014. Dividends shall be payable as follows; December 31, 2014 - $0.155 million, March 31, 2015 - $0.195 million and April 30, 2015 - $3.00 million.

The Group’s share in the dividends declared amounted to ₱45.1 million and ₱79.3 million in 2014 and 2013, respectively. As of December 31, 2014 and 2013, the outstanding dividend receivable amounted to ₱42.8 million and ₱35.9 million, respectively.

Deposit for Stock Subscription
On December 1, 2014, the BOD of PTC approved the increase of PTC’s authorized capital stock from 400 million shares, with par value of ₱1.0 per share to 500 million shares with the same par value.

In compliance with the minimum subscription requirement for the application of the increase in PTC's capital stock, its stockholders deposited an amount equivalent to 25% of the minimum subscription of the capital increase amounting to ₱6.3 million (equivalent to $140,015). The Parent Company maintained its percentage ownership over PTC by providing an advance amounting to ₱1.9 million.

PTC is in the process of finalizing its application for the increase in authorized capital stock with the SEC as of December 31, 2014.

The summarized financial information of PTC is as follows ('000):

	2014	2013
Current assets	**₱730,760**	₱618,963
Noncurrent assets	**139,474**	133,811
Total assets	**870,234**	752,774
Current liabilities	**394,354**	339,467
Noncurrent liabilities	**164,888**	129,626
Total liabilities	**559,242**	469,093
Equity	**310,992**	283,681

	2014	2013
Gross revenue	**₱1,389,486**	₱1,193,327
Operating profit	**220,273**	212,953
Net income	**206,619**	233,587
Group's share in net income	**61,986**	70,076

The carrying value of the investment in PTC approximates its share in net assets of PTC.

9. AFS Financial Assets

	2014	2013
Current:		
Debt securities	**₱8,978,882**	₱–
Non-current:		
Debt securities	**278,051,319**	104,784,799
Equity securities - net of allowance for impairment losses of ₱10.7 million as of December 31, 2014 and 2013	**73,376,672**	33,824,096
	₱360,406,873	₱138,608,895

Investments in debt securities
Investments in debt securities are denominated in various foreign currencies and are stated at fair value based on quoted prices. Changes in market values are included in the consolidated statements of comprehensive income. Fixed interest rates range from 6.6% to 12.5% per annum. Valuation dates of the investments range from July 1, 2008 to September 11, 2014. Redemption and maturity dates range from January 26, 2015 to perpetuity. Interests on investments are received and settled semi-annually in its denominated currency.

In 2013, because of the passage of the two preceding financial years, AFS financial assets with a fair value of ₱272.6 million was reclassified to "HTM investments" category and measured at amortized cost using the effective interest method (see Note 10).

In 2014, following the sale of more than an insignificant portion of the Group's HTM investments, the remaining portfolio of the HTM investments with a fair value of ₱227.9 million were reclassified to AFS financial assets in accordance with the provisions of PAS 39 (see Note 10).

In 2014 and 2012, the Group recognized a loss on disposal of AFS financial assets amounting to ₱1.1 million and ₱0.2 million, respectively, and a gain on disposal of AFS financial assets amounting to ₱1.3 million in 2013.

Interest income earned from AFS financial assets amounted to ₱22.7 million, ₱4.8 million, and ₱26.6 million in 2014, 2013 and 2012, respectively.

Investments in equity securities
Investments in equity securities consist of proprietary club shares and investments in quoted shares of stock which the Group has neither control nor significant influence. The Group did not recognize impairment losses in 2014, 2013 and 2012. Allowance for impairment losses on AFS equity securities amounted to ₱10.7 million as of December 31, 2014 and 2013.

The fair values of these listed shares are determined by reference to published quotations in an active market as of December 31, 2014 and 2013.

Dividend income earned on AFS financial assets amounted to ₱1.8 million, ₱0.4 million and ₱0.5 million in 2014, 2013 and 2012, respectively.

Movements in the net unrealized valuation gains (losses) on AFS financial assets are as follows:

	2014	2013
Balances at beginning of year	**(₱16,864,550)**	(₱1,093,863)
Changes in fair value of AFS financial assets	**24,664,540**	(14,493,937)
Reclassification of HTM investments to AFS financial assets (see Note 10)	**4,530,346**	–
Disposal of AFS financial assets	**749,301**	(2,225,049)
Amortization of net unrealized valuation gains on AFS financial assets reclassified to HTM investments	**36,088**	948,299
Balances at end of year	**₱13,115,725**	(₱16,864,550)

Net unrealized valuation gains and losses on AFS financial assets attributable to equity holders of the parent amounted to ₱12.6 million and ₱15.9 million as of December 31, 2014 and 2013, respectively. These are presented under the equity section in the consolidated statements of financial position.

10. **HTM Investments**

In 2010, HTM investments were reclassified to AFS financial assets following the sale of more than an insignificant portion of the Group's HTM investments. Under the provisions of PAS 39, no investment should be classified as HTM during the current financial year and in the next two financial years if the reporting entity has sold or reclassified more than an insignificant (in relation to the total) amount of such investments before maturity.

Because of the passage of the two preceding financial years referred to above, the said investments have been reclassified to "HTM investments" category and measured at amortized cost using the effective interest method in 2013. Any resulting premium or discount from the difference between the new amortized cost and the maturity value and the previous gains or losses recognized in other comprehensive income (unless the financial asset does not have a fixed maturity which shall be recognized in profit or loss upon disposal) shall be amortized to profit or loss over the remaining life of the asset using the effective interest method.

The fair value of the investments which aggregated to ₱272.6 million represents the new cost basis to be amortized over the remaining life of the investments. The amortized portion of the gains or losses previously recognized in other comprehensive income amounted to ₱0.9 million in 2013 (see Note 9). The remaining unamortized portion of these investments recognized in net unrealized valuation gains (losses) on AFS financial assets presented in the equity section of the consolidated statements of financial position amounted to ₱3.8 million on December 31, 2013.

The carrying value of the HTM investments amounted to ₱198.2 million as of December 31, 2013. The Group earns interest on these investments at annual rates ranging from 6.300% - 13.625% in 2013 while maturity periods range from 1 to 10 years upon the date of acquisition. Interest income on these HTM investments amounted to ₱2.3 million, ₱20.6 million and nil in 2014, 2013 and 2012, respectively.

In 2014, the Group sold HTM investments with a carrying value of ₱39.4 million which resulted to a gain amounting to ₱0.2 million. Since the Group sold more than an insignificant amount of HTM investments, in accordance with PAS 39, the remaining portfolio of HTM investments with a carrying value of ₱223.4 million was reclassified to AFS financial assets and was remeasured at fair value. The fair value gain from remeasurement amounting to ₱4.5 million was recognized in the consolidated statements of comprehensive income (see Note 9).

11. Property and Equipment

2014

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Costs:					
Balances at beginning of year	**₱62,115,626**	**₱8,058,590**	**₱8,395,222**	**₱2,821,925**	**₱81,391,363**
Additions	**–**	**634,043**	**–**	**9,147**	**643,190**
Reclassification to investment property (see Note 12)	**(41,359,683)**	**–**	**–**	**–**	**(41,359,683)**
Balances at end of year	**20,755,943**	**8,692,633**	**8,395,222**	**2,831,072**	**40,674,870**
Accumulated depreciation:					
Balances at beginning of year	**25,069,539**	**7,657,214**	**3,783,701**	**2,569,936**	**39,080,390**
Depreciation	**830,238**	**213,780**	**660,975**	**82,143**	**1,787,136**
Reclassification to investment property (see Note 12)	**(14,068,575)**	**–**	**–**	**–**	**(14,068,575)**
Balances at end of year	**11,831,202**	**7,870,994**	**4,444,676**	**2,652,079**	**26,798,951**
Net book values	**₱8,924,741**	**₱821,639**	**₱3,950,546**	**₱178,993**	**₱13,875,919**

2013

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Costs:					
Balances at beginning of year	₱47,014,750	₱8,058,590	₱7,832,584	₱2,732,637	₱65,638,561
Additions	15,100,876	–	1,459,820	89,288	16,649,984
Disposals	–	–	(897,182)	–	(897,182)
Balances at end of year	62,115,626	8,058,590	8,395,222	2,821,925	81,391,363
Accumulated depreciation:					
Balances at beginning of year	23,037,940	7,442,719	4,002,644	2,502,057	36,985,360
Depreciation	2,031,599	214,495	678,239	67,879	2,992,212
Disposals	–	–	(897,182)	–	(897,182)
Balances at end of year	25,069,539	7,657,214	3,783,701	2,569,936	39,080,390
Net book values	₱37,046,087	₱401,376	₱4,611,521	₱251,989	₱42,310,973

In 2014, the Group reclassified condominium units with net book value amounting to ₱27.3 million to investment property (see Note 12). These units are currently leased out as office space to tenants.

In 2013 and 2012, the Group sold fully depreciated transportation equipment with cost of ₱0.9 million and ₱0.2 million, respectively. This resulted to a gain amounting to ₱0.3 million and ₱0.1 million in 2013 and 2012, respectively.

The balance of property and equipment includes fully depreciated assets still in use with a cost of ₱12.0 million as of December 31, 2014 and 2013.

12. Investment Properties

	Land	**Condominium**	**Total**
Costs:			
Balances at beginning of year	**₱46,319,625**	**₱–**	**₱46,319,625**
Additions	–	**64,829,269**	**64,829,269**
Reclassification from property and equipment (see Note 11)	–	**41,359,683**	**41,359,683**
Balances at end of year	**46,319,625**	**106,188,952**	**152,508,577**
Accumulated depreciation:			
Depreciation	–	**1,762,436**	**1,762,436**
Reclassification from property and equipment (see Note 11)	–	**14,068,575**	**14,068,575**
Balances at end of year	–	**15,831,011**	**15,831,011**
Net book values	**₱46,319,625**	**₱90,357,941**	**₱136,677,566**

Investment properties as of December 31, 2013 consist of land situated in Fort Bonifacio, Taguig City, Metro Manila and is carried at cost amounting to ₱46.3 million. This land is currently held by the Group for an undetermined future use. There were no movements in the balance in 2013.

The fair value of the investment properties amounted to ₱220.1 million and ₱129.7 million as of December 31, 2014 and 2013, respectively. These are based on appraisal by an independent and qualified appraiser who holds relevant and recognized professional qualifications. The value of the land was estimated by using the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The fair value is categorized under Level 2 fair value hierarchy.

Rental income derived from rental-earning investment properties amounted to ₱4.5 million, ₱3.7 million and ₱3.5 million in 2014, 2013 and 2012, respectively (see Note 21). There were no restrictions on realizability of investment properties and no significant repairs and maintenance were made to maintain the Group's investment properties.

13. Other Noncurrent Assets

	2014	2013
Downpayment for pre-selling condominium units	**₱25,586,188**	₱26,627,215
Investment in limited liability partnership (LLP)	**12,015,271**	10,238,765
Fixed income deposit	**750,499**	750,499
Deposits	**470,155**	470,155
	₱38,822,113	₱38,086,634

Downpayment for the pre-selling condominium units pertains to payment of condominium units expected to be completed in 2015.

Investment in LLP pertains to MC's investment carried at cost and adjusted for changes in the foreign exchange rates.

Fixed income deposit pertains to the Group's time deposit in Xavier Punla Rural Bank. Fixed income deposit earns interest at the rate of 10% per annum.

Deposits include deposit paid to the Arbitral Tribunal related to the Group's existing case against a former employee and utility deposits.

14. Accounts Payable and Accrued Expenses

	2014	2013
Accounts payable	**₱8,459,166**	₱3,643,203
Deposits payable (see Note 21)	**1,555,859**	1,221,713
Accrued expenses	**695,767**	630,164
	₱10,710,792	₱5,495,080

Accounts payable are generally noninterest-bearing payables to third party contractors.

Deposits payable pertain to deposits made by tenants for the lease of the Group's surplus condominium spaces and will be returned to the lessee after the lease term.

Accrued expenses include accrual of professional fees, withholding taxes and other government payables.

The above balances are noninterest-bearing and are payable within one year.

15. Retirement Benefits Cost

The Group has an unfunded, defined benefit pension plan covering substantially all of its regular employees. Retirement benefits under the plan are based on a percentage of latest monthly salary and years of credited service.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group also provides additional post employment healthcare benefits to certain senior employees in the Philippines. These benefits are unfunded.

The latest independent actuarial valuation of the plan as of December 31, 2014, prepared by an independent actuary, is determined using the projected unit credit method in accordance with PAS 19.

The following tables summarize the components of retirement benefit expense recognized in the consolidated statements of income and the unfunded status and amounts recognized in the consolidated statements of financial position for the plan.

Changes in the present value of defined benefit obligation are as follows:

	2014	2013	2012
Balances at beginning of year	**₱8,143,006**	₱6,349,214	₱4,734,779
Retirement benefit expense recognized in the statements of income:			
Current service costs	**745,456**	1,251,907	502,936
Interest costs	**357,649**	260,980	228,398
	1,103,105	1,512,887	731,334
Remeasurements in other comprehensive income:			
Actuarial losses due to:			
Experience adjustment	**₱385,152**	₱240,015	₱2,367,308
Changes in financial assumptions	**48,669**	(54,103)	(1,484,207)
Changes in demographic assumptions	**–**	94,993	–
	433,821	280,905	883,101
Balances at end of year	**₱9,679,932**	₱8,143,006	₱6,349,214

Movements in the retirement benefit obligation recognized in the consolidated statements of financial position are as follows:

	2014	2013	2012
Balances at beginning of year	**₱8,143,006**	₱6,349,214	₱4,734,779
Retirement benefits expense	**1,103,105**	1,512,887	731,334
Actuarial losses	**433,821**	280,905	883,101
Balances at end of year	**₱9,679,932**	₱8,143,006	₱6,349,214

The principal actuarial assumptions used in determining retirement benefit obligation for the Group's retirement plan are as follows:

	2014	2013	2012
Discount rates	**4.20%**	3.70%	4.20%
Salary increase rates	**5.00%**	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of December 31, 2014, assuming if all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	50	(₱9,572,661)
	(50)	9,793,673
Future salary increases	50	9,773,376
	(50)	(9,591,591)

The Group's retirement plan is unfunded as of December 31, 2014. As of December 31, 2014, management does not intend to have a definite plan to fund the retirement benefits.

The average duration of the retirement benefit obligation as of December 31, 2014 and 2013 is 6 years.

