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

SEC FORM 17-Q
(As of September 30, 2014)

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.1(1) (A) (ii) THEREUNDER

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-Q

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

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

2. SEC Identification Number .... **43370** 3. BIR Tax Identification No. **000-829-097**

4. *F & J Prince Holdings Corporation*
   ....
   Exact name of registrant as specified in its charter

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

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

7. **5th Floor, Citibank Center Building**
   8741 Paseo de Roxas, Makati City **1226**
   ....
   Address of principal office Postal Code

8. **(632) 892-7133**
   ....
   Registrant'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 4 and 8 of the RSA

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

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes [✓] No [ ]

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

Philippine Stock Exchange **Common Shares, Class "A" and "B"**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and RSA Rule 17(2)-(b) thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [✓] No [ ]

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

Yes [✓] No [ ]

PART I
FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

The following financial statements, presented in a comparative format, are submitted:

(1) Unaudited Interim Balance Sheet as of 30 September 2014 and Audited Balance Sheet as of 31 December 2013 as Annex "A";

(2) Unaudited Interim Statement of Income and Retained Earnings for the nine (9) month period ending 30 September 2014 and the 9 month period ending 30 September 2013 as Annex "B";

(3) Unaudited Statement of Income and Retained Earnings for the three month period ending 30 September 2014 and three months period ending 30 September 2013 shown as Annex "C";

(4) Unaudited Interim Statement of Changes in Stockholders' Equity for the 9 month period ending 30 September 2014 and 30 September 2013 and Audited Statement of Changes in Stockholders' Equity for the year ending 31 December 2013 as Annex "D";

(5) Unaudited Interim Consolidated Cash Flow Statement for the 9 month period ending 30 September 2014 and the 9 month period ending 30 September 2013 as Annex "E";

(6) Interim Cash Flow for the quarterly periods ending 30 September 2014 and 30 September 2013, as Annex "F"; and

(7) Consolidated Balance Sheet as of 30 September 2014 and 31 December 2013 with vertical and horizontal percentage analysis as Annex "G".

ITEM 2. MANAGEMENTS DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

(1) Management's Discussion and Analysis

The Registrant's consolidated revenue in 2013 decreased by 2.2% to ₱155.0 million from ₱158.5 million in 2012. Equity in net earnings of associates increased by 15.6% from ₱77.7 million in 2012 to ₱89.76 million in 2013 as the Registrant's outsourcing affiliates continued to show record earnings. This was offset by a drop in interest income from ₱69.5 million in 2012 to ₱47.2 million in 2013 as interest levels continued its decline due to the increasing liquidity in capital markets. However, 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. Rent increased slightly from ₱3.5 million in 2012 to ₱3.7 million in 2013 due to escalation of rental rates. Gain on disposal of AFS and HTM Financial Assets of ₱1.3 million was recorded in 2013 against nil in 2012. However, there was no Fain value Gain or Financial Assets at FVPL in 2013 versus ₱6.6 million in 2012 as the prices of listed stocks owned by the Registrant and its subsidiary did not go up in value in 2013. Dividend income dropped from ₱1.0 million in 2012 to ₱767,640 in 2013.

Total consolidated expenses of the Registrant was lower at ₱24.7 million in 2013 compared to ₱29.7 million in 2012. The absence of unrealized foreign exchange losses in 2013 versus P5.8 million in 2012 accounted for the bulk of the decrease in expenses.

As a result of the above, total consolidated income before tax in 2013 totalled ₱130.3 million, a slight improvement over the ₱128.9 million in 2012. After provision for income tax, total consolidated net income after tax totalled ₱120.1 million in 2013, a slight improvement over the ₱118.9 million in 2012.

Net income attributable to non-controlling interest, namely minority shareholder of Magellan Capital Holdings Corporation, totalled ₱3.3 million in 2013 compared to ₱2.4 million in 2012.

The Registrant's financial position is very strong as it has substantial cash resources available to undertake its planned projects. As of December 31, 2013, the Registrant's consolidated cash and cash equivalent totaled over ₱1.025 billion slightly lower than the level of ₱1.047 billion as of December 31, 2012. 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 ₱25.8 million compared to total equity of ₱1.8 billion as of the end of 2013.

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 in the next twelve months. Consolidated cash and cash equivalents at the end of 2013 totalled ₱1,025 million compared to ₱1,047 million at the end of 2012 while total current assets totalled ₱1.2 billion at year-end 2013 compared to ₱1.2 billion at year-end 2012. 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.

(a) Operating Results and Financial Condition for the Third Quarter of 2014

(i) There are no known trends, demands, events or uncertainties that would have a material effect on the Issuer's liquidity.

(ii) There are no known or anticipated events that would trigger direct or contingent financial obligation that is material to the Company including any default or acceleration of any obligation.

(iii) There are no material off-balance sheet transaction, arrangements, obligations (including contingent obligations) and other relationship of the Company with unconsolidated entities or other persons created during third quarter of 2014 or in prior periods.

(iv) There are no material commitments for capital expenditures, by the Company or its majority owned subsidiary.

(v) There are no trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable impact on net/revenues/income from continuing operations except for possible unrealized or realized foreign exchange gains from the dollar denominator investments or the Company and its majority owned subsidiary. These are generally recognized in the year-end Audited Financial Statements except for realized foreign exchange gain which are reported in the period realized.

(vi) The Company did not realize any non-operating income in the third quarter of 2014 or in the third quarter of 2013 aside from unrealized gains on trading securities.

The following is a detailed discussion of the Registrant's operations and financial condition during the third quarter of 2014 and third quarter of 2013.

Operating Results

Breakdown of Revenue for the Three Month Periods Ending September 30, 2014 and September 30, 2013 with Vertical and Horizontal Percentage Analysis is shown below:

(₱000)	**THIRD QUARTER**	**VERTICAL PERCENTAGE ANALYSIS**	**THIRD QUARTER**	**VERTICAL PERCENTAGE ANALYSIS**	**INCREASE (DECREASE) AMOUNT**	**INCREASE (DECREASE) PERCENTAGE**
	September 30, 2014	**September 30, 2014**	**September 30, 2013**	**September 30, 2013**	**September 30, 2014**	**September 30, 2014**
INTEREST INCOME From Banks	₱ 1,390	2.6%	₱ 4,044	8.4%	₱ (2,654)	(65.6%)
From Securities	6,869	12.8%	6,879	14.3%	(10)	(0.1%)
TOTAL	**8,259**	**15.4%**	**10,923**	**22.7%**	**(2,664)**	**(24.4%)**
RENT INCOME	1,221	2.3%	889	1.8%	332	37.3%
DIVIDEND INCOME	514	0.9%	782	1.6%	(268)	(34.3%)
UNREALIZED GAIN ON TRADING SECURITIES	1,965	3.7%	106.0	0.2%	1,859	1753%
EQUITY IN NET EARNINGS OF ASSOCIATE	41,597	77.7%	35,081	72.9%	6,516	18.6%
OTHER INCOME	-	-	320	0.7%	(320)	-
TOTAL	**₱ 53,556**	**100%**	**₱ 48,100**	**100%**	**₱ 5,456**	**11.3%**

Revenues. Consolidated Revenues of the Registrant during the three month period ending September 2014 totaled ₱53.6 million compared to ₱48.1 million during the same period in 2013. The increase in revenue in third quarter of 2014 was due mainly to an increase in equity in net earnings of associates from ₱35.1 million in the third quarter of 2013 to ₱41.6 million in the third quarter of 2014. Interest income decreased to ₱8.3 million in the third quarter of 2014 from ₱10.9 million in the third quarter of 2013 due to lower interest rates on bank deposits. Rental income increased from ₱0.89 million in the third quarter of 2013 to ₱1.22 million in the third quarter of 2014 as a recently acquired unit was rented out. Unrealized gain on trading securities increase to ₱2.0 million in the third quarter of 2014 from ₱0.1 million in the third quarter of 2013. Dividend income decreased to ₱0.5 million in the third quarter of 2014 from ₱0.8 million in the third quarter of 2013.

Expenses. Consolidated general and administrative expenses of the Registrant totalled ₱9.2 million in the third quarter of 2014 compared to ₱6.2 million in the same period in 2013. The increase in expenses in 2014 was due mainly to the increase in unrealized losses on financial assets at FVPL from ₱1.2 million in the third quarter of 2013 to ₱3.1 million in the third quarter of 2014. In addition, net foreign exchange loss of ₱0.5 million was reported in the third quarter of 2014 compared to nil in the third quarter of 2013. Movement of other items in the consolidated general and administrative expenses were relatively minor.

Net Income. Due to the movements in the revenues and expenses discussed above, consolidated net income in the third quarter of 2014 totaled ₱44.3 million compared to ₱41.9 million in the third quarter of 2013. After deducting the share of minority shareholders in the Registrant's majority-owned subsidiary Magellan Capital Holdings Corporation, the consolidated net income attributable to the shareholders of the Registrant was ₱42.4 million in the third quarter of 2014 compared to ₱39.8 million in the third quarter of 2013.

BALANCE SHEET ACCOUNTS

Annex "A" shows the Consolidated Balance Sheet of the company while Annex "G" shows the Vertical and Horizontal Percentage Analysis of Balance Sheet Accounts for September 30, 2014 compared to December 31, 2013. The various balance sheet accounts are discussed below:

ASSETS

Current Assets. Consolidated current assets as of September 30, 2014 totaled ₱1,086.8 million compared to ₱1,197.7 million as of December 31, 2013. Most of the decrease was due to the drop in dividends receivables which dropped from ₱56.4 million as of December 31, 2013 to NIL million as of September 30, 2014 as dividends declared by the Registrant's outsourcing affiliates at the end of 2013 were collected in 2014. In addition, dividends to the Registrant's shareholders were paid out during the period which reduced the cash and cash equivalents of the company. Financial assets at fair value rose from ₱61.3 million at year-end 2013 to ₱72.8 million at the end of September 2014.

Receivables from Related Parties. This account stayed at ₱1.9 million as of September 30, 2014, substantially the same level as at year-end 2013.

Investments in Associates. This account which consists of the Registrant's investment in Pointwest Technologies Corporation and BPO International, Inc. increased from ₱143.8 million at year-end 2013 to ₱185.4 at the end of September 2014 million due to the share of the Registrant in equity in net earnings of Pointwest and BPO.

Available for Sale Investments. This account which consists mostly of bond investments increased to ₱155.3 million at September 30, 2014 from ₱138.6 million at year-end 2013.

Property and Equipment. This account totaled ₱39.7 million as of September 30, 2014 compared to ₱42.3 million as of December 31, 2013 due to allowance for depreciation taken in the first 9 months of 2014.

Investment in Property. This account remained stable at ₱46.3 million at the end of September 2014, the same level as at the end of December 31, 2013. This consists of the land held by Magellan Capital Holdings Corporation in Fort Bonifacio which is carried at cost.

Other Non-Current Assets. This account totalled ₱37.9 million as of September 30, 2014 slightly lower than the total of ₱38.1 million at year-end 2013. This consists mainly of deposit for the purchase of a condominium unit in Fort Bonifacio.

