

COVER SHEET

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SEC Registration Number

F & J P R I N C E
H O L D I N G S C O R P O R A T I O N

(Company's Full Name)

5 T H F L O O R C I T I B A N K C E N T E R

8 7 4 1 P A S E O D E R O X A S M A K A T I

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

Atty. Fina C. Tantuico

Contact Person

8927133 • 8927137

Company Telephone Numbers

1 2

Month

3 1

Day

Fiscal Year

0 4

Month

1 2

Day

Annual Meeting

SEC FORM 17-Q (As of September 30, 2015)

**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 Number of Stockholders

Total Amount of Borrowings

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 2015**
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**
- Address of principal office **1226**
- 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 2015 and Audited Balance Sheet as of 31 December 2014 as Annex "A";
- (2) Unaudited Interim Statement of Income and Retained Earnings for the nine (9) month period ending 30 September 2015 and the 9 month period ending 30 September 2014 as Annex "B";
- (3) Unaudited Statement of Income and Retained Earnings for the three month period ending 30 September 2015 and three months period ending 30 September 2014 shown as Annex "C";
- (4) Unaudited Interim Statement of Changes in Stockholders' Equity for the 9 month period ending 30 September 2015 and 30 September 2014 and Audited Statement of Changes in Stockholders' Equity for the year ending 31 December 2014 as Annex "D";
- (5) Unaudited Interim Consolidated Cash Flow Statement for the 9 month period ending 30 September 2015 and the 9 month period ending 30 September 2014 as Annex "E";
- (6) Interim Cash Flow for the quarterly periods ending 30 September 2015 and 30 September 2014, as Annex "F"; and
- (7) Consolidated Balance Sheet as of 30 September 2015 and 31 December 2014 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 2014 decreased by 23.9% to ₱117.9 million from ₱155.0 million in 2013. Equity in net earnings of associates decreased by 19.2% from ₱89.8 million in 2013 to ₱72.6 million in 2014 as the Registrant's outsourcing affiliates experienced a drop in earnings caused by the loss of a major account at BPOI and lower operating margins on some accounts of Pointwest. Interest income also dropped from ₱47.2 million in 2013 to ₱37.7 million in 2014 as interest levels continued its decline due to the increasing liquidity in capital markets. A net foreign exchange gain of ₱11.7 million was recorded in 2013 as the Peso declined against foreign currencies which benefitted the foreign exchange denominated bonds and other securities hold by the Registrant and its subsidiary against a foreign exchange loss in 2014. Rent increased to ₱4.5 million in 2014 from ₱3.5 million in 2013 due to escalation of rental rates and the leasing out of additional condominium office units in 2014. Gain on disposal of AFS and HTM Financial Assets of ₱1.3 million was recorded in 2013 against ₱0.2 million in 2014. Dividend income increased from ₱0.8 million in 2013 to ₱2.3 million in 2014. Rental income in 2015 is expected to exceed ₱12 million in 2015 as additional rental property was acquired at the end of 2014 and have been leased out.

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

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

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

The Registrant's financial position is very strong as it has substantial cash resources available to undertake its planned projects. As of December 31, 2014, the Registrant's consolidated cash and cash equivalent totaled over ₱946 billion which was lower than the level of ₱1.024 billion as of December 31, 2013 due to additional

investments made in 2014. The Registrant and its subsidiary is planning to undertake development of MCHC's land in Fort Bonifacio into an income producing building as well as to acquire income producing properties as well as additional land for development. The Registrant and its subsidiary are debt free with total consolidated liabilities of ₱30.1 million compared to total equity of ₱1.8 billion as of the end of 2014.

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

(a) Operating Results and Financial Condition for the Third Quarter of 2015

- (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 2015 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 2015 or in the third quarter of 2014 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 2015 and third quarter of 2014.

Operating Results

Breakdown of Revenue for the Three Month Periods Ending September 30, 2015 and September 30, 2014 with Vertical and Horizontal Percentage Analysis is shown below:

(P000)	THIRD QUARTER	VERTICAL PERCENTAGE ANALYSIS	THIRD QUARTER	VERTICAL PERCENTAGE ANALYSIS	INCREASE (DECREASE) AMOUNT	INCREASE (DECREASE) PERCENTAGE
	September 30, 2015	September 30, 2015	September 30, 2014	September 30, 2014	September 30, 2015	September 30, 2015
INTEREST INCOME						
From Banks	₱ 2,826	3.4%	₱ 1,390	2.6%	₱ 1,436	3.3%
From Securities	6,656	8.0%	6,869	12.8%	(213)	(3.14)
TOTAL	9,482	11.4%	8,259	15.4%	223	14.8%
RENT INCOME	3,146	3.8%	1,221	2.3%	925	57.7%
DIVIDEND INCOME	685	0.8%	514	0.9%	171	33.3%
UNREALIZED GAIN ON TRADING SECURITIES	-	-	1,965	3.7%	(1,965)	-
EQUITY IN NET EARNINGS OF ASSOCIATE	69,238	83.7%	41,597	77.7%	27,641	66.4%
OTHER INCOME	195	0.2%	-	-	195	-
TOTAL	₱ 82,747	100%	₱ 53,556	100%	₱ 29,191	54.5%

Revenues. Consolidated Revenues of the Registrant during the three month period ending September 2015 totaled ₱82.8 million compared to ₱53.6 million during the same period in 2014. The increase in revenue in third quarter of 2015 was due mainly to an increase in equity in net earnings of associates from ₱41.6 million in the third quarter of 2014 to ₱69.2 million in the third quarter of 2015 as the outsourcing affiliates of the Registrant reported improved earnings. Interest income increased to ₱9.5 million in the third quarter of 2015 from ₱8.3 million in the third quarter of 2014 due to higher interest income on bank deposits. Rental income increased from ₱1.2 million in the third quarter of 2014 to ₱3.1 million in the third quarter of 2015 as a newly acquired property generated good rental income. Unrealized gain on trading securities dropped to nil in the third quarter of 2015 from ₱2.0 million in the third quarter of 2014 as listed securities hold by the Registrant and its affiliates

dropped in value due to weaker stock markets. Dividend income increased to ₱0.7 million in the third quarter of 2015 from ₱0.5 million in the third quarter of 2014.

Expenses. Consolidated general and administrative expenses of the Registrant totalled ₱13.7 million in the third quarter of 2015 compared to ₱9.2 million in the same period in 2014. The increase in expenses in 2015 was due mainly to the increase in unrealized losses on financial assets at FVPL from ₱3.1 million in the third quarter of 2014 to ₱8.0 million in the third quarter of 2015 as weaker financial markets depressed the value of listed stocks owned by the Registrant and its subsidiary. In addition, no foreign exchange loss was reported in the third quarter of 2015 compared to ₱0.5 million in the third quarter of 2014. 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 2015 totaled ₱69.0 million compared to ₱44.3 million in the third quarter of 2014. 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 ₱68.3 million in the third quarter of 2015 compared to ₱42.1 million in the third quarter of 2014.

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, 2015 compared to December 31, 2014. The various balance sheet accounts are discussed below:

ASSETS

Current Assets. Consolidated current assets as of September 30, 2015 totaled ₱996.2 million compared to ₱1,096.3 million as of December 31, 2014. The decrease was partly due to the drop in dividends receivables which dropped from ₱53.4 million as of December 31, 2014 to NIL million as of September 30, 2015 as dividends declared by the Registrant's outsourcing affiliates at the end of 2014 were collected in 2015. 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 dropped from ₱65.6 million at year-end 2014 to ₱55.1 million at the end of September 2015.

Receivables from Related Parties. This account stayed at ₱1.9 million as of September 30, 2015, substantially the same level as at year-end 2014.

Investments in Associates. This account which consists of the Registrant's investment in Pointwest Technologies Corporation and BPO International, Inc. increased from ₱149.1 million at year-end 2014 to ₱223.9 at the end of September 2015 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 ₱375.4 million at September 30, 2015 from ₱351.4 million at year-end 2014 due to additional bond investments.

Property and Equipment. This account totalled ₱11.4 million as of September 30, 2015 compared to ₱13.9 million as of December 31, 2014 due to allowance for depreciation taken in the first 9 months of 2015.

Investment in Property. This account dropped to ₱134.6 million at the end of September 2015, compared to ₱136.7 at the end of December 31, 2014 due to depreciation allowance taken on the property held by Magellan Capital Holdings Corporation.

Other Non-Current Assets. This account totalled ₱38.8 million as of September 30, 2015 the same level as at year end 2014. 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 ₱1,782.2 million as of September 30, 2015 from ₱1,788.1 million as of December 31, 2014.