16. **Income Taxes**

The Group's current provision for income tax in 2014, 2013 and 2012 represents regular corporate income tax (RCIT), MCIT and final tax on interest income.

	2014	2013	2012
Current:			
RCIT	**₱2,353,362**	₱5,583,353	₱3,243,976
Final tax on interest income	**2,708,642**	4,530,001	6,651,690
MCIT	**54,405**	42,084	35,617
	₱5,116,409	₱10,155,438	₱9,931,283

Reconciliation of income tax expense computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of income follows:

	2014	2013	2012
Provision for income tax at statutory tax rate of 30%	**₱25,161,234**	₱39,089,811	₱38,662,295
Additions to (reductions in) income tax resulting from:			
Nontaxable loss (gain) on fair value changes of financial assets at FVPL	**1,660,440**	2,044,672	(2,479,648)
Movement of unrecognized deferred tax assets	**1,364,073**	(543,880)	1,713,441
Nondeductible expenses	**58,368**	54,735	72,913
Expired MCIT	**24,911**	–	–

(Forward)

	2014	2013	2012
Dividend income exempt from tax	**(₱276,350)**	(₱230,292)	(₱273,757)
Interest income subjected to final tax	**(1,110,935)**	(3,332,805)	(4,464,919)
Equity in net earnings of associates	**(21,765,332)**	(26,926,803)	(23,299,042)
	₱5,116,409	₱10,155,438	₱9,931,283

The components of net deferred tax asset and liability as of December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred income tax asset:		
Recognized directly in income:		
Allowance for impairment losses on receivables and AFS financial assets	**₱19,367,160**	₱18,806,092
Deferred income tax liability:		
Recognized directly in income:		
Unrealized foreign exchange gains	**19,367,160**	18,806,092
Net deferred income tax	**₱–**	₱–

No deferred income tax assets were recognized on the following deductible temporary differences, carryforward of unused MCIT and unused NOLCO since management believes that it is not probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

	2014	2013
Allowance for impairment losses on receivables and AFS financial assets	**₱135,580,063**	₱137,450,289
Allowance for impairment losses on investment in MUDC	**94,830,129**	94,830,129
Retirement benefit obligation	**9,679,932**	8,143,006
Provision for legal obligation	**5,000,000**	5,000,000
NOLCO	**1,342,797**	2,818,060
MCIT	**132,106**	102,612

As of December 31, 2014, the Group has NOLCO that can be claimed as deduction from future taxable income and MCIT that can be used as deduction against regular income tax as follows:

NOLCO:

Years of Recognition	Availment Periods	Beginning Balance	Application	Expiration	Ending Balance
2011	2013-2014	₱1,475,263	(₱289,588)	(₱1,185,675)	₱–
2012	2014-2015	756,193	–	–	756,193
2013	2014-2016	586,604	–	–	586,604
		₱2,818,060	(₱289,588)	(₱1,185,675)	₱1,342,797

MCIT:

Years of Recognition	Availment Periods	Beginning Balance	Addition	Expiration	Ending Balance
2010	2013-2014	₱24,911	₱–	(₱24,911)	₱–
2012	2014-2015	35,617	–	–	35,617
2013	2014-2016	42,084	–	–	42,084
2014	2015-2017	–	54,405	–	54,405
		₱102,612	₱54,405	(₱24,911)	₱132,106

17. Equity

a. Common Stock

The details of the Group's capital stock (number of shares and amounts) are as follows:

	2014	2013
Common stock - ₱1 par value		
Class A		
Authorized - 600 million shares		
Issued - 292,610,118 shares	**₱292,610,118**	₱292,610,118
Class B		
Authorized - 400 million shares		
Issued - 189,217,535 shares	**189,217,535**	189,217,535
	₱481,827,653	₱481,827,653

Class A and B common stockholders enjoy the same rights and privileges, except that Class A shares may be owned by, transferred to and subscribed only by Filipino citizens or corporations, partnerships and associations organized under the laws of the Philippines, of which 60% of the common stock outstanding is owned by citizens of the Philippines. Class B shares may be issued, transferred or sold to any person, corporation, partnership or association regardless of nationality.

In 1979, the registrant listed with the PSE (or its predecessor, Manila Stock Exchange) its common stock under its previous name, Ultrana Energy and Resource Corporation, where it offered 1,000,000,000 shares to the public at the issue price of ₱0.01 per share.

On July 28, 1997, the SEC approved the increase in the Group's authorized capital stock from 10,000,000,000, divided into 6,000,000,000 Class A common shares with par value of ₱0.01 per share and 4,000,000,000 Class B common shares with par value of ₱0.01 per share to 1,000,000,000 common shares, divided into 600,000,000 Class A common shares with par value of ₱1 per share and 400,000,000 Class B common share with par value of ₱1 per share.

On November 26, 2000, the BOD approved the issuance, out of the authorized common stock, of 192,413,090 shares at ₱1 par value which will be offered through a pre-emptive stock rights issue and detachable stock warrants, as follows: (a) 96,206,545 shares consisting of 58,377,278 Class A shares and 37,829,267 Class B shares, to be offered in two tranches, the First Tranche consisting of 48,103,272 shares of stock and the Second Tranche consisting of 48,103,273 shares of stock, to which each stockholder may subscribe on a pre-emptive rights basis, and (b) the balance of 96,206,545 shares to be offered through detachable stock warrants, which shall entitle each stockholder to subscribe to one share of stock for every one share of stock of the same class that such stockholder subscribe to out of this stock rights issue.

The Group's application to list additional 192,413,090 common shares with a par value of ₱1 per share through pre-emptive rights issue and detachable subscription warrants was approved by the PSE on February 27, 2002 and by the SEC on April 5, 2002.

The exercise periods and expiration dates of the Group's subscription warrants are as follows:

	Number of Shares	Exercise Periods	Expiration Dates
First Tranche:			
Class A common shares	29,188,639	June 4, 2002 to	
Class B common shares	18,914,633	June 3, 2007	June 3, 2007
	48,103,272		
Second Tranche:			
Class A common shares	29,188,639	May 9, 2003 to	
Class B common shares	18,914,634	May 8, 2008	May 8, 2008
	48,103,273		
	96,206,545		

Full payment of each subscription under the First Tranche was made within the offer period approved by the PSE and the SEC, and the full payment of each subscription under the Second Tranche shall be due and payable one year from the last day of the offer period. With the full subscription of the Pre-Emptive Rights Stock Offering, the Group's outstanding common stock increased to 481,032,728 common shares of stock, consisting of 291,886,391 Class A common shares and 189,146,337 Class B common shares, all with par value of ₱1 per share.

With the complete exercise of all Detachable Stock Warrants, the Group will have an outstanding common stock of 577,239,273 shares, consisting of 350,263,669 Class A common shares and 226,975,604 Class B common shares, all with par value of ₱1 per share. However, as of December 31, 2007, 723,727 Class A common stock warrants and 71,198 Class B common stock warrants were exercised and 28,464,912 Class A common stock warrants and 18,843,435 Class B common stock warrants expired. As of December 31, 2008, 29,188,639 Class A common stock warrants and 18,914,634 Class B common stock warrants expired due to non-exercise of stock warrants before expiration date. After the expiration of the said warrants, the Group's outstanding common stock amounted to ₱481,827,653 with additional paid-in capital of ₱144,759,977. There have been no movements since 2008.

The Parent Company has 487, 488 and 502 stockholders as of December 31, 2014, 2013 and 2012, respectively.

b. Treasury Shares

In 2002, MCHC subscribed, through the above offering, to 47,143,022 Class A shares of the Parent Company. On the other hand, PIEI subscribed to 9,762,114 Class A shares and 37,496,379 Class B shares. In 2005, additional 260,000 Class A shares and 20,000 Class B shares were transferred by the transfer agent to PIEI. For consolidation purposes, the costs of these shares are presented under the "Treasury shares" account in the equity section of the consolidated statements of financial position.

In a special meeting held on May 22, 2003, the BOD resolved that the period for the payment of the deferred tranche be extended to 60 days from May 9, 2003 to July 9, 2003. If no payment is made within 30 days from July 9, 2003, the shares pertaining to the unpaid subscriptions shall become delinquent. On August 9, 2003, shares of stock amounting to ₱0.7 million was declared delinquent and sold at a public auction on October 9, 2003. There was only one bidder, PIEI, to whom the delinquent shares were sold, and in whose favor a certificate of sale was issued. In 2004, additional 60,000 shares of stock of the Group were sold to PIEI at ₱0.05 million.

In 2012, MCHC purchased additional shares of the Parent Company. The cost to acquire 346,000 of Class A shares and 66,000 of Class B shares amounted to ₱0.06 million.

In 2013, MCHC purchased additional shares of the Parent Company. The cost to acquire 24,000 of Class A shares and 5,000 of Class B shares amounted to ₱2.5 million.

MCHC and PIEI hold 58,727,448 Class A shares of the Parent Company as of December 31, 2014 and 2013, and 37,784,379 Class B shares of the Parent Company as of December 31, 2014 and 2013.

As of December 31, 2014 and 2013, the Group's treasury shares are as follows:

	Shares		Amount	
	2014	2013	2014	2013
Balance at beginning of year	**96,511,827**	96,482,827	**₱98,942,697**	₱96,400,447
Additions	–	29,000	–	2,542,250
Balance at end of year	**96,511,827**	96,511,827	**₱98,942,697**	₱98,942,697

c. Net unrealized valuation gains (losses) on AFS financial assets are as follows:

Net unrealized valuation gains (losses) on AFS financial assets amounted to ₱12.6 million, (₱15.9 million) and (₱0.9 million) as of December 31, 2014, 2013 and 2012, respectively (see Note 9).

d. Retained Earnings

Retained earnings is restricted to the extent of the acquisition price of the treasury shares amounting to ₱98.9 million as of December 31, 2014 and 2013. Retained earnings is also restricted to the extent of equity in net earnings of the associates not declared as dividends as of reporting date.

On July 17, 2012, the BOD declared a regular cash dividend amounting to ₱0.12 per share held payable as follows; ₱0.07 per share or ₱33,727,936 (481,827,653 shares multiplied by ₱0.07 cash dividend per share) to stockholders as of record date of August 14, 2012, payable on or before September 7, 2012; and ₱0.05 per share held or ₱24,091,383 (481,827,653 shares multiplied by ₱0.05 cash dividend per share) to stockholders as of record date of October 8, 2012, payable on or before November 2, 2012. Of the total amount declared, ₱11.6 million pertains to shares held by MCHC and PIEI.

On July 24, 2013, the BOD declared a regular cash dividend amounting to ₱0.20 per share held payable as follows; ₱0.10 per share or ₱48,182,765 (481,827,653 shares multiplied by ₱0.10 cash dividend per share) to stockholders as of record date of June 14, 2013, payable on or before July 10, 2013; and ₱0.10 per share held or ₱48,182,765 (481,827,653 shares multiplied by ₱0.10 cash dividend per share) to stockholders as of record date of August 9, 2013, payable on or before September 6, 2013. Of the total amount declared, ₱19.5 million pertains to shares held by MCHC and PIEI.

On May 28, 2014, the BOD declared a regular cash dividend amounting to ₱0.20 per share held payable as follows; ₱0.10 per share or ₱48,182,765 (481,827,653 shares multiplied by ₱0.10 cash dividend per share) to stockholders as of record date of June 20, 2014, payable on or before July 16, 2014; and ₱0.10 per share held or ₱48,182,765 (481,827,653 shares multiplied by ₱0.10 cash dividend per share) to stockholders as of record date of July 21, 2014, payable on or before August 11, 2014. Of the total amount declared, ₱19.4 million pertains to shares held by MCHC and PIEI.

Dividends payable amounted to ₱2,524,522 and ₱1,608,488 as of December 31, 2014 and 2013, respectively.

18. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be corporate or individual entities.

A summary of receivable balances and transactions with related parties are as follows:

		Transactions during the year	Outstanding balance	Terms	Conditions
Associates:					
BPO					
Rent income (see Note 21)	**2014**	**₱1,155,077**	**₱14,687**	30 days; non	Unsecured; no
	2013	1,100,073	11,799	interest bearing	impairment
Payroll services expense	**2014**	**37,145**	–	30 days; non	Unsecured; no
	2013	37,145	–	interest bearing	impairment
Dividends (see Note 8)	**2014**	**10,510,424**	**10,510,424**	30 days; non	Unsecured; no
	2013	20,474,850	20,474,850	interest bearing	impairment
PTC					
Dividends (see Note 8)	**2014**	**45,054,149**	**42,864,119**	30 days; non	Unsecured; no
	2013	79,297,695	35,959,982	interest bearing	impairment
MUDC					
Advances	**2014**	**–**	**188,224,522**	30 days; non	Unsecured; with
	2013	–	188,224,522	interest bearing	impairment
Under common control:					
MCMC					
Advances	**2014**	**50**	**308,216**	30 days; non	Unsecured; no
	2013	–	308,166	interest bearing	impairment
Other related parties					
Advances	**2014**	**12,909**	**359,595**	30 days; non	Unsecured; with
	2013	55,540	304,056	interest bearing	impairment
	2014	**₱56,769,754**	**₱242,281,563**		
	2013	100,965,303	245,283,375		

Related parties balances included in "Receivables" and "Receivables from related parties" accounts include impaired receivables from MUDC and other related parties amounting to ₱186,346,282 and ₱16,192, respectively, as of December 31, 2014 and 2013. There were no movements in allowance for impairment losses in 2014 and 2013.

The consolidated statements of financial position include the following accounts resulting from the above transactions:

	2014	2013
Receivables (net of allowance for impairment of ₱88,989,398 in 2014 and 2013)	**₱54,034,525**	₱57,057,587
Receivables from related parties (net of allowance for impairment of ₱97,373,076 in 2014 and 2013)	**1,884,564**	1,863,314

a. The Group has executed a management agreement (the Agreement) with MUDC and other related parties. The Agreement with MUDC requires the Group to provide general management services for the operation of the business and affairs of MUDC for a period of five years, renewable for the same period thereafter under certain terms and conditions, unless terminated earlier by either party after serving the required written notice to the other.