Total Assets. As a result of the foregoing, total assets decreased slightly to ₱1,742.8 million as of September 30, 2014 from ₱1,770 million as of December 31, 2013.

LIABILITIES AND EQUITY

Current Liabilities. Current liabilities decreased to ₱12.4 million as of September 30, 2014 from ₱17.6 million as of December 31, 2013. The decrease was due mainly to a decrease in income tax payable as taxes due to the income in 2013 were paid out in April 2014. Dividends payable also stayed at ₱1.6 million at the end of September 30, 2014 from ₱1.6 million at the end of 2013 due to the dividends payable to shareholders of the Registrant.

Non-Current Liabilities. Non-current liabilities remained stable at ₱8.1 million at September 30, 2014, the same level as at year-end 2013. This consisted of retirement benefit obligation which was unchanged at ₱8.1 million as of September 30, 2014 and at year-end 2013.

Stockholder's Equity. Total stockholders' equity decreased to ₱1,722.2 million at the end of September 2014 from ₱1,744.6 million at the end of 2013 due mainly to the net income of ₱56.3 million generated in the first 9 months of 2014 offset by dividends paid out in 2014. Minority interest which represents the share of minority shareholders of MCHC in the equity of MCHC totalled ₱73.6 million at the end of September 2014 compared to ₱70.8 million at the end of 2013 due to their share in net income realized by MCHC in the first 9 months of 2014. Total equity attributable to stockholders of the Registrant was ₱1,648 million as of September 30, 2014 compared to ₱1,673 million at the end of December 2013 due to the income generated in the first 9 months of 2014 offset by the dividends paid out in 2014.

Top Performance Indicators

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

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

Change in Revenues. Consolidated revenues in the third quarter of 2014 and 2013 are presented below in summary form:

(₱000)	3rd Quarter 2014	Percentage (%)	3rd Quarter 2013	Percentage (%)
Interest Income	₱ 8,259	15.4%	₱ 10,903	22.7%
Unrealized Gain on Trading Securities	1,966	3.7%	106	0.2%
Rental Income	1,221	2.3%	889	1.8%
Equity in Net Earnings of Associate	41,597	77.6%	35,081	72.9%
Dividend Income	514	1.0%	782	1.6%
Other Income	-	-	320	0.7%
TOTAL INCOME	**53,556**	**100%**	**48,100**	**100%**

Total revenue increased to ₱53.6 million in the third quarter of 2014 from ₱48.1 million in the third quarter of 2013. The higher revenue in 2014 was due mainly to the increase in the equity in net earnings of associates. Interest income dropped due to lower interest rate derived on bank deposits. Rental income increased due to income on a unit acquired in 2013.

Change in Net Income. The income statement in the third quarter of 2014 and 2013 are shown in Annex "C" and summarized below:

(₱000)	3rd Quarter 2014	Percentage (%)	3rd Quarter 2013	Percentage (%)
Revenues	₱ 53,555	100%	₱ 48,100	100%
Expenses	9,225	17.2%	6,241	13.0%
Net Income	44,331	82.8%	41,859	87.0%
Attributable to:				
- Minority Interest	2,216	4.1%	2,093	4.4%
- Stockholders of Company	42,114	78.7%	39,766	82.6%

The Registrant realized a consolidated net income of ₱44.3 million in the third quarter of 2014 versus ₱41.9 million in the third quarter of 2013. After deducting the share of minority shareholders of MCHC, the company realized a net income of ₱42.1 million attributable to stockholders of the company in the third quarter of 2014 compared to a net income of ₱39.8 million attributable to stockholders of the company in the third quarter of 2013. Equity in net earnings of associates account for most of the increase.

Earnings per Share. The net income per share attributable to shareholders of the Company during the third quarter of 2014 was ₱0.1095 per share compared to earnings per share of ₱0.1032 in the third quarter of 2013.

Current Ratio. Current ratio as of September 30, 2014 was 87.3 X compared to 67.9 X as of December 31, 2013. The increase was due mainly to the decrease in current liabilities due to payment of taxes payable.

Book Value Per Share. Book value per share as of September 30, 2014 was ₱4.28 per share compared to ₱4.34 per share at year end 2013 after deducting the shares held by subsidiaries of the Registrant which in the consolidated financial accounts are classified as treasury shares. The net income realized in the first 9 months of 2014 was partly offset by dividends paid out in 2014 resulting in lower book value per share.

PART II
OTHER INFORMATION

As of 30 September 2014, the following resolutions of the Board of Directors were reported under SEC Form 17-C:

(1) ELECTION OF DIRECTORS AND OFFICERS

During the Annual Meeting of the Stockholders of the Corporation held on 31 July 2014, the following persons were elected as the new members of the Board of Directors of the Corporation, to wit:

EMETERIO L. BARCELON, S.J.
FRANCIS L. CHUA
JOHNSON U. CO
JOHNNY 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.

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:

Audit Committee:

Francis L. Chua	-	Chairman/Independent Director
Robert Y. Cokeng		
Johnson U. Co		
Johnson Tan Gui Yee		
Rufino B. Tiangco		

Nomination Committee:

Robert Y. Cokeng	-	Chairman
Johnson U. Co		
Johnson Tan Gui Yee		
Rufino B. Tiangco		
Robert Y. Ynson	-	Independent Director

Compensation Committee:

Robert Y. Cokeng	-	Chairman
Johnson U. Co		
Johnson Tan Gui Yee		
Rufino B. Tiangco		
Francis L. Chua	-	Independent Director

(2) OTHER EVENTS

(a) Annual Stockholders' Meeting

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.

(b) <u>Organizational Meeting of the Board of Directors</u>

Immediately after the stockholders meeting, the newly-elected directors held their organizational meeting.

(3) Immediately after the adjournment of the Stockholders' Meeting, the Organizational Meeting of the Board of Directors was held on the same day. The election of the officers of the corporation, as well as members of various board committees was duly disclosed to the SEC and PSE, thru PSE Edge System online after the meeting and with confirmation copies filed on August 01, 2014, under SEC Form 17-C. The notices and other requirements for said meeting were complied with under the relevant SRC Rule.

SIGNATURES

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

Issuer .... *F & J Prince Holdings Corporation*

Principal Executive Officer

Signature and Title............ **ROBERT Y. COKENG, President**

Date........ **17 November 2014**

Principal Financial/Accounting Officer/Controller

Signature and Title............ **MARK RYAN K. COKENG, Treasurer**

Date........ **17 November 2014**

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3rd Quarter–30 September 2014

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2014 AND DECEMBER 31, 2013

ASSETS		**UNAUDITED SEPT.30, 2014**		**AUDITED DEC. 31,2013**
Current Assets				
Cash and cash equivalents	P	**996,847,707**	P	**1,024,774,443**
Financial assets at fair value through profit or loss		**72,798,913**		**62,307,751**
Convertible note receivable		**0**		0
Receivables-net :				
Advances to Officers & Employees		42,500		11,500
Creditable Withheld Taxes		0		0
Dividends Receivable		0		56,434,832
Accounts Receivable		680,496		660,516
Management Fee Receivable		45,197,865		45,197,865
Accrued Interest Receivable		43,753,772		43,753,772
Others		8,501,570		9,620,498
Total Receivables		**98,176,203**		**155,678,983**
Allowance for doubtful accounts		90,110,187		90,110,187
Total Receivables-Net		**8,066,016**		**65,568,796**
Current portion of HTM investments		**0**		**36,408,628**
Current portion of AFS financial assets		**0**		**0**
Prepaid expenses & other current assets:				
Input Tax		6,856,048		6,590,055
Prepaid Income Tax		400,000		400,000
Others		1,864,315		1,646,847
Total Prepaid expenses and other current assets		**9,120,363**		**8,636,902**
Total Current Assets	P	**1,086,832,999**	P	**1,197,696,520**
Non-current Assets				
Receivables from related parties-net		**1,884,564**		**1,863,314**
Investments in associates		**185,390,280**		**143,793,015**
HTM investments-net of current portion		**189,419,895**		**161,749,853**
Available-for-sale (AFS) investments–net of current portion		**155,305,987**		**138,608,895**
Investment in property		**46,319,625**		**46,319,625**
Property and Equipment				
Building		62,115,626		62,115,626
Building Improvements		8,058,590		8,058,590
Transportation equipment		8,395,222		8,395,222
Furniture and fixtures		2,821,925		2,821,925
Total		81,391,363		81,391,363
Less: Accumulated depreciation		41,653,149		39,080,390
Net Book Value		39,738,214		42,310,973
Total Property and Equipment		**39,738,214**		**42,310,973**
Other non-current assets		**37,880,882**		**38,086,634**
Total Non-Current Assets		**655,939,447**		**572,732,309**
TOTAL ASSETS	P	**1,742,772,446**	P	**1,770,428,829**

LIABILITIES & STOCKHOLDERS' EQUITY		UNAUDITED SEPT. 30, 2014		AUDITED DEC. 31, 2013
Current Liabilities				
Accounts Payable and accrued expenses				
Accounts payable-trade		6,395		0
Accounts payable-others		2,861,864		2,868,257
Withholding taxes payable		226,504		455,792
SSS Premium Payable		16,831		22,033
HDMF Premium Payable		2,400		11,115
Philhealth Premium Payable		6,550		6,375
Deposit Payable		1,530,771		1,221,713
Output Vat Payable		60,060		26,581
Accrued expenses		357,649		883,214
Total Accounts payable and accrued expenses	P	**5,069,024**	P	**5,495,080**
Dividends Payable		**1,590,488**		**1,608,488**
Income Tax Payable		**785,802**		**5,537,208**
Provision for legal obligation		**5,000,000**		**5,000,000**
Total Current Liabilities	P	**12,445,314**	P	**17,640,776**
Non-Current Liabilities				
Deferred income tax liabilities-net		**0**		**0**
Payable to related parties		**0**		**0**
Retirement benefit obligation)		**8,143,006**		**8,143,006**
Total Non-Current Liabilities		**8,143,006**		**8,143,006**
Stockholders' Equity				
Capital stock		**481,827,653**		**481,827,653**
Additional paid in capital		**144,759,977**		**144,759,977**
Treasury shares		**(98,942,697)**		**(98,942,697)**
Other Reserves		**(17,162,247)**		**(15,891,249)**
Actuarial loss on retirement benefit obligation		**(15,073,699)**		**(15,073,699)**
Retained earnings		**1,153,177,232**		**1,177,181,819**
Total Equity Attributable to Stockholders of the Company		**1,648,586,219**		**1,673,861,804**
Minority Interest		**73,597,907**		**70,783,243**
Total Stockholders' Equity		**1,722,184,126**		**1,744,645,047**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	P	**1,742,772,446**	P	**1,770,428,829**

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS PERIOD ENDING SEPT. 30, 2014 AND SEPT. 30, 2013