LIABILITIES AND EQUITY

Current Liabilities. Current liabilities decreased to ₱10.6 million as of September 30, 2015 from ₱20.4 million as of December 31, 2014. The decrease was due mainly to a decrease in accounts payable and decrease in income tax payable as taxes due on the income in 2014 were paid out in April 2015. Accounts payable dropped due to the payment of deposits on a property investment of the Registrant's subsidiary. Dividends payable also stayed at ₱2.5 million at the end of September 30, 2015 from ₱2.5 million at the end of 2014 due to the dividends payable to shareholders of the Registrant.

Non-Current Liabilities. Non-current liabilities remained stable at ₱9.7 million at September 30, 2015, the same level as at year-end 2014. This consisted of retirement benefit obligation which was unchanged at ₱9.7 million as of September 30, 2015 and at year-end 2014.

Stockholder's Equity. Total stockholders' equity increased to ₱1,761.9 million at the end of September 2015 from ₱1,758.1 million at the end of 2014 due mainly to the net income of ₱77.8 million generated in the first 9 months of 2015 offset by dividends paid out in 2015. Minority interest which represents the share of minority shareholders of MCHC in the equity of MCHC totalled ₱71.3 million at the end of September 2015 compared to ₱69.4 million at

the end of 2014 due to their share in net income realized by MCHC in the first 9 months of 2015. Total equity attributable to stockholders of the Registrant was ₱1,690.7 million as of September 30, 2015 compared to ₱1,688.7 million at the end of December 2014 due to the income generated in the first 9 months of 2015 offset by the dividends paid out in 2015.

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 2015 and 2014 are presented below in summary form:

(₱000)	3 rd Quarter 2015	Percentage (%)	3 rd Quarter 2014	Percentage (%)
Interest Income	₱ 9,482	11.5%	₱ 8,259	15.4%
Unrealized Gain on Trading Securities	-	-	1,966	3.7%
Rental Income	3,146	3.8%	1,221	2.3%
Equity in Net Earnings of Associate	69,238	83.6%	41,597	77.6%
Dividend Income	658	0.8%	514	1.0%
Gain on Disposal/Redemptive of AFS/HTM Investments	195	0.2%	-	-
TOTAL INCOME	82,747	100%	53,556	100%

Total revenue increased to ₱82.7 million in the third quarter of 2015 from ₱53.6 million in the third quarter of 2014. The higher revenue in 2015 was due mainly to the increase in the equity in net earnings of associates as the outsourcing affiliates of the Registrant reported much higher income. Interest income increased due to higher interest from banks. Rental income increased due to income on property acquired by MCHC in 2014.

Change in Net Income. The income statement in the third quarter of 2015 and 2014 are shown in Annex “C” and summarized below:

(P000)	3 rd Quarter 2015	Percentage (%)	3 rd Quarter 2014	Percentage (%)
Revenues	₱ 82,747	100%	₱ 53,555	100%
Expenses	13,729	16.6%	9,225	17.2%
Net Income	69,018	83.4%	44,331	82.8%
Attributable to:				
- Minority Interest	695	0.8%	2,216	4.1%
- Stockholders of Company	68,323	82.6%	42,114	78.7%

The Registrant realized a consolidated net income of ₱69.0 million in the third quarter of 2015 versus ₱44.3 million in the third quarter of 2014. After deducting the share of minority shareholders of MCHC, the company realized a net income of ₱68.3 million attributable to stockholders of the company in the third quarter of 2015 compared to a net income of ₱42.1 million attributable to stockholders of the company in the third quarter of 2014. 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 2015 was ₱0.1773 per share compared to earnings per share of ₱0.1095 in the third quarter of 2014.

Current Ratio. Current ratio as of September 30, 2015 was 93.9 X compared to 53.7 X as of December 31, 2014. The increase was due mainly to the decrease in current liabilities due to payment of taxes payable and decrease in accounts payable.

Book Value Per Share. Book value per share as of September 30, 2015 was ₱4.39 per share compared to ₱4.38 per share at year end 2014 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 2015 was partly offset by dividends paid out in 2015 resulting in a stable book value per share.

PART II OTHER INFORMATION

As of 30 September 2015, 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 28 July 2015, 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 28 July 2015 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 31 July 2014;
- (ii) ratification of the corporate actions approved and adopted by the Board of Directors during the year 2014;

- (iii) the Audited Financial Statements as of 31 December 2014;
- (iv) re-appointment of Sycip Gorres Velayo & Co. as external auditor of the Corporation.

(b) Organizational Meeting of the Board of Directors

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 July 29, 2015, 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.