   The Parent Company's BOD approved MUDC's request for suspension of the management fee for the period January 1, 2002 up to the contract's expiration in March 2003. Subsequently, the agreement was terminated in December 2002. As of December 31, 2014 and 2013, management fees receivable from MUDC amounted to ₱45.2 million (see Note 7). In 2004, the management fee receivable was fully provided with allowance for impairment losses, since management believes that this is not likely to be collected in the future.

b. The Parent Company has existing noninterest-bearing long-term advances to MUDC amounting to ₱49.1 million, including accumulated unpaid interest as of December 31, 2014 and 2013. In 2004, the loan and unpaid interest was fully provided with an allowance for impairment loss since management believes that it is not likely to be collected in the future.

c. In 2006, total noninterest-bearing long-term advances to related parties amounting to ₱50.3 million, including the unamortized discount of ₱23.4 million as of December 31, 2005, was fully provided with allowance for impairment losses, since management believes that the entire balance is not likely to be collected in the future.

Compensation of the Group's key management personnel comprised mainly of short-term employee benefits amounting to ₱8.7 million, ₱9.0 million and ₱7.5 million in 2014, 2013 and 2012, respectively. Key management personnel do not have other employee benefits other than the statutory retirement benefits.

19. Earnings per Share

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

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to equity holders of the parent 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 the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and common stocks data used in computing basic and diluted earnings per share for the years ended December 31:

	2014	2013	2012
Net income attributable to equity holders of the parent	**₱77,290,274**	₱116,865,971	₱116,590,657
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share	**385,315,826**	385,315,826	385,316,243
Basic and diluted earnings per share	**₱0.201**	₱0.304	₱0.303

The Group has no potential dilutive instruments issued as of December 31, 2014, 2013 and 2012.

20. Segment Information

As mentioned in Notes 1 and 2, the primary purpose of the Parent Company and its subsidiaries, is to invest in real and personal properties. The Group operates mainly in one reportable business segment which is investing and one reportable geographical segment which is the Philippines.

21. Commitments and Contingencies

a. The Group leases a significant portion of its condominium spaces. The Group recognized rental income amounting to ₱4.5 million, ₱3.7 million and ₱3.5 million in 2014, 2013 and 2012, respectively. Future minimum rental income of ₱4.5 million from existing rental agreements will be recognized in 2015. The lease agreements have terms of one to two years and can be renewed upon the written agreement of the Group and the lessees. Deposit payable pertaining to deposits made by the tenants amounting to ₱1.6 million and ₱1.2 million as of December 31, 2014 and 2013, respectively, will be returned to the lessees after the lease term.

b. The Group is currently involved in legal litigations covering various labor cases. In 2011, the Group recognized provision for legal obligation amounting to ₱5.0 million, for claims arising from lawsuits filed by a third party, which is pending decision by the courts. Probable cost has been estimated in consultation with the Group's legal counsel.

c. Aside from the case discussed above, in the ordinary course of business, the Group is a plaintiff in various litigations and claims. The Group believes, based on information currently available and the advice of its legal counsels, that the ultimate resolution of these legal proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. 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 litigations and claims.

22. Financial Risk Management Objectives and Policies

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Financial Risk Management Objectives and Policies
The principal financial instruments of the Group consist of cash and cash equivalents, financial assets at FVPL, AFS financial assets, and fixed income deposit and investment in LLP included under "Other noncurrent assets" account. The main purpose of these financial instruments is to place excess cash in income-earning investments. The Group has various other financial instruments such as receivables, receivables from related parties and accounts payable and accrued expenses which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (i.e., interest rate risk, foreign currency risk and equity price risk). The Group's management reviews and approves policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments. The magnitudes of these risks that have arisen over the year are discussed below.

Credit Risk
Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation.

The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties (i.e., foreign currency-denominated debt instruments, financial assets at FVPL, fixed income deposit, investment in LPP and receivables) to its financial assets.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized and creditworthy third parties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in equity securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed regularly by the Group's President and Treasurer.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, receivables from third parties and related parties, and fixed income deposit and investment in LLP under other noncurrent assets, the Group's President and Treasurer monitor these financial assets on an ongoing basis with the result that the Group's exposure to impairment losses is not significant.

Credit risk exposures
At reporting date, the Group's maximum exposure to credit risk is equal to the carrying amount of each class of financial assets recognized in the consolidated statements of financial position. The Group's financial assets are not covered by collateral from counterparties.

Credit risk concentration profile
The Group has no significant concentrations of credit risk.

Credit quality
As of December 31, 2014 and 2013, the credit qualities per class of financial assets are as follows:

2014

	Neither past due nor impaired		Past due		
	High grade	Standard grade	but not impaired	Individually impaired	Total
Loans and receivables:					
Cash and cash equivalents*	**₱946,832,757**	**₱–**	**₱–**	**₱–**	**₱946,832,757**
Receivables	**58,259,175**	**–**	**–**	**90,110,187**	**148,369,362**
Receivables from related parties	**1,884,564**	**–**	**–**	**97,373,076**	**99,257,640**
Fixed income deposits	**750,499**	**–**	**–**	**–**	**750,499**
Financial assets at FVPL	**65,604,929**	**–**	**–**	**–**	**65,604,929**
AFS financial assets:					
Debt and equity securities	**360,406,873**	**–**	**–**	**10,654,000**	**371,060,873**
Investment in LLP	**12,015,271**	**–**	**–**	**–**	**12,015,271**
	₱1,445,754,068	**₱–**	**₱–**	**₱198,137,263**	**₱1,643,891,331**

**Excluding cash on hand*

2013

	Neither past due nor impaired		Past due		
	High grade	Standard grade	but not impaired	Individually impaired	Total
Loans and receivables:					
Cash and cash equivalents*	₱1,024,765,443	₱–	₱–	₱–	₱1,024,765,443
Receivables	65,568,796	–	–	90,110,187	155,678,983
Receivables from related parties	1,863,314	–	–	97,373,076	99,236,390
Fixed income deposits	750,499	–	–	–	750,499
Financial assets at FVPL	62,307,751	–	–	–	62,307,751
AFS financial assets:					
Debt and equity securities	138,608,895	–	–	10,654,000	149,262,895
Investment in LLP	10,238,765	–	–	–	10,238,765
HTM investments	198,158,481	–	–	–	198,158,481
	₱1,502,261,994	₱–	₱–	₱198,137,263	₱1,700,399,207

**Excluding cash on hand*

High grade financial assets
High grade receivables pertain to receivables from related parties and customers with good payment history. These receivables are considered to be of good quality and expected to be collectible without incurring any credit losses. Other high grade financial assets reflect the investment grade quality of the investments and/or counterparty and realizability is thus assured.

Standard grade financial assets
Receivables from customers that slide beyond the credit terms are classified under standard grade. Other standard grade financial assets are considered moderately realizable. There are no standard grade financial assets as of December 31, 2014 and 2013.

Aging Analysis
Aging analysis per class of financial assets as of December 31, 2014 and 2013 are as follows:

2014

	Neither Past Due nor Impaired	**Past due but not impaired <1 year**	**>1 year**	**Impaired**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱946,832,757**	**₱–**	**₱–**	**₱–**	**₱946,832,757**
Receivables	**58,259,175**	**–**	**–**	**90,110,187**	**148,369,362**
Receivables from related parties	**1,884,564**	**–**	**–**	**97,373,076**	**99,257,640**
Fixed income deposit	**750,499**	**–**	**–**	**–**	**750,499**
Financial assets at FVPL	**65,604,929**	**–**	**–**	**–**	**65,604,929**
AFS financial assets:					
Debt and equity securities	**360,406,873**	**–**	**–**	**10,654,000**	**371,060,873**
Investment in LLP	**12,015,271**	**–**	**–**	**–**	**12,015,271**
	₱1,445,754,068	**₱–**	**₱–**	**₱198,137,263**	**₱1,643,891,331**

2013

	Neither Past Due nor Impaired	Past due but not impaired <1 year	>1 year	Impaired	Total
Loans and receivables:					
Cash and cash equivalents	₱1,024,765,443	₱–	₱–	₱–	₱1,024,765,443
Receivables	65,568,796	–	–	90,110,187	155,678,983
Receivables from related parties	1,863,314	–	–	97,373,076	99,236,390
Fixed income deposit	750,499	–	–	–	750,499
Financial assets at FVPL	62,307,751	–	–	–	62,307,751
AFS financial assets:					
Debt and equity securities	138,608,895	–	–	10,654,000	149,262,895
Investment in LLP	10,238,765	–	–	–	10,238,765
HTM investments	198,158,481	–	–	–	198,158,481
	₱1,502,261,944	₱–	₱–	₱198,137,263	₱1,700,399,207

Impairment assessment
The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are nonmoving accounts receivable, accounts of defaulted companies and accounts from closed companies.

The carrying amount of the Group's financial assets with allowance for impairment losses as at December 31, 2014 and 2013 are as follows:

2014

	Receivables	Receivables from related parties	AFS financial assets	Total
Nominal amounts	**₱148,369,362**	**₱99,257,640**	**₱371,060,873**	**₱618,687,875**
Less allowance for impairment losses	**90,110,187**	**97,373,076**	**10,654,000**	**198,137,263**
At December 31, 2014	**₱58,259,175**	**₱1,884,564**	**₱360,406,873**	**₱420,550,612**

2013

	Receivables	Receivables from related parties	AFS financial assets	Total
Nominal amounts	₱155,678,983	₱99,236,390	₱149,262,895	₱404,178,268
Less allowance for impairment losses	90,110,187	97,373,076	10,654,000	198,137,263
At December 31, 2013	₱65,568,796	₱1,863,314	₱138,608,895	₱206,041,005

There was no impairment losses provision in 2014, 2013 and 2012.

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due and this is done by primarily investing in highly liquid investments and maintaining a significant amount of cash and cash equivalents and pre-terminable investments in its portfolio.

The following table summarizes the maturity profile of the Group's financial liabilities as of December 31, 2014 and 2013 based on contractual undiscounted cash flows. The table also analyzes the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

2014

	On demand	< 1 year	> 1 year	Total
Financial assets:				
Cash and cash equivalents	**₱127,723,828**	**₱819,117,929**	**₱–**	**₱946,841,757**
Receivables	**58,259,175**	**–**	**–**	**58,259,175**
Receivables from related parties	**1,884,564**	**–**	**–**	**1,884,564**
Financial assets at FVPL	**65,604,929**	**–**	**–**	**65,604,929**
AFS financial assets	**360,406,873**	**–**	**–**	**360,406,873**
Total financial assets	**613,879,369**	**819,117,929**	**–**	**1,432,997,298**
Financial liabilities:				
Accounts payable and accrued expenses*	**10,124,758**	**–**	**–**	**10,124,758**
Dividends payable	**2,524,522**	**–**	**–**	**2,524,522**
Total financial liabilities	**12,649,280**	**–**	**–**	**12,649,280**
	₱601,230,089	**₱819,117,929**	**₱–**	**₱1,420,348,018**

**Excluding statutory liabilities*

2013

	On demand	< 1 year	> 1 year	Total
Financial assets:				
Cash and cash equivalents	₱31,512,261	₱993,262,182	₱–	₱1,024,774,443
Receivables	65,568,796	–	–	65,568,796
Receivables from related parties	–	–	1,863,314	1,863,314
Financial assets at FVPL	62,307,751	–	–	62,307,751
AFS financial assets	138,608,895	–	–	138,608,895
HTM investments	–	36,408,628	161,749,853	198,158,481
Total financial assets	297,997,703	1,029,670,810	163,613,167	1,491,281,680
Financial liabilities:				
Accounts payable and accrued expenses*	5,455,211	–	–	5,455,211
Dividends payable	1,608,488	–	–	1,608,488
Total financial liabilities	7,063,699	–	–	7,063,699
	₱290,934,004	₱1,029,670,810	₱163,613,167	₱1,484,217,981

**Excluding statutory liabilities*

Market Risks
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk.

a. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group derives majority of its revenue from interest-bearing placements and bonds. Accordingly, the Group is subject to financial risk arising from changes in interest rates. The Group manages interest rate risk by investing mainly on fixed coupon bonds and other investments. By doing so, the Group is assured of future interest revenues from such investments.

Since the Group invests on fixed coupon interest bonds and other investments, the Group is not exposed significantly to cash flow interest rate risk.

The following table demonstrates management's best estimate of the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax due to changes in fair values of AFS financial assets in debt securities (see Note 9):

	2014	2013
Change in interest rate (percentage)		
+10%	**₱28,703,020**	₱10,478,480
–10%	**(28,703,020)**	(10,478,480)

There is no other impact on equity other than those already affecting income before income tax.

b. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign currencies.

In the normal course of business, the Group enters into transactions denominated in US dollar and other foreign currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets and liabilities.

Information on the Group's foreign currency denominated monetary assets and their Philippine peso equivalent as of December 31 are as follows:

US Dollar:

	2014		2013	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Cash and cash equivalents	**$3,506,927**	**₱156,829,775**	$905,964	₱40,220,272
Receivables	**1,693,628**	**75,739,044**	85,482	3,794,973
Financial assets at FVPL	**405,177**	**18,119,515**	423,587	18,805,145
AFS financial assets	**4,762,085**	**212,960,441**	1,671,637	74,212,325
HTM investments	**–**	**–**	3,129,436	138,931,311
Investment in LLP	**250,000**	**11,180,000**	250,000	11,098,750
	$10,617,817	**₱474,828,775**	$6,466,106	₱287,062,776

The exchange rate of the Philippine peso vis-à-vis the US dollar is ₱44.72 and ₱44.395 as of December 31, 2014 and 2013, respectively.