		UNAUDITED SEPT. 30, 2014		UNAUDITED SEPT. 30, 2013
REVENUES				
Equity in net earnings of associate	P	41,597,265	P	35,080,602
Interest Income				
From Banks		6,297,036		16,881,091
From Securities		21,107,766		20,786,521
Total Interest Income		27,404,802		37,666,612
Unrealized gains on trading securities		5,529,636		6,400,973
Rental Income		3,165,674		2,764,917
Gains on disposal /redemption of AFS/HTM investments		677,247		815,795
Dividend Income		2,254,242		1,190,258
Net unrealized foreign exchange gain		0		0
Other income		555,957		371,930
	P	81,184,823	P	84,291,087
EXPENSES				
Net foreign exchange loss		3,896,640		1,406,433
Amortization of unrealized losses on changes in fair value of AFS investments		0		0
Salaries, wages and employees' benefits		7,514,914		6,771,838
Depreciation		2,581,902		2,116,101
Professional fees		1,889,768		1,768,467
Condominium dues		1,730,190		1,442,637
Repairs and maintenance		729,264		0
Taxes and licenses		610,998		519,188
Entertainment, amusement and recreation		428,782		601,929
Unrealized loss on financial assets at FVPL		3,958,172		7,417,168
Others		1,550,887		1,566,601
		24,891,517		23,610,362
NET INCOME	P	56,293,306	P	60,680,725
NET INCOME ATTRIBUTABLE TO:				
STOCKHOLDERS OF THE COMPANY	P	53,478,641	P	57,646,689
MINORITY INTERESTS		2,814,665		3,034,036
EARNINGS PER SHARE	P	0.1390	P	0.1500

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDING SEPT. 30, 2014 AND SEPT. 30, 2013

		UNAUDITED SEPT. 30, 2014		UNAUDITED SEPT.30, 2013
NET INCOME	P	56,293,306	P	60,680,725
OTHER COMPREHENSIVE INCOME(LOSS)				
Changes in fair value of AFS investments		(1,270,998)		3,643,219
Amortization of unrealized losses on changes in fair value of AFS investments		-		-
Disposal of AFS investment				
Impairment loss on AFS investments				
Others				
		(1,270,998)		3,643,219
TOTAL COMPREHENSIVE INCOME(LOSS)	P	55,022,308	P	64,323,944
TOTAL COMPREHENSIVE INCOME(LOSS) ATTRIBUTABLE TO:				
STOCKHOLDERS OF THE COMPANY	P	52,271,193	P	61,107,747
MINORITY INTERESTS		2,751,115		3,216,197
	P	55,022,308	P	64,323,944

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS JULY 1-SEPT. 30, 2014 AND JULY 1-SEPT. 30, 2013

		UNAUDITED JULY 1-SEPT. 30, 2014		UNAUDITED JULY 1-SEPT. 30, 2013
REVENUES				
Equity in net earnings of associate	P	41,597,265	P	35,080,602
Interest Income				
From Banks		1,389,983		4,043,492
From Securities		6,868,653		6,879,271
Total Interest Income		8,258,636		10,922,763
Unrealized gains on trading securities		1,965,661		106,015
Rental Income		1,220,709		889,113
Gains on disposal of AFS/HTM investments		0		0
Dividend Income		514,052		781,816
Net unrealized foreign exchange gain		0		0
Other income		0		320,000
	P	53,556,323	P	48,100,309
EXPENSES				
Net foreign exchange loss		502,172		0
Amortization of unrealized losses on changes in fair value of AFS investments		280,631		0
Salaries, wages and employees' benefits		2,491,033		2,318,055
Depreciation		859,971		705,367
Professional fees		607,222		579,223
Condominium dues		555,843		455,876
Repairs and maintenance		6,150		0
Taxes and licenses		75,034		82,741
Entertainment, amusement and recreation		113,705		26,741
Unrealized loss on financial assets at FVPL		3,121,939		1,160,588
Others		611,942		912,669
		9,225,642		6,241,260
NET INCOME	P	44,330,681	P	41,859,049
NET INCOME ATTRIBUTABLE TO:				
STOCKHOLDERS OF THE COMPANY	P	42,114,147	P	39,766,097
MINORITY INTERESTS		2,216,534		2,092,952
EARNINGS PER SHARE	P	0.1095	P	0.1032

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD JULY 1-SEPT. 30, 2014 & JULY 1-SEPT. 30, 2013

		UNAUDITED JULY 1- SEPT. 30, 2014		UNAUDITED JULY 1- SEPT. 30, 2013
NET INCOME	P	44,330,681	P	41,859,049
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in fair value of AFS investments		164,175		717,447
Amortization of unrealized losses on changes in fair value of AFS investments		-		-
Disposal of AFS investment				
Impairment loss on AFS investments				
Others				
		164,175		717,447
TOTAL COMPREHENSIVE INCOME (LOSS)	P	44,494,856	P	42,576,496
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
STOCKHOLDERS OF THE COMPANY	P	42,270,113	P	40,447,671
MINORITY INTERESTS		2,224,743		2,128,825
	P	44,494,856	P	42,576,496

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

ANNEX "D"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPT. 30, 2014 AND SEPT. 30, 2013
AND THE YEAR ENDED DECEMBER 31, 2013

	UNAUDITED SEPT. 30, 2014	UNAUDITED SEPT. 30, 2013	AUDITED DEC. 31, 2013
CAPITAL STOCK			
Balance at beginning of year	P 481,827,653	P 481,827,653	P 481,827,653
Exercise of stock warrants			
Issuance of additional shares of stock			
Subscription of additional shares of stock			
Balance at end of period	481,827,653	P 481,827,653	P 481,827,653
ADDITIONAL PAID-IN CAPITAL	144,759,977	144,759,977	144,759,977
Treasury Shares	(98,942,697)	(96,400,447)	(98,942,697)
Other Reserves	(17,162,247)	2,729,697	(15,891,249)
Actuarial loss on retirement benefit obligation	(15,073,699)		(15,073,699)
SHARE IN REVALUATION INCREMENT ON LAND OWNED BY MCHC's SUBSIDIARIES			
RETAINED EARNINGS			
Balance at beginning of period	1,177,181,818	1,156,535,490	1,156,681,379
Net Income	53,478,641	57,646,689	116,865,971
Dividends declared	(77,483,228)	(77,483,229)	(96,365,531)
Balance at end of period	1,153,177,231	1,136,698,950	1,177,181,819
	1,648,586,218	1,669,615,830	1,673,861,804
Minority Interests	73,597,908	77,511,735	70,783,243
TOTAL STOCKHOLDERS' EQUITY	P 1,722,184,126	P 1,747,127,565	P 1,744,645,047

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

ANNEX "E"

F & J PRINCE HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDING SEPT. 30, 2014 AND SEPT. 30, 2013

		UNAUDITED SEPT. 30, 2014		UNAUDITED SEPT. 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income	P	53,478,641	P	57,646,689
Adjustments to reconcile net income to net cash provided by operating activities:				
Equity in net earnings in associate		(41,597,265)		(35,080,602)
Minority interest		2,814,665		3,034,036
Depreciation and amortization		2,572,759		2,116,100
Amortization of unrealized loss/gain on FV of AFS inv.		(1,270,998)		3,643,219
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables		57,502,780		29,345,029
Prepaid expenses and other current assets		(483,461)		(3,185,873)
Increase (decrease) in accounts payable and accrued expenses		(426,057)		4,436,670
Net cash provided by operating activities		72,591,064		61,955,268
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions/disposals of property and equipment				(15,100,876)
AFS/HTM investments and financial assets (FVPL)		(18,449,668)		42,964,192
Decrease (increase) in:				
Receivable from related parties		(21,250)		(42,248)
Other assets		205,752		567,060
Net cash provided by (used in) investing activities		(18,265,166)		28,388,128
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in:				
Cash dividends declared and paid		(77,483,228)		(77,483,227)
Dividends payable		(18,000)		3,665,100
Income tax payable		(4,751,406)		(968,515)
Net cash provided by (used in) financing activities		(82,252,634)		(74,786,642)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	P	(27,926,736)		15,556,754
CASH AND CASH EQUIVALENTS, BEGINNING	P	1,024,774,443	P	1,047,543,993
CASH AND CASH EQUIVALENTS, ENDING		996,847,707		1,063,100,747

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

ANNEX "F"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3 MONTHS PERIOD ENDING JULY 1-SEPT. 30, 2014 & JULY 1-SEPT. 30, 2013

		UNAUDITED		UNAUDITED
		JULY 1-SEPT.30, 2014		JULY 1-SEPT.30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	P	42,114,147	P	39,766,097
Adjustments to reconcile net income to net cash provided by operating activities:				
Equity in net earnings in associate		(41,597,265)		(35,080,602)
Minority Interest		2,216,534		2,092,952
Depreciation and amortization		859,971		705,367
Unrealized loss/gain on changes in fair value of AFS/FVPL		164,175		717,447
Amortization of unrealized loss/gain on FV of AFS inv.				
Changes in operating assets and liabilities:				
Receivables		504,849		(26,255,729)
Prepaid expenses and other current assets		(50,253)		(3,111,416)
Increase (decrease) in:				
Accounts payable and accrued expenses		(528,036)		5,126,337
Net cash provided by operating activities		3,684,122		(16,039,547)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions/disposals of property and equipment		0		(15,100,876)
Investment in property		-		-
AFS/HTM/other investments and financial assets (FVPL)		(11,671,666)		38,381,643
Decrease (increase) in:				
Receivables from related parties				(50)
Other assets				-
Net cash provided by (used in) investing activities		(11,671,666)		23,280,717
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in:				
Cash dividends declared and paid		(77,483,228)		(77,483,227)
Dividends payable		(18,000)		3,665,100
Income tax payable		0		0
Net cash provided by (used in) financing activities		(77,501,228)		(73,818,127)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**P**	**(85,488,772)**	**P**	**(66,576,957)**
CASH AND CASH EQUIVALENTS, BEGINNING		**1,082,336,479**		**1,129,677,704**
CASH AND CASH EQUIVALENTS, ENDING	**P**	**996,847,707**	**P**	**1,063,100,747**

F& J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET AS OF SEPT. 30, 2014 AND DECEMBER 31, 2013
WITH VERTICAL AND HORIZONTAL PERCENTAGE ANALYSIS