Other Foreign Currencies:

	2014			
	Currency	**Exchange Rate**	**Original Currency**	**Peso Equivalent**
Cash and cash equivalents	**SGD**	**33.696**	**27,212**	**₱916,936**
	AUD	**36.206**	**18,750**	**678,863**
	HKD	**5.749**	**37,677**	**216,605**
	CNY	**7.181**	**33,535**	**240,815**
Receivables	**EUR**	**54.339**	**10,872**	**590,774**
Financial assets at FVPL	**EUR**	**54.339**	**91,228**	**4,957,238**
	HKD	**5.749**	**608,000**	**3,495,392**
AFS financial assets	**CNY**	**7.181**	**3,973,597**	**28,534,400**
	HKD	**5.749**	**3,765,780**	**21,649,469**
	EUR	**54.339**	**194,933**	**10,592,464**
	BRL	**19.719**	**496,740**	**9,795,216**
	SGD	**33.696**	**258,483**	**8,709,843**
	TRY	**19.230**	**298,689**	**5,743,789**
	AUD	**36.206**	**102,195**	**3,700,072**
				₱99,821,876

	2013			
	Currency	Exchange Rate	Original Currency	Peso Equivalent
Cash and cash equivalents	HKD	5.73	99,087	₱567,769
	AUD	39.46	11,250	443,925
Receivables	RMB	7.31	33,465	244,629
	EUR	60.82	3,503	213,052
	AUD	39.46	1,333	52,600
Financial assets at FVPL	HKD	5.73	608,000	3,483,840
AFS financial assets	HKD	5.73	3,165,000	18,135,450
	RMB	7.31	1,016,050	7,427,326
	BRL	18.90	347,935	6,575,972
	AUD	39.46	102,953	4,062,525
HTM investments	RMB	7.31	4,012,044	29,328,042
	EUR	60.82	190,484	11,585,237
	BRL	18.90	544,223	10,285,815
	SGD	35.00	263,887	9,236,045
	TRY	20.69	298,689	6,179,875
				₱107,822,102

The Group has no foreign currency denominated monetary liabilities as of December 31, 2014 and 2013.

As a result of the translation of these foreign currency denominated assets, the Group had foreign exchange loss amounting to ₱2.8 million and ₱5.8 million in 2014 and 2012, respectively, and foreign exchange gain amounting to ₱11.7 million in 2013.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates based on past foreign currencies exchange rates and macroeconomic forecasts for 2014, with all other variables held constant, of the Group's 2014 and 2013 income before income tax. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the following percentage change in foreign currency rates:

		Effect on income before tax	
Original Currency	**Percentage**	**Strengthened**	**Weakened**
2014			
US dollar	**5%**	**₱23,741,439**	**(₱23,741,439)**
Chinese yuan (CNY)	**5%**	**1,438,761**	**(1,438,761)**
Hongkong dollar (HKD)	**5%**	**1,268,073**	**(1,268,073)**
E.M.U. euro (EUR)	**5%**	**807,024**	**(807,024)**
Brazil real (BRL)	**5%**	**489,761**	**(489,761)**
Singapore dollar (SGD)	**5%**	**481,339**	**(481,339)**
Turkish lira (TRY)	**5%**	**287,189**	**(287,189)**
Australia dollar (AUD)	**5%**	**218,947**	**(218,947)**

		Effect on income before tax	
Original Currency	Percentage	Strengthened	Weakened
2013			
US dollar	5%	₱7,406,574	(₱7,406,574)
Chinese yuan (CNY)	5%	1,478,836	(1,478,836)
Hongkong dollar (HKD)	5%	1,108,772	(1,108,772)
Australia dollar (AUD)	5%	227,942	(227,942)
Brazil real (BRL)	5%	842,911	(842,911)
Turkish lira (TRY)	5%	308,979	(308,979)
Singapore dollar (SGD)	5%	461,792	(461,792)

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

c. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's financial assets at FVPL and investments in AFS equity securities. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The Group measures the sensitivity of its equity securities by using PSE, NYSE and HKEx indices fluctuations and its effect to respective share prices.

The following table demonstrates the sensitivity to a reasonably possible change in the equity price based on past price performance and macroeconomic forecast for 2014 and 2013, with all other variables held constant, of the Group's income before income tax and equity:

Effect on income before income tax:

	2014	2013
Financial assets at FVPL:		
Change in stock market index (%)		
+10%	**₱6,560,493**	₱6,230,775
–10%	**(6,560,493)**	(6,230,775)

There is no other impact on the Group's equity other than those already affecting the income before income tax.

Effect on equity:

	2014	2013
Investment in equity securities (AFS):		
Change in club share prices (%)		
+10%	**₱7,337,667**	₱3,382,410
–10%	**(7,337,667)**	(3,382,410)

23. **Financial Instruments**

Categories of Financial Instruments

2014

	Financial assets				
	Loans and receivables	**Financial assets at FVPL**	**AFS financial assets**	**HTM investments**	**Total**
ASSETS					
Current:					
Cash and cash equivalents	**₱946,841,757**	**₱–**	**₱–**	**₱–**	**₱946,841,757**
Listed debt securities	**–**	**65,604,929**	**–**	**–**	**65,604,929**
Listed debt securities	**–**	**–**	**8,978,882**	**–**	**8,978,882**
Receivables	**58,259,175**	**–**	**–**	**–**	**58,259,175**
Noncurrent:					
Receivables from related parties	**1,884,564**	**–**	**–**	**–**	**1,884,564**
Fixed income deposits	**750,499**	**–**	**–**	**–**	**750,499**
Listed debt securities	**–**	**–**	**278,051,319**	**–**	**278,051,319**
Quoted equity securities	**–**	**–**	**55,435,008**	**–**	**55,435,008**
Unquoted equity securities	**–**	**–**	**17,941,664**	**–**	**17,941,664**
Investment in LLP	**–**	**–**	**12,015,271**	**–**	**12,015,271**
TOTAL	**₱1,007,735,995**	**₱65,604,929**	**₱372,422,144**	**₱–**	**₱1,445,763,068**

2013

	Financial assets				
	Loans and receivables	Financial assets at FVPL	AFS financial assets	HTM investments	Total
ASSETS					
Current:					
Cash and cash equivalents	₱1,024,774,443	₱–	₱–	₱–	₱1,024,774,443
Listed debt securities		62,307,751	–	–	62,307,751
Receivables	65,568,796	–	–	–	65,568,796
Noncurrent:					
Receivable from related parties	1,863,314	–	–	–	1,863,314
Fixed income deposits	750,499	–	–	–	750,499
Listed debt securities	–	–	104,784,799	–	104,784,799
Quoted equity securities	–	–	16,525,154	–	16,525,154
Unquoted equity securities	–	–	17,298,942	–	17,298,942
HTM investments	–	–	–	198,158,481	198,158,481
Investment in LLP	–	–	10,238,765	–	10,238,765
TOTAL	₱1,092,957,052	₱62,307,751	₱148,847,660	₱198,158,481	₱1,502,270,944

	2014	2013
LIABILITIES		
Current:		
Accounts payable and accrued expenses:		
Accounts payable	**₱7,873,132**	₱3,643,203
Deposits payable	**1,555,859**	1,221,713
Accrued expenses	**695,767**	630,164
Dividends payable	**2,524,522**	1,608,488
TOTAL	**₱12,649,280**	₱7,103,568

Fair Values

The Group has determined that the carrying amounts of cash and cash equivalents, receivables, and accounts payable and accrued expenses, reasonably approximate their fair values because these are short-term in nature or the fair value difference is not material.

Financial assets at FVPL and AFS financial assets are stated at their fair values based on quoted prices. The fair value is determined using the Level 1 of the fair value hierarchy.

The fair value of HTM investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date or last trading day as applicable. The fair value is determined using the Level 1 of the fair value hierarchy.

Fair Value Hierarchy

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

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As of December 31, 2014 and 2013, the Group held the following financial instruments that are measured and carried at fair value:

2014

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at FVPL	**₱65,604,929**	**₱–**	**₱–**	**₱65,604,929**
AFS instruments:				
Listed debt instruments	**278,051,319**	**–**	**–**	**278,051,319**
Listed equity instruments	**55,435,008**	**–**	**–**	**55,435,008**
	₱399,091,256	**₱–**	**₱–**	**₱399,091,256**

2013

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVPL	₱62,307,751	₱–	₱–	₱62,307,751
AFS instruments:				
Listed debt instruments	104,784,799	–	–	104,784,799
Listed equity instruments	16,525,154	–	–	16,525,154
HTM financial assets	198,158,481	–	–	198,158,481
	₱381,776,185	₱–	₱–	₱381,776,185

In 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements. Also, there were no transfers into and out of Level 3 fair value measurements. The financial assets recognized at fair value as of December 31, 2014 and 2013 are classified under Level 1. There were no financial assets and financial liabilities classified under Level 2 and Level 3 as of December 31, 2014 and 2013.

24. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure, which pertains to its equity, and makes adjustment 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 for the years ended December 31, 2014 and 2013. The Group is not exposed to externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is computed as net debt divided by the sum of total capital and net debt. The Group's policy is to keep the gearing ratio below 40%. The Group includes, within net debt, accounts payable and accrued expenses and payables to related parties, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less unrealized losses on changes in fair value of AFS financial assets.

	2014	2013
Accounts payable and accrued expenses	**₱10,710,792**	₱5,495,080
Less cash and cash equivalents	**946,841,757**	1,024,774,443
Net debt	**(936,130,965)**	(1,019,279,363)
Equity attributable to equity holders of the parent	**1,688,675,727**	1,673,861,804
Unrealized gains (losses) on changes in fair value of AFS financial assets	**12,590,012**	(15,891,249)
Total capital	**1,701,265,739**	1,657,970,555
Total capital and net debt	**₱765,134,774**	₱638,691,192
Gearing ratio	**(1.22:1)**	(1.60:1)

25. Note to Consolidated Statements of Cash Flows

In 2014, the noncash investing activity pertains to the unpaid portion of acquisition of investment property amounting to ₱4,790,340.

In 2012, the non-cash activities of the Group pertain to application of MCIT and set-up of provision for legal obligation.

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
TABLE OF CONTENTS
DECEMBER 31, 2014

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 ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
F & J Prince Holdings Corporation
5th Floor, Citibank Center Building
8741 Paseo de Roxas corner Villar Street
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of F & J Prince Holdings Corporation and its subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A and have issued our report thereon dated April 10, 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 Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, 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.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-A (Group A),
April 8, 2014, valid until April 7, 2017
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001988-103-2014,
March 10, 2014, valid until March 9, 2017
PTR No. 4751286, January 5, 2015, Makati City

April 10, 2015

F&J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

List of Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7	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 *	See footnote.*		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	See footnote.*		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	See footnote.*		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	See footnote.*		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	See footnote.*		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	See footnote.*		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*	See footnote.*		
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			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiatives*	See footnote.*		
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 Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	See footnote.*		
	Amendments to PAS 16 and PAS 41: Bearer Plants*	See footnote.*		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions*	See footnote.*		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: 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 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	See footnote.*		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	See footnote.*		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	See footnote.*		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
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			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*			✓
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			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 39	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	See footnote. *		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓
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			✓
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	PAS 19–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*	See footnote. *		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
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-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 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			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

EXHIBIT "3"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE A –FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

Name of Issuing Entity and Association of Each Issue	No. of Shares or Principal Amount of Bonds & Notes	Financial Asset at FVPL	AFS Financial Assets	Held-to-maturity investments	Loans and Receivables	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Aboitiz Equity	3,120	164,424				164,424	5,616
ABS-CBN	12,000	550,800				550,800	7,200
Ayala Corporation	4,078	2,811,781				2,811,781	19,574
Ayala Corporation - preferred, voting shares	2,110	2,110				2,110	40
Ayala Land	144,000	4,838,400				4,838,400	684
Ayala Land - preferred, voting shares	144,000	14,400				14,400	
Benquet Corporation	703	5,343				5,343	
Cebu Holdings, Inc.	9,375	47,906				47,906	
Meralco	10,154	2,589,270				2,589,270	112,953
Oriental Petroleum	1,260,888,642	16,391,552				16,391,552	
Petron Corporation	30,939	327,335				327,335	1,547
Philex Mining - A	335,323	2,565,221				2,565,221	
Philex Petroleum	41,915	211,252				211,252	
Rockwell Land	28,616	49,792				49,792	1,182
San Miguel Corporation	24,704	1,823,155				1,823,155	9,496
Calata(CAL)	1,000,000	3,010,000				3,010,000	
Top Frontier Invetsment Holdings, Inc.	448	55,552				55,552	
Goldman Sachs Group	605	5,181,147				5,181,147	42,451
HSBC Holdings	1,662	3,192,987				3,192,987	142,291
Dongfeng Motor Group	50,000	3,495,331				3,495,331	56,735
Berkshire Hathaway	1,500	9,745,382				9,745,382	-
Sanofi	1,000	4,957,238				4,957,238	
Guangzhou Automobile Group	86,000	3,574,551				3,574,551	45,023
Tagaytay Midlands Golf	1		890,000			890,000	-
Hutchinson Whampoa	30,000		17,409,621			17,409,621	1,582,932
Toyota Motors	1,290		7,222,118			7,222,118	
PCF, in bank & time deposits	–				946,841,757	946,841,757	12,842,162
Third parties	–				4,224,650	4,224,650	
Related parties-current (net)	–				54,034,525	54,034,525	
Related parties-non current	–				1,884,564	1,884,564	
Fixed income deposits	–				750,499	750,499	
Investment in LLP	–				12,015,271	12,015,271	
AFS Inv. -debt and equity securities	–		334,885,134			334,885,134	5,179,539
HTM Investments				–		–	–
TOTAL	1,262,852,185	65,604,929	360,406,873		1,019,751,266	1,445,763,068	20,049,425

EXHIBIT “3”

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE YEAR ENDED DECEMBER 31, 2014

Name and Designation	Beginning Balance	Additions	Deductions		Current	Non-Current	Ending Balance
			Amount Collected	Amount Written-Off			
Ma. Corazon Marfil	11,500	40,000	42,000		9,500	0	9,500
Total	11,500	40,000	42,000		9,500	0	9,500

EXHIBIT "3"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Name and Designation	Beginning Balance	Additions	Deductions		Current	Non-Current	Ending Balance
			Amount Collected	Amount Written Off			
Pinamucan Industrial Estates, Inc.	265,469	2,120,753	120,000	–	–	2,266,222	2,266,222
Malabrigo Corporation	668,999	7,252	–	–	676,251	–	676,251
	934,468	2,128,005	120,000	–	676,251	2,266,222	2,942,473

EXHIBIT "3"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE D- INTANGIBLE ASSETS-OTHER ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

Description	Beginning Balance	Additions	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions) Non-Current	Ending Balance

NOT APPLICABLE

EXHIBIT "3"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE E- LONG-TERM DEBT
AS OF DECEMBER 31, 2014

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-Term	Remarks
	P	P	P	

NOT APPLICABLE

EXHIBIT "3"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE F- INDEBTEDNESS TO AFFILIATES AND RELATED PARTIES
(LONG-TERMS LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2014

Name of Affiliate	Beginning Balance	Ending Balance

NOT APPLICABLE

EXHIBIT "3"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE G-GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2014

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 Owned by the Company for which this Statement is FILED	Nature of Guarantee
		P	P	

NOT APPLICABLE

EXHIBIT "3"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE H- CAPITAL STOCK
AS OF DECEMBER 31, 2014

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and other Rights	Number of Shares Held By		
				Affiliates	Directors Officers and Employees	Others
Common Stock P 1 par value						
Class "A"	600,000,000	292,610,118	0	58,333,448	41,269,617	193,007,053
Class "B"	400,000,000	189,217,535	0	37,713,379	154,289	151,349,867
No. of Shares Outstanding		481,827,653	0	96,046,827	41,423,906	344,356,920

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2014 AND DECEMBER 31, 2013
WITH VERTICAL PERCENTAGE ANALYSIS

EXHIBIT "4"

	AUDITED DEC. 31,2014	VERTICAL PERCENTAGE ANALYSIS DEC. 31,2014	AUDITED DEC. 31,2013	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2013
ASSETS				
Current Assets				
Cash and cash equivalents	946,841,757	52.95%	1,024,774,443	57.88%
Financial assets at fair value thru profit or loss	65,604,929	3.67%	62,307,751	3.52%
Short Term Investments	-	-	-	-
Receivables-net	58,259,175	3.26%	65,568,796	3.70%
Current portion of available for sale (AFS) investments	8,978,882	0.50%	-	
Current portion of HTM investments	-	-	36,408,628	2.06%
Prepayment and other current assets	16,643,654	0.93%	8,636,902	0.49%
Total Current Assets	**1,096,328,397**	**61.31%**	**1,197,696,520**	**67.65%**
Noncurrent Assets				
Receivables from related parties-net	1,884,564	0.11%	1,863,314	0.11%
Investments in associates	149,116,248	8.34%	143,793,015	8.12%
HTM investments-net of current portion	-	-	161,749,853	9.13%
Available-for-sale (AFS) investments-net of current portion	351,427,991	19.65%	138,608,895	7.83%
Property and Equipment-net	13,875,919	0.78%	42,310,973	2.39%
Investment properties	136,677,566	7.64%	46,319,625	2.62%
Fixed income deposits	-	-	-	-
Other Noncurrent Assets	38,822,113	2.17%	38,086,634	2.15%
Total Non-Current Assets	**691,804,401**	**38.69%**	**572,732,309**	32.35%
TOTAL ASSETS	**1,788,132,798**	**100.00%**	**1,770,428,829**	**100.00%**

	AUDITED DEC. 31,2014	VERTICAL PERCENTAGE ANALYSIS DEC. 31,2014	AUDITED DEC. 31,2013	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2013
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable and accrued expenses	10,710,792	0.60%	5,495,080	0.31%
Dividends payable	2,524,522	0.14%	1,608,488	0.09%
Income Tax Payable	2,153,252	0.12%	5,537,208	0.31%
Provision for legal obligation	5,000,000	0.28%	5,000,000	0.28%
Total Current Liabilities	**20,388,566**	**1.14%**	**17,640,776**	**0.99%**
Non-Current Liabilities				
Deferred income tax liabilities-net	-	-	-	-
Payable to related parties	-	-	-	-
Retirement benefit obligation	9,679,932	0.54%	8,143,006	0.46%
Total Non-Current Liabilities	**9,679,932**	**0.54%**	**8,143,006**	**0.46%**
Noncurrent Liabilities				
Stockholders' Equity				
Capital stock	481,827,653	26.95%	481,827,653	27.21%
Additional paid in capital	144,759,977	8.10%	144,759,977	8.18%
Treasury shares	(98,942,697)	-5.53%	(98,942,697)	-5.59%
Unrealized gains on changes in fair value of AFS investments	12,590,012	0.70%	(15,891,249)	-0.90%
Actuarial loss on retirement benefit obligation	(2,376,318)	-0.13%	(1,902,158)	-0.11%
Accumulated share in other comprehensive income of assoc.	(26,709,841)	-1.49%	(13,171,541)	-0.74%
Retained earnings	1,177,526,941	65.85%	1,177,181,819	66.50%
Total Equity Attributable to Stockholders of the Company	1,688,675,727	94.45%	1,673,861,804	94.55%
Minority Interests	69,388,573	3.87%	70,783,243	4.00%
Total Stockholders' Equity	**1,758,064,300**	**98.32%**	**1,744,645,047**	**98.55%**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**1,788,132,798**	**100.00%**	**1,770,428,829**	**100.00%**

EXHIBIT "5"
Schedule 1

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
BREAKDOWN OF RECEIVABLES-OTHERS
AS OF DECEMBER 31, 2014, 2013 AND 2012

	2014	2013	2012
Receivables:			
Receivable from Affiliates			
Magellan Cogeneration, Inc.	–	–	–
Magellan Capital Realty Development Corporation	160,454	154,273	148,097
Magellan Capital Management Corporation	308,216	308,166	–
Malabrigo Corporation	–	–	–
Magellan Capital Corporation	–	–	–
Magellan Capital Trading Corporation	169,460	163,285	157,103
Pointwest Technologies, Inc.	–	–	–
Magellan Utilities Development Corporation	21,569	21,569	21,569
Business Process Outsourcing	14,686	11,799	12,193
Pinamucan Power Corporation	1,776	1,226	1,176
Pinamucan Industrial Estates, Inc.	–	–	–
Power Producer Association of the Phils.	200	200	200
Other related parties	21,382	–	–
Total Receivables from Affiliates	**697,743**	**660,518**	**340,338**
Advances to Officers & Employees	9,500	11,500	1,500
Minimum Corporate Income Tax	–	–	–
Deposit to Contractors	–	–	–
Creditable Tax Withheld	–	–	–
Dividends Receivable	53,374,543	56,434,832	55,416,032
Others	781,917	444,500	340,337
Total Other Receivables	**54,863,703**	**57,551,350**	**56,098,207**

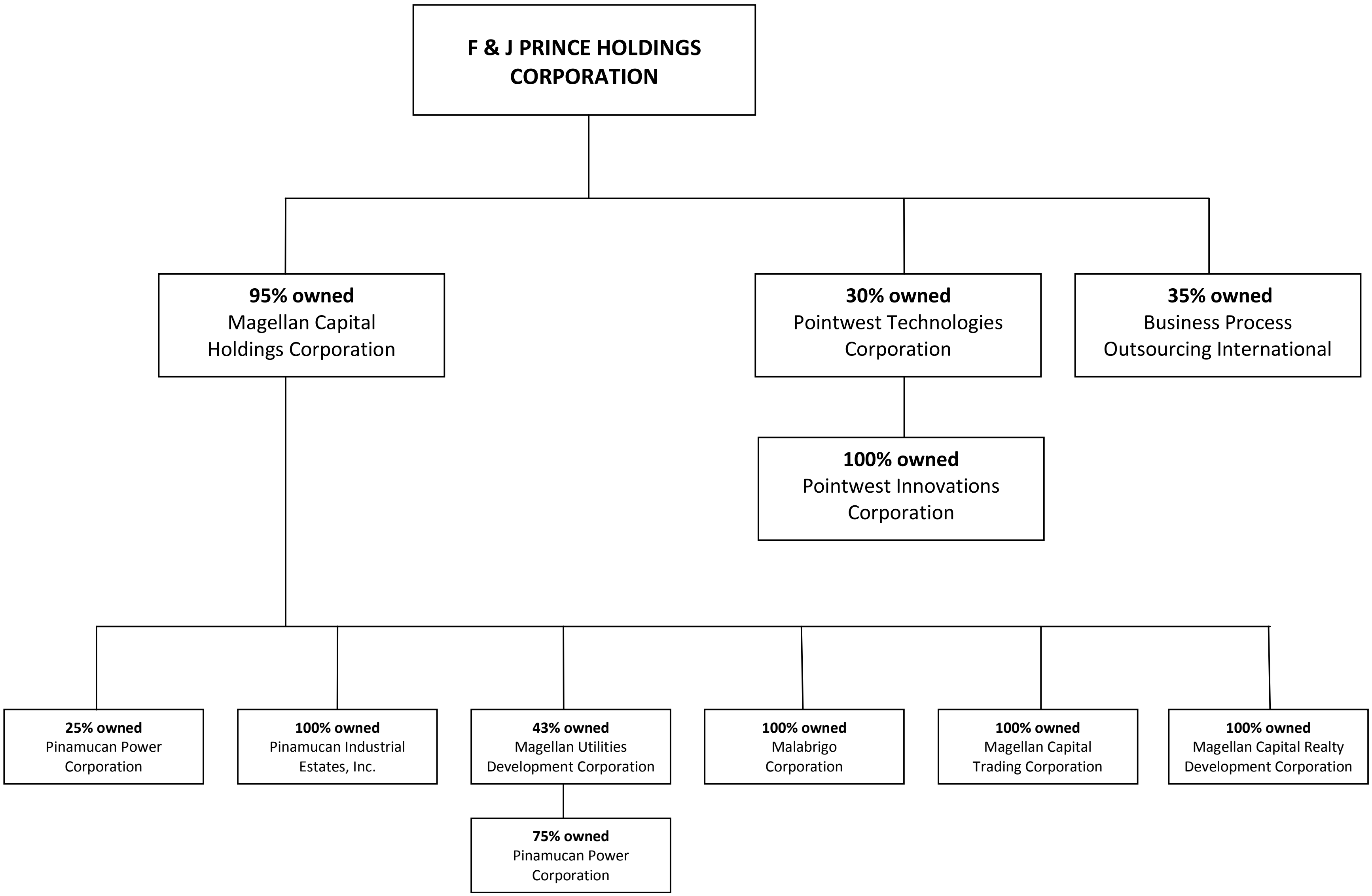
EXHIBIT "5"
Schedule 2

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
BREAKDOWN OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES
AS OF DECEMBER 31, 2014, 2013 AND 2012

	2014	2013	2012
Withholding taxes payable	473,695	455,792	404,084
SSS premium payable	23,023	22,033	18,890
SSS SLERP Loan Payable	–	–	–
SSS Salary Loan Payable	–	–	–
HDMF premium payable	22,157	11,115	12,499
HDMF Calamity Loan Payable	–	–	–
HDMF Salary Loan Payable	–	–	–
Philhealth premium payable	6,525	6,375	5,300
Output Vat payable	60,634	26,581	38,534
Accounts Payable	7,873,132	2,868,257	944,028
Deposit payable	1,555,859	1,221,713	1,193,714
Accrued Expenses			
Professional Fees (legal and Audit Fees)	687,114	621,758	520,800
Other Operating Expenses	8,653	261,456	84,908
Taxes and Licenses	–	–	–
Total Accrued Expenses	695,767	883,214	605,708
Total Accounts Payable and Accrued Expenses	**10,710,792**	**5,495,080**	**3,222,757**

EXHIBIT “6”

SCHEDULE OF SUBSIDIARIES AND ASSOCIATES



COVER SHEET

4	3	3	7	0		

SEC Registration Number

F & J PRINCE

HOLDINGS CORPORATION

(Company's Full Name)

5TH FLOOR CITIBANK CENTER

8741 PASEO DE ROXAS MAKATI

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

Atty. Fina C. Tantuico

Contact Person

8927133 • 8927137

Company Telephone Numbers

1	2		3	1

Month Day

Fiscal Year

0	4		1	2

Month Day

Annual Meeting

ANNUAL CORPORATE GOVERNANCE REPORT

Form Type

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total Number of Stockholders

Domestic

Foreign

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM - AGCR

CONSOLIDATED CHANGES IN THE ACGR FOR 2014

1. Report is Filed for the Year **2014**

2. Exact Name of Registrant as Specified in its Charter *F & J Prince Holdings Corporation*

3. **5th Floor, Citibank Center Building**
   8741 Paseo de Roxas, Makati City **1226**
   Address of Principal Office — Postal Code

4. SEC Identification Number **43370**

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification **000-829-097**

7. **(632) 892-7133**
   Issuer's telephone number, including area code

8. Former name or former address, if changed since last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors.

Number of Directors per Articles of Incorporation – ***11 directors***

Number of Directors for the year – ***11 directors***

(a) Composition of the Board

DIRECTOR'S NAME	EXECUTIVE (ED), NON-EXECUTIVE (NED), 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)[1]	ELECTED WHEN (ANNUAL/ SPECIAL MEETING)	NUMBER OF YEARS SERVED AS DIRECTOR
Robert Y. Cokeng	*ED*				*July 31, 2014*	*Annual Meeting*	*Director and officer since 1996.*
Francisco Y. Cokeng, Jr.	*ED*				*July 31, 2014*	*Annual Meeting*	*Director since 1980-1991; 1996*
Emeterio L. Barcelon, SJ	*ED*				*July 31, 2014*	*Annual Meeting*	*Director since 1980.*
Johnson U. Co	*ED*				*July 31, 2014*	*Annual Meeting*	*Director and officer since 1996.*
Mark Ryan K. Cokeng	*ED*			*July 28, 2011*	*July 31, 2014*	*Annual Meeting*	*Director and officer since 2011.*
Mary K. Cokeng	*NED*				*July 31, 2014*	*Annual Meeting*	*Director since 2008.*
Johnson Tan Gui Yee	*NED*				*July 31, 2014*	*Annual Meeting*	*Director since 1997.*
Rufino B. Tiangco	*NED*				*July 31, 2014*	*Annual Meeting*	*Director since 1997.*
Johnny O. Cobankiat	*NED*				*July 31, 2014*	*Annual Meeting*	*Director since 2008.*
Francis L. Chua	*ID*	*Independent Director*			*July 31, 2014*	*Annual Meeting*	*Director since 2001.*
Robert Y. Ynson	*ID*	*Independent Director*			*July 31, 2014*	*Annual Meeting*	*Director since 1997.*

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis 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.

[1] Reckoned from the election immediately following January 2, 2012

The Board of Directors and Management, employees and shareholders believe that corporate governance is a necessary component of what constitutes sound strategic management and, through the company's Revised Manual on Corporate Governance, has undertaken every effort necessary to create awareness of the principles of good corporate governance within the organization*. *Towards this end, certain policies have been adopted towards ensuring that the interests of all stakeholders in the Corporation will be addressed: The Board of Directors are responsible to foster long term success of the Corporation while conducting itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board is responsible for ensuring that the rights of the shareholders as provided for in the Corporation Code are respected and addressed.

(c) How often does the Board review and approve the vision and mission?