"ANNEX G

	UNAUDITED3 SEPT. 30, 2014	VERTICAL PERCENTAGE ANALYSIS SEPT. 30, 2014	AUDITED DEC. 31,2013	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2013	INCREASE (DECREASE) AMOUNT SEPT. 30, 2014	INCREASE (DECREASE) PERCENTAGE ANALYSIS SEPT. 30, 2014
ASSETS						
Current Assets						
Cash and cash equivalents	996,847,707	57.20%	1,024,774,443	57.88%	(27,926,736)	-2.73%
Financial assets at fair value through fair value thru profit or loss (FVPL)	72,798,913	4.18%	62,307,751	3.53%	10,491,162	16.84%
Receivables :						
Advances to Officers & Employees	42,500	0.00%	11,500	0.00%	31,000	269.57%
Creditable Withheld Taxes	0	0.00%	0	0.00%	0	0.00%
Accounts Receivable	680,496	0.04%	660,516	0.04%	19,980	3.02%
Dividends Receivable	0	0.00%	56,434,832	3.19%	(56,434,832)	-100.00%
Management Fee Receivable	45,197,865	2.59%	45,197,865	2.55%	0	0.00%
Accrued Interest Receivable	43,753,772	2.51%	43,753,772	2.47%	0	0.00%
Others	8,501,570	0.49%	9,620,498	0.54%	(1,118,928)	-11.63%
Total Receivables	98,176,203	5.63%	155,678,983	8.79%	(57,502,780)	-36.94%
Allowance for doubtful accounts	90,110,187	-5.17%	90,110,187	-5.09%	0	0.00%
Total Receivables-Net	8,066,016	0.46%	65,568,796	3.70%	(57,502,780)	-87.70%
Current portion of HTM investments	0	0.00%	36,408,628	2.06%	(36,408,628)	-100.00%
Prepaid expenses & other current assets:						
Others	1,864,315	0.11%	1,646,847	0.09%	217,468	13.21%
Input Tax	6,856,048	0.39%	6,590,055	0.37%	265,993	4.04%
Prepaid Income Tax	400,000	0.02%	400,000	0.02%	0	0.00%
Total Prepaid expenses & other current assets	9,120,363	0.52%	8,636,902	0.48%	483,461	5.60%
Total Current Assets	1,086,832,999	62.36%	1,197,696,520	67.65%	(110,863,521)	-9.26%
Non-current Assets						
Receivables from related parties	1,884,564	0.11%	1,863,314	0.11%	21,250	1.14%
Investments in associates	185,390,280	10.64%	143,793,015	8.12%	41,597,265	28.93%
HTM investments-net of current portion	189,419,895	10.87%	161,749,853	9.13%	27,670,042	17.11%
Available -for-sale (AFS) investments	155,305,987	8.91%	138,608,895	7.83%	16,697,092	12.05%
Investment in properties	46,319,625	2.66%	46,319,625	2.62%	0	0.00%
Property and Equipment						
Building	62,115,626	3.57%	62,115,626	3.51%	0	0.00%
Building Improvements	8,058,590	0.46%	8,058,590	0.46%	0	0.00%
Transportation equipment	8,395,222	0.48%	8,395,222	0.47%	0	0.00%
Furniture and fixtures	2,821,925	0.16%	2,821,925	0.16%	0	0.00%
Total Property and Equipment	81,391,363	4.67%	81,391,363	4.60%	0	0.00%
Less: accumulated depreciation	41,653,149	-2.39%	39,080,390	-2.21%	2,572,759	6.58%
Net Book Value	39,738,214	2.28%	42,310,973	2.39%	(2,572,759)	-6.08%
Total Property and Equipment	39,738,214	2.28%	42,310,973	2.39%	(2,572,759)	-6.08%
Other Assets – net	37,880,882	2.17%	38,086,634	2.15%	(205,752)	-0.54%
Total Non-Current Assets	655,939,447	37.64%	572,732,309	32.35%	83,207,138	14.53%
TOTAL ASSETS	1,742,772,446	100.00%	1,770,428,829	100.00%	(27,656,383)	-1.56%

	UNAUDITED SEPT. 30, 2014	VERTICAL PERCENTAGE ANALYSIS SEPT. 30, 2014	AUDITED DEC. 31,2013	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2013	INCREASE (DECREASE) AMOUNT SEPT. 30, 2014	INCREASE (DECREASE) PERCENTAGE ANALYSIS SEPT. 30, 2014
LIABILITIES & STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts Payable and accrued expenses						
Accounts payable-trade	6,395	0.00%	0	0.00%	6,395	0.00%
Accounts payable-others	2,861,864	0.16%	2,868,257	0.16%	(6,393)	-0.22%
Withholding taxes payable	226,504	0.01%	455,792	0.03%	(229,288)	-50.31%
SSS Premium Payable	16,831	0.00%	22,033	0.00%	(5,202)	-23.61%
HDMF Premium Payable	2,400	0.00%	11,115	0.00%	(8,715)	-78.41%
Philhealth Premium Payable	6,550	0.00%	6,375	0.00%	175	2.75%
Deposit Payable	1,530,771	0.09%	1,221,713	0.07%	309,058	25.30%
Output Vat Payable	60,060	0.00%	26,581	0.00%	33,479	125.95%
Accrued expenses	357,649	0.02%	883,214	0.05%	(525,565)	-59.51%
Total Accounts payable & accrued expenses	5,069,024	0.28%	5,495,080	0.31%	(426,056)	-7.75%
Dividends Payable	1,590,488	0.09%	1,608,488	0.09%	(18,000)	-1.12%
Income Tax Payable	785,802	0.05%	5,537,208	0.31%	(4,751,406)	-85.81%
Provision for legal obligation	5,000,000	0.29%	5,000,000	0.28%	0	0.00%
Total Current Liabilities	12,445,314	0.71%	17,640,776	0.99%	(5,195,462)	-29.45%
Non-Current Liabilities						
Deferred tax liabilities-net	0	0.00%	0	0.00%	0	0.00%
Payable to related parties	0	0.00%	0	0.00%	0	0.00%
Retirement benefit obligation	8,143,006	0.48%	8,143,006	0.46%	0	0.00%
Total Non-Current Liabilities	8,143,006	0.48%	8,143,006	0.46%	0	0.00%
Stockholders' Equity						
Capital stock	481,827,653	27.64%	481,827,653	27.22%	0	0.00%
Additional paid in capital	144,759,977	8.31%	144,759,977	8.18%	0	0.00%
Other reserves	(17,162,247)	-0.98%	(15,891,249)	-0.90%	(1,270,998)	8.00%
Actuarial loss on retirement obligation	(15,073,699)	-0.86%	(15,073,699)	-0.85%	0)	0.00%
Treasury shares	(98,942,697)	-5.68%	(98,942,697)	-5.59%	0)	0.00%
Retained earnings	1,153,177,232	66.16%	1,177,181,819	66.49%	(24,004,587)	-2.04%
Total Equity Attributable to Stock-holders of the Company	1,648,586,219	94.59%	1,673,861,804	94.55%	(25,275,585)	-1.51%
Minority Interest	73,597,907	4.22%	70,783,243	4.00%	2,814,664	3.98%
Total Stockholders' Equity	1,722,184,126	98.81%	1,744,645,047	98.55%	(22,460,921)	-1.29%
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	1,742,772,446	100.00%	1,770,428,829	100.00%	(27,656,383)	-1.56%

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 subsidiariesare 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 11, 2014.

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

Basis of Preparation
The consolidated financial statements have been prepared on a 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 4 and 9). The consolidated financial statements are presented in Philippine peso, which is the Parent Company and its subsidiaries' functional currency.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional balance sheet at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement or a reclassification of items in the consolidated financial statements. An additional balance sheet as at January 1, 2012, is presented in these consolidated financial statements due to retrospective application of certain accounting policies.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) as adopted by the Philippine SEC. 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 following new and revised standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were applied starting January1, 2013. Except for the adoption of PAS 19 (Revised), *Employee Benefits*, these new and revised standards and interpretations did not have any significant impact on the Group's financial statements:

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)

  The amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

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

- PFRS 10, *Consolidated Financial Statements*

  The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

  The implementation of PFRS 10 does not have any impact to the Group based on the assessment performed. With the application of the new set of guidelines, the Company has not made any changes in the classification of currently held investments of the Group. Companies previously designated as either subsidiaries or associates maintain the same classification upon effectivity of the standard.

- PFRS 11, *Joint Arrangements*

  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

The application of PFRS 11 has no impact on the Group since there are no jointly controlled entities that are accounted for under the proportionate consolidation method.

- PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). While the Group has subsidiaries with noncontrolling interests, there are no unconsolidated structured entities.

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

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs. The Group has assessed that the application of PFRS 13 has not materially impacted its fair value measurements. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 23.

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

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

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

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

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

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

Increase (decrease) in:	**December 31, 2013**	December 31, 2012	January 1, 2012
Balance sheets			
Retirement benefit obligation	**₱16,360,121**	₱12,565,320	₱474,820
Actuarial losses on retirement benefit obligation	**15,073,699**	12,711,209	543,432
Retained earnings	**(1,286,422)**	145,889	68,612
	2013	2012	2011
Statements of income			
Personnel expenses	**₱2,046,159**	(₱110,396)	(₱136,296)
Profit before income tax	**(2,046,159)**	110,396	136,296
Provision for income tax	**(613,848)**	33,119	40,889
Profit for the year	**(1,432,311)**	77,277	95,407
	2013	2012	2011
Statements of comprehensive income			
Remeasurement loss on defined benefit plan	**₱2,362,490)**	₱13,254,641	(₱543,432)
Other comprehensive incomefor the year	**(2,362,490)**	(13,254,641)	543,432
Total comprehensive incomefor the year	**(3,794,801)**	(13,177,364)	448,025

**As of December 31, 2013, the Group did not recognize deferred tax asset on temporary difference arising from retirement benefits.*

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

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

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

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

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

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

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

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*

  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

<u>New standards and interpretation issued and effective after December 31, 2013</u>

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

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*

  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*

  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

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

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

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

<u>Annual Improvements to PFRSs (2010-2012 Cycle)</u>
The Annual Improvements to PFRSs (2010-2012 Cycle) contain non-urgent but necessary amendments to the following standards:

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

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

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  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.

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

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

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

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

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

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

<u>Annual Improvements to PFRSs (2011-2013 cycle)</u>

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

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*

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

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

  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

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

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

- PAS 40, *Investment Property*

  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3.

This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

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

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

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for

based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and Magellan Capital Holdings Corporation (MCHC) and its subsidiaries (MCHC Group) as of December31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013.

The consolidated financial statements comprise the financial statements of the 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 comprehensive 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 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, 2013 and 2012, 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. The cost of investment in MCHC amounted to ₱537,514,860 as of December 31, 2013 and 2012.

MCHC has investments in the following subsidiaries:

	Country of Incorporation	Percentage of Ownership	
		2013	2012
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 the Company'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.

Batangas-Agro Industrial Development Corporation (BAID)
In 2011, the Group sold its investment in BAID. Gain on the disposal of the investment in BAID amounted to ₱925,298,431, presented as "Income from discontinued operations - net of tax" in the consolidated statements of income, net of share in net loss in 2011. Furthermore, allowance for impairment pertaining to receivables from BAID and subsidiaries that have been collected were reversed and recognized as gain by the Group.

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
The Group's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of income reflects the share in the results of operations of the associates. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in its associates. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of these profits only after its share of the profits equals the share of the losses not recognized.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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

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 2013	2012
Magellan Utilities Development Corporation (MUDC)	Philippines	**43**	43
Business Process Outsourcing, International (BPO)	Philippines	**35**	35
Pointwest Technologies Corporation (PTC)	Philippines	**30**	30

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized.

Discontinued Operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that had been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to re-sell. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of income and consolidated statement of comprehensive income are represented as if the operation had been discontinued from the start of the comparative period. In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from continuing income and expenses down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of income.

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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, 2013 and 2012.