The Board reviews the company's vision and mission as may be necessary. For now, the company's current vision and mission has provided the goal that Management has striven to achieve and which has produced good results for the company.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

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	CORPORATE NAME OF THE GROUP COMPANY	TYPE OF DIRECTORSHIP (EXECUTIVE, NON-EXECUTIVE, INDEPENDENT). INDICATE IF DIRECTOR IS ALSO THE CHAIRMAN
ROBERT Y. COKENG	***Magellan Capital Holdings Corporation and Subsidiaries; Magellan Utilities Development Corporation***	***Executive***
EMETERIO L. BARCELON, SJ	***Magellan Capital Holdings Corporation***	***Non- Executive***
JOHNSON U. CO	***Magellan Capital Holdings Corporation and Subsidiaries; Magellan Utilities Development Corporation***	***Executive***
MARK RYAN K. COKENG	***Magellan Capital Holdings Corporation and Subsidiaries; Magellan Utilities Development Corporation***	***Executive***
MARY K. COKENG	***Magellan Capital Holdings Corporation and Subsidiaries***	***Non-Executive***
RUFINO B. TIANGCO	***Magellan Capital Holdings Corporation; Magellan Utilities Development Corporation***	***Non-Executive***
JOHNSON TAN GUI YEE	***Magellan Capital Holdings Corporation; Magellan Utilities Development Corporation***	***Non-Executive***

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

(ii) Directorship in Other Listed Companies

DIRECTOR'S NAME	CORPORATE NAME OF THE GROUP COMPANY	TYPE OF DIRECTORSHIP (EXECUTIVE, NON-EXECUTIVE, INDEPENDENT). INDICATE IF DIRECTOR IS ALSO THE CHAIRMAN.
ROBERT Y. COKENG	***Cosco Capital, Incorporated (formerly Alcorn Gold Resources Corporation***	***Non-Executive***
JOHNNY O. COBANKIAT	***Shang Properties inc.***	***Non-Executive***

(iii) Relationship within the Company and its Group:

Messrs. Robert Y. Cokeng and Francisco Y. Cokeng, Jr. are brothers. They are first cousins of Johnson U. Co. Mary K. Cokeng is the spouse of Robert Y. Cokeng. Mark Ryan K. Cokeng is the son of Robert and Mary Cokeng.

(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 imposed and observed? If yes, briefly describe other guidelines:

There are no written guidelines on the number of board seats a director may hold in other publicly-listed companies or ordinary companies and companies with secondary license. However, as records will show, it has been the practice for the board members not to exceed the limit of 5 board seats.

(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
Robert Y. Cokeng	***13,693,072***	***1,808,000***	***3.22%***
Francisco Y. Cokeng, Jr.	***2,160,000***	***0***	***0.45%***
Emeterio L. Barcelon, SJ	***304,952***	***0***	***0.06%***
Johnson U. Co	***1,100,000***	***0***	***0.23%***
Mark Ryan K. Cokeng	***0***	***10,000***	***0.002%***
Mary K. Cokeng	***0***	***1,000***	***0.0002%***
Johnson Tan Gui Yee	***15,371,747***	***0***	***3.19%***
Rufino B. Tiangco	***128,000***	***0***	***0.03%***
Johnny O. Cobankiat	***0***	***7,227,076***	***1.50%***
Francis L. Chua	***100,000***	***0***	***0.02%***
Robert Y. Ynson	***325,667***	***0***	***0.07%***

2. Chairman and CEO

(a) Do different persons assume the role of the 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 CEO: ***ROBERT Y. COKENG***

Chairman of the Board	***ROBERT Y. COKENG***
CEO/President	***ROBERT Y. COKENG***

Independent Directors and Non-Executive Directors are encouraged to express their views on matters presented to the Board.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	CHAIRMAN	CHIEF EXECUTIVE OFFICER
Role Accountabilities Deliverables	***Per By-Laws the Chairman shall preside at all regular and special meetings of the board and the annual and special meetings of the stockholders.***	***The President who must be a member of the Board of Directors shall have the general supervision of the affairs of the company; shall sign and countersign all certificates, and as authorized by the Board of Directors, all contracts and other instruments of the company' shall make reports to the directors and stockholders; shall see that the resolutions of the Board of Directors are duly executed and carried out; and shall perform all such other duties as are incident of his office or are properly required of him by the Board of Directors (Article IV, By-Laws).***

3. Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

Per By-Laws, the officers of the company are elected by the Board of Directors. Thus, should there be any vacancy, the Board of Directors shall fill the same for the unexpired term.

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.

As much as possible, the nominations committee selects nominees who will provide a diversity of experience and background.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

If there is an opportunity for this, the same will be considered.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT DIRECTOR
Role Accountabilities Deliverables	***The Company has no executive committee.***	***These are all defined in the Corporation's Revised Manual on Corporate Governance.***	

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company adheres to the definition of independence prescribed by related laws and regulations such as SEC Circular No. 16 which defines an independent director as "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 in any corporation. He is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders, is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders, has not been employed in any executive capacity by that public company, any of its related companies or by any of its substantial shareholders within the last five (5) years; is not retained as professional adviser by that public company, any of its related companies or by any of its substantial shareholders within the last five (5) years, either personally of through his firm; and not engaged and does not engage in any transaction with the corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant." From

such a definition, the company's concept of independence has emerged. In sum, the company strives o direct its goals towards ensuring that the good of the company and all its shareholders are protected and ensured free from any personal gain of only a few.

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 four additional years? Please explain.

The Company's Board of Directors is in the process of reviewing its Manual on Corporate Governance which includes setting the term limit of five consecutive years.

5. Changes in the Board of Directors (Executive, Non-Executive, and Independent Directors)

   (a) Resignation/Death/Removal

   There have been no changes in the composition of the Board of Directors that happened during the period.

   (b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

PROCEDURE	PROCESS ADOPTED	CRITERIA
a. Selection/Appointment		
(i) Executive Directors	***ANNUAL STOCKHOLDERS' MEETING***	
(ii) Non-Executive Directors		
(iii) Independent Directors		
b. Re-Appointment		
(i) Executive Directors	***ANNUAL STOCKHOLDERS' MEETING***	
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	***NONE***	
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors	***NONE***	
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	***NONE***	***NONE***
(ii) Non-Executive Directors		
(iii) Independent Directors		

f. Re-instatement		
(i) Executive Directors	***NONE***	***NONE***
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	***NONE***	***NONE***
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting – 31 July 2014

NAME OF DIRECTOR	VOTES RECEIVED
ROBERT Y. COKENG	***Unanimous – 81.94%***
FRANCISCO Y. COKENG, JR.	
EMETERIO L. BARCELON, SJ	
JOHNSON U. CO	
MARK RYAN K. COKENG	
JOHNSON TAN GUI YEE	
MARY K. COKENG	
RUFINO B. TIANGCO	
JOHNNY O. COBANKIAT	
FRANCIS L. CHUA	
ROBERT Y. YNSON	

6. Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

There have been no company's orientation program or any in-house training and external courses attended for new directors of the company.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years.

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Aside from the Philippine Stock Exchange's Annual Listing and Disclosure Seminar held annually, the following are the briefings or programs attended by our Corporate Secretary, Atty. Fina C. Tantuico.

NAME OF DIRECTOR/OFFICER	DATE OF TRAINING	PROGRAM	NAME OF TRAINING INSTITUTION
Atty. Fina C. Tantuico Corporate Secretary	***September 23, 2014***	***PSE Edge Training for Listed Companies***	***Philippine Stock Exchange (PSE)***
	October 21, 2014 (with the Company's President)	***SEC-PSE Corporate Governance Forum***	***Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC)***

(c) Continuing education programs for directors: program and seminars and roundtables attended during the year. ***NONE***

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	***The Company observes all pertinent rules and procedures that are found in the Corporation Code and the Securities Regulation Code with respect to related transactions.***		
b) Conduct of Business and Fair Dealings			
c) Receipt of gifts from third parties			
d) Compliance with Laws & Regulations			
e) Respect for Trade Secrets/Use Non- public Information			
f) Use of Company Funds, Assets and Information			
g) Employment & Labor Laws & Policies			
h) Disciplinary action			
i) Whistle blower			
j) Conflict Resolution			

2. Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

They have been made aware of the company's policies on this matter.

3. Discuss how the company implements and monitors compliance with the code of ethics or conduct.

   The members of the Board as well as the employees of the company have been made aware of and observe the company's policy on ethics or conduct.

4. Related Party Transaction

   (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.

RELATED PARTY TRANSACTIONS	POLICIES AND PROCEDURES
(1) Parent Company	***Subject to approval of non-related directors.***
(2) Joint Ventures	***Subject to approval of partners.***
(3) Subsidiaries	***Subject to approval of directors of board committees.***
(4) Entities Under Common Control	***Subject to approval of non-executive directors.***
(5) Substantial Stockholders	***Subject to approval of non-related directors.***
(6) Officers including spouses/ children/siblings/parents	
(7) Directors including spouses/ children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

   (b) Conflict of Interest

   (i) Director/Officers and 5% or more stockholders
   Identify any actual or probable conflict of interest to which directors/officers/5% Or more shareholders may be involved.

	DETAILS OF CONFLICT OF INTEREST (ACTUAL OR PROBABLE)
Name of Directors	***There is none that is discernible at present.***
Name of Officers	
Name of Significant Shareholders	

(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	***Required to divulge any conflict of interest.***
Group	

5. Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family[4], 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:

NAMES OF RELATED SIGNIFICANT SHAREHOLDERS	TYPE OF RELATIONSHIP	BRIEF DESCRIPTION OF THE RELATIONSHIP
Essential Holdings Limited	***Owned by the Chairman and President***	***Beneficial Owner***
Magellan Capital Holdings Corporation (MCHC)	***95% Owned by the Registrant***	***95% Subsidiary***
Pinamucan Industrial Estates, Inc.	***100% Owned by MCHC***	***Subsidiary of subsidiary***

(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:

NAMES OF RELATED SIGNIFICANT SHAREHOLDERS	TYPE OF RELATIONSHIP	BRIEF DESCRIPTION OF THE RELATIONSHIP
Magellan Capital Holdings Corporation (MCHC)	***Lessor - Lessee***	***Pinamucan Industrial Estates, Inc. rents office space from MCHC.***

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: ***NONE***

[4] Family relationship up to the fourth civil degree of consanguinity of affinity.

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 SYSTEM
Corporation & Stockholders Corporation & Third Parties Corporation & Regulatory Authorities	***There has been no dispute requiring any mode of dispute resolution. Should any arise, all the alternative dispute resolution mechanisms provided by law will be explored such as negotiation, amicable settlement, mediation and ad hoc arbitration.***

C. BOARD MEETINGS & ATTENDANCE

1. Are Board of Director's meetings scheduled before or at the beginning of the year?

2. Attendance of Directors.

BOARD	NAME	SPECIAL BOARD MEETING APRIL 14, 2014	REGULAR BOARD MEETING MAY 28, 2014	ORGANIZATIONAL BOARD MEETING JULY 31, 2014
Chairman	***Robert Y. Cokeng***	***Present***	***Present***	***Present***
Member	***Francisco Y. Cokeng, Jr.***	***Present***	***Present***	***Present***
Member	***Emeterio L. Barcelon, SJ***	***Present***	***Present***	***Absent***
Member	***Johnson U. Co***	***Present***	***Present***	***Present***
Member	***Mark Ryan K. Cokeng***	***Present***	***Present***	***Present***
Member	***Johnson Tan Gui Yee***	***Absent***	***Present***	***Present***
Member	***Rufino B. Tiangco***	***Absent***	***Present***	***Present***
Member	***Mary K. Cokeng***	***Present***	***Present***	***Present***
Member	***Johnny O. Cobankiat***	***Present***	***Present***	***Absent***
Independent	***Robert Y. Ynson***	***Present***	***Present***	***Present***
Independent	***Francis L. Chua***	***Present***	***Present***	***Present***

3. Do non-executive directors have a separate meeting during the y ear without the presence of any executive? If yes, how many times?

No, it has not been the practice of the company for the non-executive directors to hold separate meetings during the year without the presence of any executive.

4. Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

   Per the Corporation's By-laws, "a quorum at any meeting of the directors shall consist of a majority of the entire membership of the board. A majority of such quorum shall decide any questions that may come before the meeting." A quorum for purposes of a Board meeting has thus been set at 6. Despite this number, it has been the practice of the Board to ensure the attendance of at least 7 members, constituting two-thirds of Board membership.

5. Access to Information

   (a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

   The number of days depends on the item to be discussed. If the matter to be discussed involves lengthy references, these are usually distributed along with the Notices, which are issued one week in advance. Otherwise, materials are usually distributed at least one day before the Board meeting.

   (b) Do board members have independent access to Management and the Corporate Secretary?

   Yes, board members have independent access to Management and the Corporate Secretary.

   (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?

   The Board relies on the Corporate Secretary, who has always been a lawyer, for all matters regarding the preparation of Board meetings. She is often consulted on the legal aspects of all matters that have to be decided upon and she is expected to apprise the Board of any statutory and regulatory developments.

   (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

   Yes, in the history of the company, it will be observed that the position of Corporate Secretary has always been occupied by a lawyer.

[5] Board Papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(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 THE PROCEDURES
Executive	***There is no executive committee in F&J but only in MCHC. There is no written procedure but it has always been the practice of the Directors to inquire from the either the President or the Corporate Secretary.***
Audit	
Nomination	
Remuneration	
Others (Specify)	

6. External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

There is no written procedure but the directors are free to obtain any advice from any external source should the need arise.

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:

To date, there has been no change introduced by the Board of Directors during its recent term on existing policies that may have an effect on the business of the company.

D. REMUNERATION MATTERS

1. Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated officers:

PROCESS	CEO	TOP 4 HIGHEST PAID MANAGEMENT OFFICERS
(1) Fixed remuneration	***NONE***	***NONE***
(2) Variable remuneration	***NONE***	***NONE***
(3) Per Diem allowance	***Per By-Laws***	***Per By-Laws***
(4) Bonus	***One month bonus last year paid by subsidiary***	***One month bonus last year (given to all staff) paid by subsidiary***
(5) Stock Options and other Financial instruments		
(6) Others (Specify)		

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 in calculated.

	REMUNERATION POLICY	STRUCTURE OF COMPENSATION PACKAGES	HOW COMPENSATION IS CALCULATED
Executive Directors	***Compensation***		
Non-Executive Directors	***Per Diem***	***₱5,000.00 per attendance at Board meeting***	***Per By-Laws***

None of the directors of the company are paid any compensation as such. The executive directors including the Corporate Secretary are paid professional fees and compensation by the company and its subsidiaries, Magellan Capital Holdings Corporation and Pinamucan Industrial Estates Inc. Prior to 2002, directors were not paid any compensation other than a per diem of Five Thousand (₱5,000.00)per attendance at Board meetings as enshrined in its By-Laws. On 12 February 2002, however, the SEC approved the amendment to the Corporation's By-laws where by each of the Directors are entitled to receive a reasonable per diem , as may be fixed 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.

Yes, stockholders have the opportunity to approve the decision on the remuneration of the members of the Board. Section 6, Article III of the Corporation's By-Laws as amended provide that:

> ***"6. Compensation of Directors. –***
> ***Each Director shall receive a reasonable per diem, as may be fixed by the Board of Directors, for attendance as such director at Board meetings, whether regular or special, and other official functions of the Company, provided that any other compensation, except for such per diems, may be granted to directors, by vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting, and provided further that nothing herein contained shall be construed to preclude any director from serving the Company in any other capacity and receiving such compensation therefor, as may be fixed from time to time by the Board of Directors. ."***

This power given to the stockholders has not been exercised by them, to date as the directors of the company continue to receive only reasonable per diems.

3. Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year (including compensation from subsidiary):

REMUNERATION ITEM	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS (other than independent directors)	INDEPENDENT DIRECTORS
(1) Fixed remuneration	***8,578,567***	***NONE***	
(2) Variable Remuneration	***NONE***	***NONE***	
(3) Per Diem allowance	***₱5,000./meeting***	***₱5,000./meeting***	***₱5,000./meeting***
(4) Bonus (One month)	***₱640,667***		
(5) Stock Options and Other Financial Instruments	***NONE***	***NONE***	***NONE***
(6) Others (Specify)			
Total			

OTHER BENEFITS	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS (other than Independent Directors)	INDEPENDENT DIRECTORS
1) Advances	***NONE***	***NONE***	***NONE***
2) Credit granted	***NONE***	***NONE***	***NONE***
3) Pension Plan/s Contribution	***NONE***	***NONE***	***NONE***
4) Pension Plan/s, Obligations incurred	***NONE***	***NONE***	***NONE***
5) Life Insurance Premium	***NONE***	***NONE***	***NONE***
6) Hospitalization Plan	***NONE***	***NONE***	***NONE***
7) Car Plan	***NONE***	***NONE***	***NONE***
8) Others (Specify)	***NONE***	***NONE***	***NONE***
Total			

4. Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following 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
NONE				

(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 subject to approval during the Annual Stockholders' Meeting:

INCENTIVE PROGRAM	AMENDMENTS	DATE OF STOCKHOLDERS' APPROVAL
NONE		

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:

NONE

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	NUMBER OF MEMBERS			COMMITTEE CHARTER	FUNCTIONS	KEY RESPONSI-BILITIES	POWER
	EXECUTIVE DIRECTOR (ED)	NON-EXECUTIVE DIRECTOR (NED)	INDE-PENDENT DIRECTOR (ID)				
Executive	***NONE***	***NONE***	***NONE***	***NONE***	***NONE***	***NONE***	***NONE***
Audit	***2***	***2***	***1***				
Nomination	***2***	***2***	***1***				
Remuneration	***2***	***2***	***1***				

2) Committee Members

(a) Executive Committee. ***No Executive Committee was elected.***

(b) Audit Committee

OFFICE	NAME	DATE OF APPOINTMENT	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	%	LENGTH OF SERVICE IN THE COMMITTEE
Chairman (ID)	***FRANCIS L. CHUA***	***July 31, 2014***	***1***	***1***		***Since January 15, 2003***
Member (ED)	***ROBERT Y. COKENG***	***July 31, 2014***	***1***	***1***		
Member (NED)	***RUFINO B. TIANGCO***	***July 31, 2014***	***1***	***1***		
Member (ED)	***JOHNSON U. CO***	***July 31, 2014***	***1***	***1***		
Member (NED)	***JOHNSON TAN GUI YEE***	***July 31, 2014***	***1***	***0***		

Disclose the profile or qualifications of the Audit Committee members. Describe the Audit Committee's responsibility relative to the external auditor.

(c) Nomination Committee

OFFICE	NAME	DATE OF APPOINTMENT	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	%	LENGTH OF SERVICE IN THE COMMITTEE
Chairman	***ROBERT Y. COKENG***	***July 31, 2014***	***1***	***1***		***Since January 15, 2003***
Member (ED)	***JOHNSON U. CO***	***July 31, 2014***	***1***	***1***		
Member (NED)	***RUFINO B. TIANGCO***	***July 31, 2014***	***1***	***1***		
Member (ID)	***ROBERT Y. YNSON***	***July 31, 2014***	***1***	***1***		
Member (NED)	***JOHNSON TAN GUI YEE***	***July 31, 2014***	***1***	***1***		

(d) Remuneration Committee

OFFICE	NAME	DATE OF APPOINTMENT	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	%	LENGTH OF SERVICE IN THE COMMITTEE
Chairman	***ROBERT Y. COKENG***	***July 31, 2014***	***1***	***1***		***Since January 15, 2003***
Member (ED)	***JOHNSON U. CO***	***July 31, 2014***	***1***	***1***		
Member (NED)	***RUFINO B. TIANGCO***	***July 31, 2014***	***1***	***1***		
Member (ID)	***FRANCIS L. CHUA***	***July 31, 2014***	***1***	***1***		
Member (NED)	***JOHNSON TAN GUI YEE***	***July 31, 2014***	***1***	***1***		

(e) Others (Specify)

OFFICE	NAME	DATE OF APPOINTMENT	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	%	LENGTH OF SERVICE IN THE COMMITTEE
Chairman	***NONE***	***NONE***	***NONE***	***NONE***		***NONE***
Member (ED)						
Member NED)						
Member (ID)						
Member						

3. Changes in Committee Members. ***NONE***

4. Work Done and Issues Addressed

NAME OF COMMITTEE	WORK DONE	ISSUES ADDRESSED
Executive	***NO EXECUTIVE COMMITTEE***	
Audit	***Review Financial Statements and meet External Auditors approves Audited Financial Statements and Audit Policies***	
Nomination	***Review Nominations for Directors***	
Remuneration	***Review Compensation Policies***	

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.

NAME OF COMMITTEE	PLANNED PROGRAMS	ISSUES ADDRESSED
Executive	***NONE***	***NONE***
Audit	***Still under study. The Audit Committee is studying possibility of outsourcing internal audit functions.***	***Still under study.***
Nomination		
Remuneration		

F. RISK MANAGEMENT SYSTEM

1. Disclose the following:

(a) Overall risk management philosophy of the company;

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

(b) A statement that directors have reviewed the effectiveness of the risk management sys system and commenting on the adequacy thereof;

The BOD periodically reviews the effectiveness of the risk management system which has proven to be adequate.

(c) Period covered by the review;

The BOD periodically reviews the effectiveness of the risk management system yearly and when necessary.

(d) How often the risk management system is reviewed and the director's criteria for assessing its effectiveness; and

The BOD periodically reviews the effectiveness of the risk management system yearly and when necessary.

(e) Where no review was conducted during the year, an explanation why not.

The BOD periodically reviews the effectiveness of the risk management system yearly and as often as necessary.

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 behind the policy for each kind of risk:

<u>Financial Risk Management Objectives and Policies</u>

The principal financial instruments of the Group consist of financial assets at FVPL, short term investments, fixed income deposits and AFS financial assets. The main purpose of these financial instruments is to place excess cash in income-earning investments. The Group has various other financial instruments such as cash and cash equivalents, receivables, fixed income deposit, and receivables from related parties, investment included under other noncurrent assets and accounts payable and accrued expenses which arise directly from its operations. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (i.e., interest rate risk, foreign currency risk and equity price risk). The Group's management reviews and approves policies for managing each of these risks. The Group also monitors the market price risk arising from all financial instruments. The magnitudes of these risks that have arisen over the year are discussed below. (See 2013 Management Report, pp. 94-95)

<u>(i) Credit Risk</u>

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties (i.e., foreign currency-denominated debt instruments, short-term investments, fixed income deposits and receivables) to its financial assets.

<u>Credit risk management</u>

In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized and creditworthy third parties. For investments in bonds, funds are invested is highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in equity securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed regularly by the Group's President and Treasurer.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, receivables from third parties and related parties, short-term investments and fixed income deposits, the Group's President and Treasurer monitor these financial assets on an ongoing basis with the result that the Group's exposure to impairment losses is not significant.

<u>Credit risk exposures</u>

At reporting date, the Group's maximum exposure to credit risk is equal to the carrying amount of each class of financial assets recognized in the consolidated statements of financial position. The Group's financial assets are not covered by collateral from counterparties.

<u>Credit risk concentration profile</u>
The Group has no significant concentrations of credit risk. (See 2013 Management Report pp. 94-95)

<u>(ii) Liquidity Risk</u>
Liquidity Risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's approach to managing liquidity to meet its liabilities when they are due and this is done by primarily investing in highly liquid investments and maintaining a significant amount of cash and cash equivalents and pre-terminable investments in its portfolio. (2013 Management Report, pp. 97)

<u>(iii) Market Risks</u>
This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's activities expose it primarily to the financial risk of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures that risk.

(iii.1) <u>Interest Rate risk</u>: The Group derives majority of its revenue from interest-bearing placements and bonds. Accordingly, the Group is subject to financial risk arising from changes in interest rates. The Group manages interest rate risk by investing mainly on fixed coupon bonds and other investments. By doing so, the Group is assured of future interest revenues from such investments. Since investment is on fixed coupon interest bonds, the Group is not exposed significantly to cash flow interest rate risk. (See 2013 Management Report, pp. 98-99)

(iii.2) <u>Foreign Currency risk</u>: In the normal course of business, the Group enters into transactions denominated in US dollar and other foreign currencies. AS a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets and liabilities. The Group has no foreign currency denominated monetary liabilities as of 31 December 2012. (See 2013 Management Report, pp. 98-99)

(iii.3) <u>Equity Price risk</u>: The equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's financial assets at FVPL and investments in AFS equity securities. For investments in Philippine equities, majority of fund are invested in equities listed in the PSE. The Group measures the sensitivity of its equity securities by using PSE, NYSE, and HKEx indices fluctuations and its effects to respective share prices. (See 2013 Management Report, pp. 101)

(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:

<u>Financial Risk Management Objectives and Policies</u>
The principal financial instruments of the Group consist of financial assets at FVPL, short term investments, fixed income deposits and AFS financial assets. The main purpose of these financial instruments is to place excess cash in income-earning investments. The Group has

various other financial instruments such as cash and cash equivalents, receivables, fixed income deposit, and receivables from related parties, investment included under other noncurrent assets and accounts payable and accrued expenses which arise directly from its operations. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (i.e., interest rate risk, foreign currency risk and equity price risk). The Group's management reviews and approves policies for managing each of these risks. The Group also monitors the market price risk arising from all financial instruments. The magnitudes of these risks that have arisen over the year are discussed below. (See 2013 Management Report, pp. 94-95)

(i) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties (i.e., foreign currency-denominated debt instruments, short-term investments, fixed income deposits and receivables) to its financial assets.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized and creditworthy third parties. For investments in bonds, funds are invested is highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in equity securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed regularly by the Group's President and Treasurer.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, receivables from third parties and related parties, short-term investments and fixed income deposits, the Group's President and Treasurer monitor these financial assets on an ongoing basis with the result that the Group's exposure to impairment losses is not significant.

Credit risk exposures

At reporting date, the Group's maximum exposure to credit risk is equal to the carrying amount of each class of financial assets recognized in the consolidated statements of financial position. The Group's financial assets are not covered by collateral from counterparties.

Credit risk concentration profile

The Group has no significant concentrations of credit risk. (See 2013 Management Report pp. 94-95)

(ii) Liquidity Risk

Liquidity Risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's approach to managing liquidity to meet its liabilities when they are due and this is done by primarily investing in highly liquid investments and maintaining a significant amount of cash and cash equivalents and pre-terminable investments in its portfolio. (2013 Management Report, pp. 97)

(iii) Market Risks

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's activities expose it primarily to the financial risk of changes in interest rates, foreign currency exchange rates and equity prices. There has

been no change in the Group's exposure to market risks or the manner in which it manages and measures that risk.

(iii.1) <u>Interest Rate risk</u>: The Group derives part of its revenue from interest-bearing placements and bonds. Accordingly, the Group is subject to financial risk arising from changes in interest rates. The Group manages interest rate risk by investing mainly on fixed coupon bonds and other investments. By doing so, the Group is assured of future interest revenues from such investments. Since investment is on fixed coupon interest bonds, the Group is not exposed significantly to cash flow interest rate risk. (See 2013 Management Report, pp. 98-99)

(iii.2) <u>Foreign Currency risk</u>: In the normal course of business, the Group enters into transactions denominated in US dollar and other foreign currencies. AS a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets and liabilities. The Group has no foreign currency denominated monetary liabilities as of 31 December 2012. (See 2013 Management Report, pp. 98-99)

(iii.3) <u>Equity Price risk</u>: The equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's financial assets at FVPL and investments in AFS equity securities. For investments in Philippine equities, majority of fund are invested in equities listed in the PSE. The Group measures the sensitivity of its equity securities by using PSE, NYSE, and HKEx indices fluctuations and its effects to respective share prices. (See 2013 Management Report, pp. 101)

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholder's voting power.

Change of articles to remove pre-emptive rights and super majority requirements have not been proposed or planned by management and controlling shareholders.

3) Control System Set Up

(a) Company

Briefly describe the control system 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 CONTROL (STRUCTURES, PROCEDURES, ACTIONS TAKEN)
See discussion on immediately preceding item on Risk Management	***Review Risk of Investments (mainly portfolio investments)***	***See discussion on immediately preceding item on Risk Management***

(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 CONTROL (STRUCTURES, PROCEDURES, ACTIONS TAKEN)
See discussion on immediately preceding item on Risk Management	***Review Risk of Investments (mainly portfolio investments)***	***See discussion on immediately preceding item on Risk Management***

(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.