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.

As of December 31, 2013 and 2012, the Group's cash and cash equivalents, receivables, fixed income deposits included under "Prepayments and other current assets" and"Other noncurrent assets" and receivables from related parties are classified as loans and receivables.

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, 2013 and 2012.

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.

As of December 31, 2013 and 2012, the Group has no bifurcated embedded derivatives.

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.

<u>Impairment of Financial Assets</u>
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 comprehensive 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 comprehensive 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 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. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Input Value-added Taxes (VAT)

Input VAT 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 (CWT)

CWT, 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 Property

Investment property, comprising a parcel of land, 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 is derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. 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 property 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 amount 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, investment in associates, property and equipment, investment property, 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 Group's 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 standard's 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

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 tax

Deferred tax is provided using the 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 tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred 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 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 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 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 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 tax asset to be utilized. Unrecognized deferred 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 tax asset to be recovered.

Deferred 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 tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred 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 (Loss) Per Share
Earnings (loss) per share is computed by dividing the net income (loss) 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.

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.

Classification of Financial Instruments
The Group exercises judgments in classifying a financial instrument, or its component parts, upon initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.
In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis (see Note 23).

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, foreign exchange rates, volatility), 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 presented in Note 23 to the consolidated financial statements. The carrying amount of the Group's financial assets at FVPL amounted to ₱72.8 million and ₱62.3 million as of September 30, 2014 and December 31, 2013, respectively (see Notes 6 and 23). The carrying amount of the Group's AFS financial assets amounted to ₱155.3 million and ₱138.6 million as of September 30, 2014 and December 31, 2013, respectively (see Notes 9 and 23).

Estimating Allowance for Impairment Losses on Loans and Receivables
The Group reviews its loans and receivables (cash and cash equivalents, short-term investments, receivables, fixed income deposits included under “Other noncurrent assets” 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 from related parties amounted to ₱89.0 million as of December 31, 2013 and 2012 while the allowance for impairment losses on receivables from third parties amounted to ₱1.1 million as of December 31, 2013 and 2012 (see Notes 7 and 18). No provision for impairment losses on receivables was recognized in 2013 and 2012. The Group’s current receivables, net of allowance for impairment losses, amounted to ₱8.1 million and ₱65.6 million as of Sept. 30, 2014 and December 31, 2013, respectively (see Note 7). The Group’s noncurrent receivables from related parties, net of allowance for impairment losses, amounted to ₱1.9 million as of Sept. 30, 2014 and December 31, 2013 respectively (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 Sept. 30, 2014 and December 31, 2013 (see Notes 9 and 22). The carrying amount of the Group’s AFS equity financial assets amounted to ₱33.9 million as of Sept. 30, 2014 and December 31, 2013 respectively (see Notes 9 and 13).

Estimating Impairment of Nonfinancial Assets
The Group determines whether prepayments and other current assets, investments in associates, property and equipment, investment property, 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 September 30, 2014 and December 31, 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 September 30, 2014 and December 31, 2013 (see Note 8). The carrying amount of the Group's remaining investments in associates amounted to ₱185.4 million and ₱143.8 as of September 30, 2014 and December 31, 2013, respectively (see Note 8).

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 Sept. 30, 2014 and December 31, 2013 :

	September, 2014	December 2013
Prepayments and other current assets	**₱9,120,363**	**₱8,636,902**
Property and equipment (see Note 11)	**39,738,214**	**42,310,973**
Investment property (see Note 12)	**46,319,625**	**46,319,625**
Other noncurrent assets (see Note 13)	**37,880,882**	**38,086,634**
	₱133,059,084	**₱135,354,134**

Estimating Useful Lives of Property and Equipment
The estimated useful lives used as bases for depreciating the Group's property and equipment 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 amounted to ₱39.7 million and ₱42.3 million as of September 30, 2014 and December 31, 2013, respectively (see Note 11).

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.Retirement benefits expense recognized amounted to ₱1.5 million, ₱0.7 million and ₱0.5 million in 2013, 2012

and 2011, respectively. The carrying amount of the Group's retirement benefit obligation amounted to ₱8.1 million as of September 30, 2014 and December 31, 2013, respectively (see Note 15).

Estimating Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred 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 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 tax assets to be utilized.

The Group recognized deferred tax assets amounting to ₱18.8 million and ₱15.5 million as of September 30, 2014 and December 31, 2013, respectively (see Note 16). The Group did not recognize deferred tax assets on temporary differences, unused tax credits from MCIT and unused NOLCO as of September 30, 2014 and December 31, 2013 (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 obligations 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 2013 and 2012.

5. Cash and Cash Equivalents

	September, 2014	December, 2013
Cash on hand	**₱9,000**	**₱9,000**
Cash in banks	**104,432,923**	**31,503,261**
Short-term placements	**892,405,784**	**993,262,182**
	₱996,847,707	**₱1,024,774,443**

Cash with banks earn interest at the respective bank deposit rates. Short-term placements arefixed 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 earninterest at the respective bank rates ranging from 1% to 3.5%in 2013 and 1.5% to 4.4%in 2013 and 2012, respectively.Interest income earned from cash and cash equivalents amounted to ₱23.0 million, ₱34.9 million and ₱23.1 million in 2013, 2012 and 2011, respectively.

6. Financial Assets at FVPL

Financial assets at FVPL consist of listed securities which are traded in the Philippine Stock Exchange (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 gain on fair value changes amounting to ₱10.5 million in September, 2014, and net unrealized loss on fair value changes amounting to ₱0.04 million in December, 2013, respectively. 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 ₱40.0 million and ₱30.0 million as of September 30, 2014 and December 31, 2013.

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

	September, 2014	December, 2013
Cost:		
Balances at beginning of year	**₱32,349,524**	**₱29,169,524**
Additions	**-**	**3,180,000**
Balances at end of year	**32,349,524**	**32,349,524**
Changes in fair value:		
Balances at beginning of year	**29,958,227**	**30,006,587**
Fair value gains (losses)	**10,491,162**	**(48,360)**
Balances at end of year	**40,449,389**	**29,958,227**
	₱72,798,913	**₱62,307,751**

Dividend income earned on investments in financial assets at FVPL amounted to ₱0.3 million, ₱0.5 million and ₱0.5 million in 2013, 2012 and 2011, respectively.

7. Receivables

	September, 2014	December, 2013
Third parties:		
Accrued interest (see Note 9)	**₱6,844,226**	**₱9,175,998**
Others	**1,699,844**	**456,000**
Related parties:		
Dividends receivable (see Notes 8 and 18)	**0**	**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)	**680,496**	**660,516**
	98,176,203	**155,678,983**
Less allowance for impairment losses	**90,110,187**	**90,110,187**
	₱8,066,016	**₱65,568,796**

Accrued interest receivables from third parties pertain to interest earned on investments in AFS debt securities 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 are 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**

	September, 2014	December, 2013
Unquoted equity securities:		
Acquisition cost		
As at beginning of year	**₱186,260,135**	**₱186,260,135**
Conversion of deposit for future stock subscription to capital stock	**–**	**–**
	186,260,135	**186,260,135**
Accumulated equity in net earnings:		
As at beginning of year	**61,022,889**	**61,022,889**
Equity in net earnings for the year	**89,756,009**	**89,756,009**
Dividends received	**(98,415,889)**	**(98,415,889)**
As at end of year	**52,363,009**	**52,363,009**
	238,623,144	**238,623,144**
Less allowance for impairment losses	**94,830,129**	**94,830,129**
	143,793,015	**143,793,015**
Deposit for future stock subscription:		
As at beginning of year	**–**	**–**
Conversion of deposit for future stock subscription to capital stock		
Equity in net earnings in associate for the quarter	**41,597,265**	**–**
As at end of year	**–**	**–**
	₱185,390,280	**₱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 **2013**	Percentage of Ownership 2012	Carrying amount of Investment **2013**	Carrying amount of Investment 2012 (As restated; Note 2)
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	**54,051,885**	54,973,725
PTC	Philippines	**30**	30	**89,741,130**	97,479,170
				₱143,793,015	₱152,452,895

MUDC

The Group has a 43% interest in MUDC. As of December 31, 2011, 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, 2013 and 2012, 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, 2013 and 2012, MUDC has incurred significant losses, which resulted in deficit of₱438.0 million and capital deficiency of₱257.2 million and ₱257.1 million, respectively.

Moreover, the Group's share of the losses of MUDC exceeded the carrying amount of its investment. 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 in 2004.

The summarized financial information of MUDC is as follows:

	2013	2012
Current assets	**₱160,087**	₱204,376
Noncurrent assets	**16,022,559**	16,012,449
Current liabilities	**284,467**	281,894
Noncurrent liabilities	**273,062,030**	273,059,699
Capital deficiency	**(257,163,851)**	(257,124,768)

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 21, 2012, the BOD of BPO approved the declaration of cash dividends amounting to ₱52.3 million or ₱67.00 per share of BPO's common stocks as of record date December 21, 2012.

On December 17, 2013, the BOD of BPO approved the declaration of cash dividends amounting to ₱58.5 million or ₱75.00 per share of BPO's common stocks as of record date December 17, 2013. Dividend in the amount of ₱20.5 million was received in April, 2014.

Deposit for stock subscription

On October 25, 2011, the BOD of BPO approved the increase of BPO's authorized capital stock from₱100,000,000, divided into 1,000,000 shares, with par value of ₱100.00 to ₱300,000,000, divided into 3,000,000 shares with par value of ₱100.00.

In compliance with the minimum subscription requirement for the application of the increase of BPO's capital stock, its stockholders, including the Parent Company, deposited a total amount of ₱50,000,000, representing 25% of the minimum subscription of the capital increase. The Parent Company maintained its percentage ownership over BPO by providing an advance amounting to ₱17,500,000.

On April 20, 2012, the SEC has approved BPO's application for increase in authorized capital stock. Accordingly, the advance/deposit for stock subscription amounting to ₱17,500,000 was converted to capital stock.

The summarized financial information of BPO is as follows:

	2013	2012
Current assets	**₱177,193,706**	₱177,133,556
Noncurrent assets	**61,704,678**	48,562,973
Current liabilities	**145,046,279**	130,670,821
Equity	**₱93,852,105**	₱95,025,708
Carrying amount of the investment	**₱54,051,885**	₱54,973,725

	2013	2012
Gross revenue	**₱375,663,691**	₱342,483,261
Operating profit	**84,517,965**	71,929,460
Net income	**₱57,123,145**	₱52,745,864
Group's share in net income	**₱19,993,101**	₱18,461,052

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.

On November 28, 2012, the BOD of PTC approved the declaration of cash dividends amounting to ₱123.8 million or ₱1.10 per share of PTC's common stocks as of record date December 30, 2012.

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 PTC's common stocks as of record date July 31, 2013.

On November 27, 2013, the BOD approved another declaration of cash dividend amounting to $2,700,000 or $0.060 per share of the outstanding stocks as of record date of December 30, 2013. The Parent Company recognized dividend income amounting to 810,000 US dollars or ₱35,959,950 which are expected to be received in 2014. Said dividend was collected in April, 2014.