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

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;
(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
(c) Period covered by the review;
(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
(e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function. ***INTERNAL AUDIT FUNCTION MAY BE OUTSOURCED.***

(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 committee? ***YES***

(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? ***YES***

(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. ***NONE***

(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	
Issues[6]	***The company is a holding company and its activities center mainly on investments in securities and equities. Internal controls on these activities are under the direct management and supervision of the President.***
Findings[7]	
Examination Trends	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involved the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(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
The company is a holding company and its activities center mainly on investments in securities and equities. Internal controls on these activities are under the direct management and supervision of the President.	

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and ratings 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
N/A	***N/A***	***N/A***	***N/A***

(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.

ROBERT Y. COKENG – President and CEO

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

The nature of the business of the company (which is a holding company) is such that it is not able to provide the data required below.

	POLICY	ACTIVITIES
Customer's welfare	***N/A***	-
Supplier/contractor selection practice	***N/A***	-
Environmentally friendly value-chain	***N/A***	-
Community interaction	***N/A***	-
Anti-corruption Programmes and Procedures	***The company supports the government's anti-corruption drive.***	-
Safeguarding creditors' rights	***N/A***	-

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? ***NONE***

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The company complies withal the benefits that are required by law to be given to its employees. The nature of the company's business which is that of a holding company does not require a substantial number of employees.

(b) Show date relating to health, safety and welfare of its employees.

This is not applicable to the company.

(c) State the company's training and development programmes for its employees. Show the data.

So far, there are no training and development programmes for employees because the nature of the business of the company is such that only a lean staff is required.

(d) State the company's training and development programmes for its employees of the company beyond short-term financial measures.

Should there be relevant training programmes, the company is open to provide the same.

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.

The law requires dues process to be observed in dealing with complaints from employees. The corporation adheres to the policies of due process which requires fair notice and hearing. Should there be complaints from any employee, these principles are always observed.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

SHAREHOLDER	NUMBER OF SHARES	PERCENT	BENEFICIAL OWNER
Essential Holdings Limited	***139,778,670***	***29.1%***	***Robert Y. Cokeng***
Magellan Capital Holdings Corporation	***47,548,022***	***9.87%***	***F&J Prince Holdings Corporation and Magellan Capital Management***
Pinamucan Industrial Estates, Inc.	***49,486,805***	***10.27%***	***Magellan Capital Holdings Corporation***
Consolidated Tobacco Industries of the Phils., Inc.	***43,052,023***	***8.93%***	***Cokeng and Co Family***
Vructi Holdings Corporation	***34,250,628***	***7.11%***	***Tiangco Family***

NAME OF SENIOR MANAGEMENT	NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES / THROUGH (name of record owner)	BENEFICIAL OWNER
Robert Y. Cokeng	***13,693,072***	***1,808,000 (thru HDI Securities)***	***Robert Y. Cokeng***
Francisco Y. Cokeng, Jr.	***2,160,000***	***-***	***Francisco Y. Cokeng, Jr.***
Johnson U. Co	***1,100,000***	***-***	***Johnson U. Co***
Mark Ryan K. Cokeng	***-***	***10,000***	***Mark Ryan K. Cokeng***
Emeterio L. Barcelon, SJ	***304,952***	***-***	***Emeterio L. Barcelon, SJ***
TOTAL			

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	***NO***
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioner	***YES***
Training and/or continuing education programme attended by each director/commissioner	***YES***
Number of board of directors/commissioners meetings held during the year	***NO***
Attendance details of each director/commissioner in respect of meetings held	***NO***
Details of remuneration of the CEO and each member of the board of directors/commissioners	***YES***

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

The number of board meetings and attendance of directors are disclosed separately in a report to the SEC.

3) External Auditor's fee

NAME OF AUDITOR	AUDIT FEE	NON-AUDIT FEE
SGV & Co.	***₱211,000.00 (exclusive of VAT)***	

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The company uses its website, the PSE's Disclosure mechanisms, and publication in the newspaper when necessary as well as notices and letters to individual stockholders.

5) Date of release of audited financial report. ***April 11, 2014***

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	***YES***
Shareholding structure	***YES***
Group corporate structure	***YES***
Downloadable annual report	***Under process***
Notice of AGM and/or EGM	***YES***
Company's constitution (company's by-laws, memorandum and articles of association)	***NO, as this is not part of web design.***

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

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 particularly of its minority shareholders and other stakeholders?

Related party transactions are always above-board and made on arm's-length basis. The relationships among the major shareholders and members of the Board are and have always been disclosed in the Annual Management reports and Information statements distributed to all stockholders.

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.

Per Article II (1), the Corporation's By-Laws, the Annual meeting of the company is to be held on the 12th day of April of each year "unless the Board fixes a different date which in no case shall be later than the last working day of June."

Per Article II (2), a Special meeting of the stockholders may be called "by resolution of the Board of Directors or by order of the President, or upon the written request of stockholders registered as the owners of one-third of the total outstanding stock."

Per Article II (4), a quorum at any meeting of the stockholders shall consist of a majority of the voting stock of the company represented in person or by proxy, and a majority of such quorum shall decide any question that may come before the meeting, save and except in those several matters in which the laws of the Philippines require the affirmative vote of a greater proportion."

Quorum Required	***To convene a special stockholders' meeting, upon the written request of stockholders registered as owners of 1/3 of the total outstanding stock.***

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	***All corporate acts of the Board of Directors are presented for ratification by the stockholders during the Annual Stockholders' meeting.***
Description	

(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 CORPORATE CODE	STOCKHOLDERS' RIGHTS NOT IN THE CORPORATION CODE
	None, the company's stockholders enjoy all the rights that are laid down in the Corporation Code. No additional rights which are not in the Corporation Code are given to the company's stockholders except that Article Seventh of the company's Articles of Incorporation states that "no shareholder shall have any preemptive or preferential right to subscribe for any increase thereof that may be lawfully authorized."

Dividends

DECLARATION DATE	RECORD DATE	PAYMENT DATE
28 May 2014	***20 June 2014***	***On or before 16 July 2014;***
	21 July 2014	***On or before 11 August 2014***

(d) Stockholders' Participation

1. 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.

   It has been the practice of the company that during the annual shareholders' meeting, all shareholders' represented in person or by proxy are given an opportunity to speak. Thus, after the President has presented his report, the shareholders are given the time to propound questions or queries on the floor. A microphone is installed for this purpose and the shareholder is free to make use of this portion of the meeting. The President and the members of the Board have always been on hand to answer questions.

2. MEASURES ADOPTED	3. COMMUNICATION PROCEDURE
4. ***Question and Answer portion during stockholders meeting***	5. ***A shareholder is given the chance to ask questions after the President has presented his report***

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
    c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The company observes the provisions of the Corporation Code which requires the approval of 2/3 vote of the Corporation's outstanding capital stock for amendments to the Corporation's Articles of Incorporation and By-laws, the increase or decrease of authorized capital stock, and the transfer of all or substantially all assets of the company resulting in the sale of the company.

9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Per Article II(3) of the company's By-laws, "notices for every regular or special meeting of the stockholders shall be prepared and mailed to the registered post office address of each stockholder not less than ten (10) days prior to the date set for such meeting. In practice, the company observes a minimum of 15 business days for giving out of notices to the AGM, whether or not there are items to be resolved by the shareholders.

	2014
a. Date of sending out notices	***On or before July 10, 2014***
b. Date of Annual/Special Stockholders' Meeting	***31 July 2014***

10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

For the past three years, there were no questions or answers raised by the shareholders during the annual meeting except that on two occasions, a stockholder stated on the floor his congratulatory message to the company's Board of Directors and Management for the performance of the company during that particular year.

11. Result of Annual/Special Stockholders' Meeting's Resolution.

During the most recent Annual stockholders meeting, there was no item or matter needing the approval of the stockholders other than the nomination and election of the members of the Board and the ratification of all corporate actions including the amendment of the Company's Articles of Incorporation to reflect the exact principal address of the corporation as required by SEC Circular No. 6, Series of 2014.

24. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

During the most recent Annual stockholders meeting, there was no item or matter needing the approval of the stockholders other than the nomination and election of the members of the Board and the ratification of all corporate actions including the amendment of the Company's Articles of Incorporation to reflect the exact principal address of the corporation as required by SEC Circular No. 6, Series of 2014. The results of the elections were, as is usual, conveyed to the PSE and the SEC through Current Report 17-C.

(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:

There were no modifications made in the most recent Annual meeting of the Corporation.

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

TYPE OF MEETING	NAME OF BOARD MEMBERS/ OFFICERS PRESENT	DATE OF MEETING	VOTING PROCEDURE (BY POLL, SHOW OF HANDS, ETC.)	% OF SH ATTENDING IN PERSON	% OF SH IN PROXY	TOTAL % OF SH ATTENDANCE
Annual	***ROBERT Y. COKENG FRANCISCO Y. COKENG EMETERIO L. BARCELON, SJ JOHNSON U. CO RUFINO B. TIANGCO JOHNSON TAN GUI YEE MARY K. COKENG MARK RYAN K. COKENG JOHNNY O. COBANKIAT FRANCIS L. CHUA ROBERT Y. YNSON FINA C. TANTUICO – Corporate Secretary***	***31 July 2014***				***81.94%***
Special	**None held**					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

No, the company does not appoint an independent party to count the votes. The stockholder attendance during the company's annual meetings have so far been manageable and there has been no matter presented necessitating the appointment of an independent party to count votes.

(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.

Yes, the company's common shares carry one vote for one share. Common shares are divided into two classes. Class A shares which are issued solely to Filipino citizens and Class "B" which are issued to either Filipino or foreign citizens. All common shares are voting shares.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	COMPANY'S PROFILE
Execution and acceptance of proxies	***The proxy form is included in the Information Statement which is required to be completed, signed and dated and returned to the Corporation at least 5 days prior to the date of the meeting.***
Notary	***Need not be notarized.***
Submission of Proxy	***At least 5 days prior to the date of the meeting.***
Several Proxies	***Only one proxy. Revocation may be done at any time prior to its use by the party authorized to exercise the same.***
Validity of Proxy	***No proxy bearing a signature that is not legally acknowledged shall be recognized at any meeting unless such signature is known and recognized by the secretary of the meeting.***
Proxies executed abroad	***No policy on this yet as this has not yet been done.***
Invalidated Proxy	***Shareholder may revoke proxy issued by him at any time prior to its use by the party who is thereby authorized to exercise the same.***
Validation of Proxy	***By Corporate secretary***
Violation of Proxy	***If proxy is signed without otherwise marking the form, the securities will be voted as recommended by the Board of Directors on all matters to be considered at the meeting.***

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

POLICIES	PROCEDURE
Notices must be sent at least 15 business days prior to the Annual meeting	***During the month before the meeting, the materials to be printed out must be printer-ready to afford the printer to make copies for all stockholders of record.***

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	***487***
Date of Actual Distribution of Definitive Information Statement and Management Report And Other Materials held by market Participants/certain beneficial owners	***On or before July 10, 2014***
Date of Actual Distribution of Definitive Information Statement and Management Report And Other Materials held by stockholders	***On or before July 10, 2014***
State whether CD format or hard copies were Distributed	***Hard Copies***
If yes, indicate whether requesting stockholders were provided hard copies	

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one time.	***YES***
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	***YES***
The auditors to be appointed or re-appointed.	***YES***
An explanation of the dividend policy, if any dividend is to be declared.	***YES***
The amount payable for final dividends.	***YES***
Documents required for proxy vote.	***YES***

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Per Sec 5.2. of the Corporation's Revised Manual on Corporate Governance, "although all stockholders should be treated equally or without discrimination, the Board should 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." Also, Section 5.3..2..3 provides that "a director shall not be removed without cause if it will deny minority shareholders representation in the Board.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

(They can nominate but most received necessary votes to be elected). This is not specifically provided for in the corporations' Manual on Corporate Governance.

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 President of the company reviews and approves all major company announcements.

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.

It has always been the company's policy to ensure that investors are aware of any developments in the company that will affect the value of their shares. Thus, the corporation's Management judiciously observes the pertinent rules of the Philippine Stock Exchange and the SEC in disclosing to the public. Shareholders are free to call the Corporation's Corporate Secretary at Tel. Nos. 8927133/8927137.

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?

The company has always observed and is committed to observe the pertinent laws, such as the Corporation Code and the Securities Regulation Code, SEC rules and regulations for 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. ***This is not applicable at this time.***

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Donations had been given to charitable institution shave from time to time been given through the company's subsidiary Magellan Capital Holdings Corporation (MCHC).

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.

The company's Revised Manual on Corporate Governance provides for an internal self-rating system that can measure the performance of the Board and Management in accordance with the Manual. At present, there is no set system in place.

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.

As laid down in Section 10, of the company's Revised Manual on Corporate Governance , the following are the penalties for violation or breach of the corporate governance manual by the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, imposable after due notice and hearing:

VIOLATIONS	SANCTIONS
First violation	***Reprimand***
Second Violation	***Suspension from office the duration thereof dependent on the gravity of the violation***
Third Violation	***Maximum penalty of removal from office; A third violation committed by any member of the board of the company or its subsidiaries and affiliates shall be sufficient cause for removal from directorship.***

Per Section 10 of the company's Revised Manual on Corporate Governance, the Compliance Officer shall be responsible for determining violations/through notice and hearing and shall recommend to the Board the imposable penalty for such violation, for further review and approval of the Board.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of CITY OF MANILA on MAY 30 2013, 20__.

SIGNATURES

ROBERT Y. COKENG
Chairman of the Board

ROBERT Y. COKENG
Chief Executive Officer

FRANCIS L. CHUA
Independent Director

ROBERT Y. YNSON
Independent Director

FINA C. TANTUICO
Compliance Officer

SUBSCRIBED AND SWORN to before me this _____ day of MAY 30 2013 2013, affiant(s) exhibiting to me their Community Tax Certificate Nos. as follows:

NAME	COMMUNITY TAX CERTIFICATE NO.	DATE/PLACE OF ISSUE
Francis L. Chua	15850751	January 20, 2013/Manila
Robert Y. Ynson	13858746	January 14, 2013/Q.C.
Fina C. Tantuico	16224930	April 11, 2013 / San Juan City

ATTY. SOCRATES G. MARANAN
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
IBP No. 840842/10-21-11
PTR No. 1414392/01-02-13
NC. No. 2012-009/ROA No. 3192

Doc. No. 462;
Page No. 93;
Book No. 33;
Series of 2013.

My Docs>F&J>2013 Files>Corporate Governance>
SEC Form-ACGR Annual Corporate Governance Report 2012