The summarized financial information of PTC is as follows:

	2013	2012
Current assets	**₱618,963,037**	₱607,872,177
Noncurrent assets	**133,811,325**	94,235,570
Current liabilities	**339,467,300**	294,191,311
Noncurrent liabilities	**129,625,808**	109,028,964
Equity	**₱283,681,254**	₱298,887,472
Carrying amount of the investment	**₱89,741,130**	₱97,479,170

	2013	2012
Gross revenue	**₱1,193,326,984**	₱1,057,808,132
Operating profit	**212,953,271**	191,718,568
Net income	**₱233,586,828**	₱204,280,026
Group's share in net income	**₱70,076,048**	₱61,284,008

9. **AFS Financial Assets**

	September, 2014	December, 2013
Current:		
Debt securities	**₱–**	**₱–**
Non-current:		
Debt securities	**121,481,891**	**104,784,799**
Equity securities - net of allowance for impairment losses of ₱10.7 million as of December 31, 2013 and 2012	**33,824,096**	**33,824,096**
	₱155,305,987	**₱138,608,895**

Investments in debt securities
Investments in debt securities are denominated in US dollar and Australian dollar 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. Value dates of the investments range from October 10, 2009 to April 29, 2011. Redemption and maturity dates range from January 26, 2015 to perpetuity. Interests on investments are received and settled semi-annually in US dollar.

On March 19, 2010, HTM instruments amounting to ₱32.0 million were reclassified to AFS financial assets following the sale of a significant portion of its HTM investments in 2010. 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 (see Note 10).

The Company recognized loss on disposal of AFS debt financial assets amounting to nil and ₱0.17 million in 2013 and 2012, respectively.

Interest income earned from AFS financial assets amounted to₱4.8 million, ₱26.6 million, and ₱28.3 million in 2013, 2012 and 2011, 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 2013 and 2012 but recognized provision for impairment losses amounting to ₱0.06 million in 2011. Allowance for impairment losses on AFS equity securities amounted to ₱10.7 million as of September 30, 2014 and December 31, 2013.

The fair market values of these listed shares are determined by reference to published quotations in an active market as of September 30, 2014 and December 31, 2013.

On October 8, 2013, the Parent Company purchased 295,000 Series B preference shares amounting to US$401,200 or ₱17,298,942 from Aslan Pharmaceuticals Pte. Ltd. These shares are not quoted in an active market and whose fair value cannot be reliably measured and are, thus, measured at cost.

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

September, 2014

	Parent	**Non-controlling Interests**	**Total**
Balances at beginning of year	**(₱15,891,249)**	**(₱973,301)**	**(₱16,864,550)**
Changes in fair value of AFS financial assets	**(1,270,998)**	**(63,550)**	**(1,334,548)**
Disposal of AFS financial assets reclassified to HTM investments			
Amortization of net unrealized valuation gains on AFS financial assets reclassified to HTM investments			
Balances at end of year	**(₱17,162,247)**	**(₱1,036,851)**	**(₱18,199,098)**

December, 2013

	Parent	**Non-controlling Interests**	**Total**
Balances at beginning of year	**(₱913,522)**	**(₱180,341)**	**(₱1,093,863)**
Changes in fair value of AFS financial assets	**(13,769,240)**	**(724,697)**	**(14,493,937)**
Disposal of AFS financial assets reclassified to HTM investments	**(2,113,797)**	**(111,252)**	**(2,225,049)**
Amortization of net unrealized valuation gains on AFS financial assets reclassified to HTM investments	**905,310**	**42,989**	**948,299**
Balances at end of year	**(₱15,891,249)**	**(₱973,301)**	**(₱16,864,550)**

Net unrealized valuation loss on AFS financial assets amounted to ₱17.1 million and ₱15.9 million in September 30, 2014 and December 31, 2013 respectively. This is presented in the equity section of the consolidated statement of financial position.

10. **HTM investments**

On March 19, 2010, HTM instruments amounting to ₱32.0 million were reclassified to AFS financial assets following the sale of a significant portion of its HTM investments in 2010. Under the provisions of PAS 39, *Financial Instruments: Recognition and Measurements*, 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 under "HTM investments" category and measured at amortized cost using the effective interest method as at December 31, 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, 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.

As at January 1, 2013, the fair value of the investments aggregated to ₱272.6 million which represent the new cost 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 ₱1.0 million on December 31, 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.

As of September 30, 2014, the carrying value of the HTM investments amounted to ₱189.4 million. The Parent Company 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 earned on these HTM investments amounted to ₱20.6 million and nil in 2013 and 2012, respectively.

11. Property and Equipment

<u>September 30, 2014</u>

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:					
Balances at beginning of year	₱62,115,626	₱8,058,590	₱8,395,222	₱2,821,925	₱81,391,363
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
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	25,069,539	7,657,214	3,783,701	2,569,936	39,080,390
Depreciation	1,863,467	160,398	495,784	53,110	2,572,759
Disposals	–	–	–	–	–
Balances at end of year	26,933,006	7,817,612	4,279,485	2,623,046	41,653,149
Net book value	₱35,182,620	₱240,978	₱4,115,737	198,879	₱39,738,214

December 31, 2013

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:					
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 value	₱37,046,087	₱401,376	₱4,611,521	₱251,989	₱42,310,973

In 2013, the Group sold fully depreciated transportation equipment with cost of ₱0.9 million. This resulted to a gain on sale amounting to ₱0.3 million.

In 2012, the Group sold fully depreciated transportation equipment with cost of ₱0.2 million. This resulted to a gain equal to the proceeds from the sale amounting to ₱0.1 million.

The balance of property and equipment includes fully depreciated assets still in use amounting to ₱12.0 million as of September 30, 2014 and December 31, 2013, respectively.

12. Investment Property

Investment property as of December 31, 2013 and 2012 consist of land held by MCHC situated in Fort Bonifacio, Taguig City, Metro Manila and is carried at cost in the consolidated statements of financial position. This land is currently held by the Group for an undetermined future use.

The assessed fair value of the investment property is ₱129.7 million as of December 31, 2013 and 2012. This is based on an independent appraisal of an independent and qualified valuer who holds relevant and recognized professional qualification. 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.

13. Other Noncurrent Assets

	September, 2014	December, 2013
Investment in limited liability partnership (LLP)	**₱10,238,765**	**₱10,238,765**
Fixed income deposits	**750,499**	**750,499**
Deposits	**470,155**	**470,155**
Others	**26,421,463**	**26,627,215**
	₱37,880,882	**₱38,086,634**

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

Deposits include deposit paid to the Arbitral Tribunal related to the Group's existing case against a former employee and utility deposits. 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. In 2013, other includes the downpayment for the acquired pre-selling condominium unit to be completed in 2015 and to be used for future rental.

14. **Accounts Payable and Accrued Expenses**

	September, 2014	December, 2013
Accounts payable	**₱2,868,259**	**₱3,643,203**
Deposits payable (see Note 21)	**1,530,771**	**1,221,713**
Accrued expenses	**669,994**	**630,164**
	₱5,069,024	**₱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 allof 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 Company 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, 2013, 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.

The composition of retirement benefit expense recognized in the consolidated statements of income is as follows:

	2013	2012 (As restated; Note 2)	2011 (As restated; Note 2)
Retirement expense recognized in the statements of income:			
Current service cost	**₱1,251,907**	₱502,936	₱291,294
Net interest cost	**260,980**	228,398	196,064
	₱1,512,887	₱731,334	₱487,358

	2013	2012 (As restated; Note 2)	2011 (As restated; Note 2)
Remeasurement effects recognized in other comprehensive income:			
Actuarial losses on defined benefit obligation	**₱280,905**	₱883,101	₱813,223

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

	2013	2012 (As restated; Note 2)
At January 1	**₱6,349,214**	₱4,734,779
Current service cost	**1,251,907**	502,936
Net interest cost	**260,980**	228,398
	7,862,101	5,466,113
Remeasurements in other comprehensive income		
Actuarial losses due to:		
Experience adjustment	**240,015**	2,367,308
Changes in demographic assumptions	**94,993**	–
Changes in financial assumptions	**(54,103)**	(1,484,207)
	280,905	883,101
At December 31	**₱8,143,006**	₱6,349,214

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

	2013	2012 (As restated; Note 2)
At January 1	**₱6,349,214**	₱4,734,779
Retirement benefits expense	**1,512,887**	731,334
Actuarial loss recognized for the year	**280,905**	883,101
Balances at end of year	**₱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:

	2013	2012	2011
Discount rate	**3.7% - 4.5%**	4.10% - 4.20%	4.70% - 6.00%
Salary increase rate	**5.00%**	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2013, assuming if all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	50	(₱7,985,954)
	(50)	8,307,428
Future salary increases	50	8,266,135
	(50)	(8,024,477)

The Group's retirement plan is unfunded as of December 31, 2013. As of December 31, 2013, management does not intend to have a definite plan to fund the retirement benefits.

The average duration of the defined benefit obligation as of December 31, 2013 and 2012 is 6 years.

16. **Income Taxes**

Provision for (benefit from) income tax consists of:

	2013	2012 (As restated; Note 2)	2011 As restated; Note 2)
Current:			
Regular corporate income tax	**₱5,567,474**	₱3,243,976	₱3,442,517
Final tax on interest income	**4,530,001**	6,651,690	4,601,077
MCIT	**42,084**	35,617	24,911
Deferred	**15,879**	–	(313,103)
	₱10,155,438	₱9,931,283	₱7,755,402

The Group's current provision for income tax represents regular corporate income tax, MCIT and final tax on interest income.

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:

	2013	2012 (As restated; Note 2)	2011 (As restated; Note 2)
Provision for income tax at statutory tax rate of 30%	**₱39,089,811**	₱38,662,295	₱209,086,084
Additions to (reductions in) income tax resulting from:			
Nontaxable gain on fair value changes of financial assets at FVPL	**2,044,672**	(2,479,648)	(1,980,608)
Expired NOLCO	**573,368**	655,635	1,383,893
Nondeductible expenses	**30,600**	6,977	27,900
Unallowable entertainment, amusement and recreation	**24,135**	65,936	70,134
Expired MCIT	**–**	–	129
Gain on disposal of subsidiary subject to capital gains tax	**–**	–	(183,110,780)
Dividend income exempt from tax	**(230,292)**	(273,757)	(120,573)
Movement of unrecognized deferred tax assets	**(1,117,248)**	1,057,806	3,443,686
Interest income subjected to final tax	**(3,332,805)**	(4,464,919)	(2,332,270)
Equity in net earnings of associates	**(26,926,803)**	(23,299,042)	(18,712,193)
	₱10,155,438	₱9,931,283	₱7,755,402

The components of net deferred tax liabilities as of December 31, 2013 and 2012are as follows:

	2013	2012 As restated; Note 2)
Deferred tax assets:		
Recognized directly in income:		
Allowance for impairment losses on receivables and AFS financial assets	**₱18,806,092**	₱15,496,294
Deferred tax liabilities:		
Recognized directly in income:		
Unrealized foreign exchange gains	**18,806,092**	15,496,294
Net deferred tax liabilities	**₱–**	₱–

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

	2013	2012
Allowance for impairment losses on investment in MUDC	**₱94,830,129**	₱94,830,129
Allowance for impairment losses on receivables and AFS financial assets	**60,041,179**	59,441,179
Unrealized foreign exchange loss	–	6,672,757
Unrealized valuation loss on AFS financial assets	–	5,904,745
Provision for legal obligation	**5,000,000**	5,000,000
Retirement benefit obligation	**8,143,006**	6,349,214
Net unrealized valuation loss on foreign financial assets at FVPL	**4,820,807**	4,774,447
NOLCO	**2,818,060**	4,142,684
MCIT	**102,612**	70,694

As of December 31, 2013, the Group has NOLCO that can be claimed as deduction from future taxable income and MCIT that can be used against payment of regular income tax as follows:

NOLCO:

Year of Recognition	Availment Period	Beginning Balance	Additions	Expiration	Ending Balance
2010	2011-2013	₱1,911,228	₱–	(₱1,911,228)	₱–
2011	2012-2014	1,475,263	–	–	1,475,263
2012	2013-2015	756,193	–	–	756,193
2013	2014-2016	–	586,604	–	586,604
		₱4,142,684	₱586,604	(₱1,911,228)	₱2,818,060

MCIT:

Year of Recognition	Availment Period	Beginning Balance	Additions	Application	Expiration	Ending Balance
2010	2011-2013	₱10,166	₱–	₱–	(₱10,166)	₱–
2011	2012-2014	24,911	–	–	–	24,911
2012	2013-2015	35,617	–	–	–	35,617
2013	2014-2016	–	42,084	–	–	42,084
		₱70,694	₱42,084	₱–	(₱10,166)	₱102,612

17. **Equity**

a. Common Stock

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

	2013	2012
Common stock - ₱1 par value		
Class A		
Authorized - 600 million shares		
Issued and outstanding - 292,610,118 shares	**₱292,610,118**	₱292,610,118
Class B		
Authorized - 400 million shares		
Issued and outstanding - 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		
Class B common shares	18,914,633	June 4, 2002 to June 3, 2007	June 3, 2007
	48,103,272		
Second Tranche:			
Class A common shares	29,188,639		
Class B common shares	18,914,634	May 9, 2003 to 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.

As of December 31, 2013, 2012 and 2011, the Parent Company has 502, 502 and 533 stockholders, 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 underthe"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 were 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 2011, MCHC purchased additional shares of the Parent Company. The cost to acquire 346,000 units of Class A shares and 66,000 units of Class B shares amounted to ₱0.5 million.

In 2012, MCHC purchased additional shares of the Parent Company. The cost to acquire 24,000 units of Class A shares and 5,000 units of Class B shares amounted to ₱0.1 million.

MCHC and PIEI holds 58,727,448 and 58,703,448 Class A shares of the Parent Company as of December 31, 2013 and 2012, respectively, and 37,784,379 and 37,779,379 Class B shares of the Parent Company as of December 31, 2013 and 2012, respectively.

c. Net unrealized valuation gains (losses) on AFS financial assets

Net unrealized valuation loss on AFS financial assets amounted to ₱17.1 million, and ₱15.9 million as of September 30, 2014 and December 31, 2013 (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 and ₱96.4 million as of December 31, 2013 and 2012, respectively.

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, ₱57,438,833 have been paid out in 2012.

On May 16, 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, ₱95,437,013 have been paid out in 2013.

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, ₱95,437,013 have been paid out in 2014.

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 follows:

		Amount	Receivables	Terms	Conditions
Associates:					
MUDC	**2013**	**₱–**	**₱190,179,403**	30 day; non	Unsecured;
Advances	2012	–	190,179,403	interest bearing	with impairment amounting to ₱186,324,713
BPO					
Rent income	**2013**	**1,100,073**	**–**	30 days; non	**–**
	2012	1,047,689	–	interest bearing	–
Payroll services expense	**2013**	**37,145**	**–**	30 days; non	**–**
	2012	222,098	–	interest bearing	–
Dividends	**2013**	–	**20,474,850**	30 day; non	Unsecured; no
	2012	–	18,291,000	interest bearing	Impairment
PTC					
Dividends	**2013**	**–**	**35,959,950**	30 day; non	Unsecured; no
	2012	–	37,125,000	interest bearing	Impairment
Other related parties					

		Amount	Receivables	Terms	Conditions
Advances	**2013**	**–**	**354,431**	30 day; non interest bearing	Unsecured; with impairment amounting to ₱37,761
	2012	–	354,431		
	2013	**₱1,137,218**	**₱246,968,634**		
	2012	1,269,787	245,949,834		

There were no movements in allowance for impairment losses in 2013 and 2012.

a. MCHC has executed a management agreement (the Agreement) with MUDC and other related parties. The Agreement with MUDC requires MCHC 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.

   MCHC'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, 2013 and 2012, 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. MCHC has existing noninterest-bearing long-term advances to MUDC amounting to ₱49.1 million, including accumulated unpaid interest as of December 31, 2013 and 2012. 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 ₱56.8 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 ₱9.0 million and ₱7.5 million in 2013 and 2012, respectively. Key management personnel have no other long-term employee benefits other than statutory retirement benefit.

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 share data used in computing basic and diluted earnings per share for the years ended December 31:

	2013	December 31, 2012 (As restated; Note 2)	January 1, 2012 (As restated; Note 2)
Net income from continuing operations attributable to equity holders of the parent	**₱116,865,971**	₱116,590,657	₱78,144,589
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share	**384,634,743**	385,316,243	385,344,826
Basic and diluted earnings per share	**₱0.304**	₱0.303	₱0.203
Net income from discontinued operations attributable to equity holders of the parent	**₱–**	₱–	₱579,761,741
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share		–	385,344,826
Basic and diluted earnings per share	**₱–**	₱–	₱1.505

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 an insignificant portion of its condominium spaces. The Group recognized rental income amountingto ₱3.7 million in 2013, ₱3.5 million in 2012 and ₱3.2 million in 2011. Future minimum rental income of ₱3.4 million from existing rental agreements will be recognized in 2014. The lease agreements have terms of one to two years and can be renewed upon the written agreement of the Group and the lessees.

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

BOD

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 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 included under other noncurrent assets andaccounts 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, 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 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 fromthird 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.

Credit quality
As of September 30, 2014 and December 31, 2013, the credit qualities per class of financial assets are as follows:

September, 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	**₱996,847,707**	**₱–**	**₱–**	**₱–**	**₱996,847,707**
Receivables	**8,066,016**	**–**	**–**	**90,110,187**	**98,176,203**
Receivables from related parties	**1,884,564**	**–**	**–**	**99,373,076**	**101,257,640**
Fixed income deposits	**750,499**	**–**	**–**	**–**	**750,499**
Financial assets at FVPL	**72,798,913**	**–**	**–**	**–**	**72,798,913**
AFS financial assets:					
Debt and equity securities	**155,305,987**	**–**	**–**	**10,654,000**	**165,959,987**
Investment in LLP	**10,238,765**	**–**	**–**	**–**	**10,238,765**
HTM investments	**189,419,895**	**–**	**–**	**–**	**189,419,895**
	₱1,435,312,346	**₱–**	**₱–**	**₱200,137,263**	**₱1,635,449,609**

December, 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	**₱1,024,774,443**	**₱–**	**₱–**	**₱–**	**₱1,024,774,443**
Receivables	**65,568,796**	**–**	**–**	**90,110,187**	**155,678,983**
Receivables from related parties	**1,863,314**	**–**	**–**	**99,373,076**	**101,236,390**
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**
	₱1,502,270,944	**₱–**	**₱–**	**₱200,137,263**	**₱1,702,408,207**

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, 2013 and 2012.

Aging Analysis

Aging analysis per class of financial assets as of September 30, 2014 and December 31, 2013 are as follows:

September, 2014

	NeitherPast Due nor Impaired	Past due but not impaired		Impaired	Total
		<1 year	>1 year		
Loans and receivables:					
Cash and cash equivalents	₱996,847,707	₱–	₱–	₱–	₱996,847,707
Receivables	8,066,016	–	–	90,110,187	98,176,203
Receivables from related parties	1,884,564	–	–	99,373,076	101,257,640
Fixed income deposits -	750,499	–	–	–	750,499
Financial assets at FVPL	72,798,913	–	–	–	72,798,913
AFS financial assets					
Debt and equity securities	155,305,987	–	–	10,654,000	165,959,987
Investment in LLP	10,238,765	–	–	–	10,238,765
HTM investments	189,419,895	–	–	–	189,419,895
	₱1,435,312,346	₱–	₱–	200,137,263	₱1,635,449,609

December, 2013

	NeitherPast Due nor Impaired	Past due but not impaired		Impaired	Total
		<1 year	>1 year		
Loans and receivables:					
Cash and cash equivalents	₱1,024,774,443	₱–	₱–	₱–	₱1,024,774,443
Receivables	65,568,796	–	–	90,110,187	155,678,983
Receivables from related parties	1,863,314	–	–	99,373,076	101,236,390
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
	₱1,502,270,944	₱–	₱–	₱200,137,263	₱1,702,408,207

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 as at June 30, 2014 and December 31, 2013 are as follows:

September, 2014

	Receivables	Receivables from related parties	AFS financial assets	Total
Nominal amounts	**₱98,176,203**	**₱101,257,640**	**₱165,959,987**	**₱365,393,830**
Less allowance for impairment losses	**90,110,187**	**99,373,076**	**10,654,000**	**200,137,263**
At September 30, 2014	**₱8,066,016**	**₱1,884,564**	**₱155,305,987**	**₱165,256,567**

December, 2013

	Receivables	Receivables from related parties	AFS financial Assets	Total
Nominal amounts	**₱155,678,983**	**₱101,236,390**	**₱149,262,895**	**₱406,178,268**
Less allowance for impairment losses	**90,110,187**	**99,373,076**	**10,654,000**	**200,137,263**
At December 31, 2013	**₱65,568,796**	**₱1,863,314**	**₱138,608,895**	**₱206,041,005**

Movement in allowance for impairment losses account:

	Receivables	Receivables from related parties	AFS financial assets	Total
At January 1, 2011	₱90,110,187	₱97,373,076	₱10,594,000	₱198,077,263
Provision for the year	–	–	60,000	60,000
At December 31, 2011	90,110,187	97,373,076	10,654,000	198,137,263
Provision for the year	–	–	–	–
At December 31, 2012	90,110,187	97,373,076	10,654,000	198,137,263
Provision for the year	–	–	–	–
At December 31, 2013	**₱90,110,187**	**₱97,373,076**	**₱10,654,000**	**₱198,137,263**

The total provision for impairment losses on the financial assets recognized in the consolidated statements of income amounted to₱0.06 million in 2011. There was no impairment losses provision in September, 2014 and December, 2013.

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 June 30, 2014 and December 31, 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.

September , 2014

	On demand	< 1 year	> 1 year	Total
Financial assets:				
Cash and cash equivalents	₱104,441,923	₱892,405,784	₱–	₱996,847,707
Receivables	8,066,016	–	–	8,066,016
Receivables from related parties	–	–	1,884,564	1,884,564
Financial assets at FVPL	72,798,913	–	–	72,798,913
AFS financial assets	155,305,987	–	–	155,305,987
HTM investments	–	–	189,419,895	189,419,895
Total financial assets	340,612,839	892,405,784	191,304,459	1,424,323,082
Financial liabilities:				
Accounts payable and accrued expenses	5,069,024	–	–	5,069,024
Dividends payable	1,590,488	–	–	1,590,488
Total financial liabilities	6,659,512	–	–	6,659,512
	₱333,953,327	892,405,784	191,304,459	₱1,417,663,570

December, 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	159,501,660	–	–	159,501,660
HTM investments	–	36,408,628	161,749,853	198,158,481
Total financial assets	318,890,468	1,029,670,810	163,613,167	1,512,174,445
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
	₱311,826,769	₱1,029,670,810	₱163,613,167	₱1,505,110,746

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 toa reasonably possible change in interest rates, with all other variables held constant, of the Group's equity due to changes in fair values of AFS financial assets in debt securities (see Note 9):

	September, 2014	December, 2013
Change in interest rate (in basis points)		
+10%	**₱12,148,189**	**₱10,478,480**
–10%	**(12,148,189)**	**(10,478,480)**

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 September 30, 2014 are as follows:

US Dollar:

	September, 2014		December, 2013	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Cash and cash equivalents	**$2,669,760**	**₱120,048,428**	**$905,964**	**₱40,220,272**
Receivables	**124,452**	**5,596,109**	**85,482**	**3,794,973**
Financial assets at FVPL	**403,631**	**18,149,671**	**423,587**	**18,805,145**
AFS financial assets	**2,130,490**	**95,799,613**	**1,671,637**	**74,212,325**
Other noncurrent assets	**250,000**	**11,241,500**	**250,000**	**11,098,750**
	$5,578,333	**₱250,835,321**	**$3,336,670**	**₱148,131,465**

The exchange rate of the Philippine peso vis-à-vis the US dollar is ₱44.395 and ₱41.05 as of December 31, 2013 and 2012, respectively.

Other Foreign Currencies:

	September, 2014			
	Currency	Exchange Rate	Original Currency	Peso Equivalent
Cash and cash equivalents	**HKD**	**5.79**	**29,853**	**₱172,849**
	AUD	**39.31**	**15,000**	**589,650**
	SGD	**35.27**	**13,240**	**466,975**
	EUR	**57.06**	**10,872**	**620,356**
	RMB	**7.31**	**66,928**	**489,244**
Receivables	**AUD**	**-**	**-**	**-**
	RMB	**-**	**-**	**-**
Financial assets at FVPL	**HKD**	**5.79**	**1,283,860**	**7,433,549**
	EUR	**57.06**	**89,000**	**5,078,340**
AFS financial assets	**HKD**	**5.79**	**2,820,000**	**16,327,800**
	AUD	**39.31**	**105,455**	**4,145,436**
	RMB	**7.31**	**1,004,092**	**7,339,913**
	BRL	**-**	**-**	**-**
HTM investments	**EUR**	**57.06**	**196,931**	**11,236,883**
	BRL	**18.39**	**498,132**	**9,160,647**
	TRY	**20.62**	**257,702**	**5,313,815**
	RMB	**7.31**	**3,061,002**	**22,375,925**
	SGD	**35.27**	**281,524**	**9,929,351**
				100,680,733

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

The Group has no foreign currency denominated monetary liabilities as of December 31, 2013 and 2012.

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

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 2013, with all other variables held constant, of the Group's 2013 and 2012 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
September, 2014			
US dollar	**5%**	**₱12,541,766**	**(₱12,541,766)**
Hongkong dollar (HKD)	**5%**	**1,196,710**	**(1,196,710)**
E.M.U euro (EUR)	**5%**	**846,779**	**(846,779)**
Australia dollar (AUD)	**5%**	**236,754**	**(236,754)**
Brazil real (BRL)	**5%**	**458,032**	**(458,032)**
Turkish lira (TRY)	**5%**	**265,691**	**(265,691)**
Chinese yuan (RMB)	**5%**	**1,510,254**	**(1,510,254)**
Singapore dollar (SGD)	**5%**	**519,816**	**(519,816)**

		Effect on income before tax	
Original Currency	Percentage	Strengthened	Weakened
December, 2013			
US dollar	**5%**	**₱7,406,574**	**(₱7,406,574)**
Hongkong dollar (HKD)	**5%**	**1,108,772**	**(1,108,772)**
E.M.U euro (EUR)	**5%**	**589,876**	**(589,876)**
Australia dollar (AUD)	**5%**	**227,942**	**(227,942)**
Brazil real (BRL)	**5%**	**842,911**	**(842,911)**
Turkish lira (TRY)	**5%**	**308,979**	**(308,979)**
Chinese yuan (RMB)	**5%**	**1,478,836**	**(1,478,836)**
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 September, 2014 and December, 2013, with all other variables held constant, of the Group's income before income tax and equity:

Effect on income before income tax:

	September, 2014	December, 2013
Financial assets at FVPL:		
Change in stock market index (%)		
+10%	**₱7,279,891**	**₱6,230,775**
–10%	**(7,279,891)**	**(6,230,775)**

Effect on equity:

	September, 2014	December, 2013
Investment in equity securities (AFS):		
Change in club share prices (%)		
+10%	**₱45,000**	**₱45,000**
–10%	**(45,000)**	**(45,000)**

23. Financial Instruments

Categories of Financial Instruments

September, 2014

	Financial assets				
	Loans and receivables	**Financial assets at FVPL**	**AFS financial assets**	**HTM investments**	**Total**
ASSETS					
Current:					
Cash and cashequivalents	**₱996,847,707**	**₱–**	**–**	**₱–**	**₱996,847,707**
Listed debt securities		**72,798,913**	**–**	–	**72,798,913**
Receivables	**8,066,016**	–	–	**–**	**8,066,016**
Noncurrent:					
Receivable from related parties	**1,884,564**	–	–	**–**	**1,884,564**
Fixed income deposits	**750,499**	–	–	**–**	**750,499**
Investment in LLP	**–**	–	**10,238,765**	**–**	**10,238,765**
Listed debt securities	**–**	–	**121,481,891**	**–**	**121,481,891**
Quoted equity securities	**–**	–	**16,525,154**	**–**	**16,525,154**
Unquoted equitysecurities	**–**	–	**17,298,942**	**–**	**17,298,942**

	Financial assets				
	Loans and receivables	Financial assets at FVPL	AFS financial assets	HTM investments	Total
HTM investments	**–**	–	–	**189,419,895**	**189,419,895**
TOTAL	**₱1,007,548,786**	**₱72,798,913**	**₱165,544,752**	**₱189,419,895**	**₱1,435,312,346**

December, 2013

	Financial assets				
	Loans and receivables	Financial assets at FVPL	AFS financial assets	HTM investments	Total
ASSETS					
Current:					
Cash and cashequivalents	**₱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**
Investment in LLP	**–**	–	**10,238,765**	**–**	**10,238,765**
Listed debt securities	**–**	–	**104,784,799**	**–**	**104,784,799**
Quoted equity securities	**–**	–	**16,525,154**	**–**	**16,525,154**
Unquoted equitysecurities	**–**	–	**17,298,942**	**–**	**17,298,942**
HTM investments	**–**	–	–	**198,158,481**	**198,158,481**
TOTAL	**₱1,092,957,052**	**₱62,307,751**	**₱148,847,660**	**₱198,158,481**	**₱1,502,270,944**

September, 2014

	Other financial liabilities	Total
LIABILITIES		
Current:		
Accounts payable and accrued expenses:		
Deposits payable	**₱1,530,771**	**₱1,530,771**
Accounts payable	**2,868,259**	**2,868,259**
Accrued expenses	**669,994**	**669,994**
Dividends payable	**1,590,488**	**1,590,488**
TOTAL	**₱6,659,512**	**₱6,659,512**

December, 2013

	Other financial liabilities	Total
LIABILITIES		
Current:		
Accounts payable and accrued expenses:		
Deposits payable	**₱1,221,713**	**₱1,221,713**
Accounts payable	**3,603,334**	**3,603,334**
Accrued expenses	**630,164**	**630,164**
Dividends payable	**1,608,488**	**1,608,488**
TOTAL	**₱7,063,699**	**₱7,063,699**

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 September 30, 2014 and December 31, 2013, the Company held the following financial instruments that are measured and carried at fair value:

As of September 30, 2014

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVPL	**₱72,798,913**	**₱–**	**₱–**	**₱72,798,913**
AFS instruments:				
Private debt instruments	**121,481,891**	**–**	**–**	**121,481,891**
Listed equity instruments	**33,824,096**	**–**	**–**	**33,824,096**
HTM financial assets	**189,419,895**	**–**	**–**	**189,419,895**
	₱417,524,795	**₱–**	**₱–**	**₱417,524,795**

As of December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVPL	**₱62,307,751**	**₱–**	**₱–**	**₱62,307,751**
AFS instruments:				
Private debt instruments	**104,784,799**	**–**	**–**	**104,784,799**
Listed equity instruments	**33,824,096**	**–**	**–**	**33,824,096**
HTM financial assets	**198,158,481**	**–**	**–**	**198,158,481**
	₱399,075,127	**₱–**	**₱–**	**₱399,075,127**

As of December 31, 2013 and 2012, 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.

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, 2013 and 2012.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.

	September, 2014	December, 2013
Accounts payable and accrued expenses	**₱5,069,024**	**₱5,495,080**
Less cash and cash equivalents	**996,847,707**	**1,024,774,443**
Net debt	**(991,778,683)**	**(1,019,279,363)**
Equity attributable to equity holders of the parent	**1,648,586,219**	**1,673,861,804**
Unrealized losses on changes in fair value of AFS financial assets	**(17,162,247)**	**(15,891,249)**
Total capital	**1,631,423,972**	**1,657,970,555**
Total capital and net debt	**₱639,645,289**	**₱638,691,192**
Gearing ratio	**(1.55:1)**	**(1.60:1)**

25. Note to Consolidated Statements of Cash Flows

In 2011, 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 SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2014

Name	Beginning Balance	Additions	Deductions		Current 30 days	60 days or over	Over 120 days	Ending Balance
			Amount Collected	Amount Written-Off				
Magellan Capital Realty Development Corp.	154,273	6,131				5,631	154,773	160,404
Magellan Capital Corporation	308,166						308,166	308,166
Magellan Capital Trading Corporation	163,285	6,125				5,625	163,785	169,410
Magellan Utilities Development Corp.	21,569						21,569	21,569
Business Process Outsourcing International	11,797	1,040,360	1,033,136				19,021	19,021
Pinamucan Power Corporation	1,226	500					1,726	1,726
Power Producer Association of the Phils.	200						200	200
	660,516	1,053,116	1,033,136			11,256	669,240	680,496