F & J Prince Holdings Corporation

Issuer

Principal Executive Officer



ROBERT Y. COKENG, President

Signature and Title.....

Date..... **16 November 2015**.....

Principal Financial/Accounting Officer/Controller



MARK RYAN K. COKENG, Treasurer

Signature and Title.....

Date..... **16 November 2015**.....

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

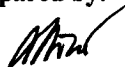
ANNEX "A"
Page 1

ASSETS	UNAUDITED SEPT. 30, 2015	AUDITED DEC. 31, 2014
<i>Current Assets</i>		
Cash and cash equivalents	P 915,661,611	P 946,841,757
Financial assets at fair value through profit or loss	55,106,581	65,604,929
Convertible note receivable	0	0
Receivables-net :		
Advances to Officers & Employees	9,500	9,500
Creditable Withheld Taxes	0	0
Dividends Receivable	0	53,374,543
Accounts Receivable	827,459	697,743
Management Fee Receivable	45,197,865	45,197,865
Accrued Interest Receivable	43,753,772	43,753,772
Others	9,009,206	5,335,939
Total Receivables	98,797,802	148,369,362
Allowance for doubtful accounts	90,110,187	90,110,187
Total Receivables-Net	8,687,615	58,259,175
Current portion of HTM investments	0	0
Current portion of AFS financial assets	0	8,978,882
Prepaid expenses & other current assets:		
Input Tax	13,879,825	14,470,203
Prepaid Income Tax	413,017	400,000
Others	2,445,879	1,773,451
Total Prepaid expenses and other current assets	16,738,721	16,643,654
Total Current Assets	P 996,194,528	P 1,096,328,397
<i>Non-current Assets</i>		
Receivables from related parties-net	1,885,964	1,884,564
Investments in associates	223,979,625	149,116,248
HTM investments-net of current portion	0	0
Available-for-sale (AFS) investments-net of current portion	375,419,426	351,427,991
Investment in property	134,553,786	136,677,566
Property and Equipment		
Building	20,755,943	20,755,943
Building Improvements	8,692,633	8,692,633
Transportation equipment	8,395,222	8,395,222
Furniture and fixtures	2,831,072	2,831,072
Total	40,674,870	40,674,870
Less: Accumulated depreciation	29,280,626	26,798,951
Net Book Value	11,394,244	13,875,919
Total Property and Equipment	11,394,244	13,875,919
Other non-current assets	38,822,113	38,822,113
Total Non-Current Assets	786,055,158	691,804,401
TOTAL ASSETS	P 1,782,249,686	P 1,788,132,798

LIABILITIES & STOCKHOLDERS' EQUITY	UNAUDITED SEPT. 30, 2015	AUDITED DEC. 31, 2014
<i>Current Liabilities</i>		
Accounts Payable and accrued expenses		
Accounts payable-trade	0	0
Accounts payable-others	735,509	7,873,132
Withholding taxes payable	222,715	473,695
SSS Premium Payable	16,831	23,023
HDMF Premium Payable	2,396	22,157
Philhealth Premium Payable	6,550	6,525
Deposit Payable	1,588,445	1,555,859
Output Vat Payable	161,303	60,634
Accrued expenses	321,612	695,767
Total Accounts payable and accrued expenses	P 3,055,361	P 10,710,792
Dividends Payable	2,516,296	2,524,522
Income Tax Payable	0	2,153,252
Provision for legal obligation	5,000,000	5,000,000
Total Current Liabilities	P 10,571,657	P 20,388,566
<i>Non-Current Liabilities</i>		
Deferred income tax liabilities-net	0	0
Payable to related parties	0	0
Retirement benefit obligation)	9,679,932	9,679,932
Total Non-Current Liabilities	9,679,932	9,679,932
<i>Stockholders' Equity</i>		
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	12,135,100	12,590,012
Actuarial loss on retirement benefit obligation	(2,376,318)	(2,376,318)
Accumulated share in other comprehensive income of associates	(26,709,841)	(26,709,841)
Retained earnings	1,180,053,172	1,177,526,941
Total Equity Attributable to Stockholders of the Company	1,690,747,046	1,688,675,727
Minority Interest	71,251,051	69,388,573
Total Stockholders' Equity	1,761,998,097	1,758,064,300
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	P 1,782,249,686	P 1,788,132,798

See accompanying Notes to Consolidated Financial Statements

Prepared by:



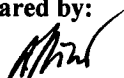
ARSENIO T. LIAO
Accountant

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS PERIOD ENDING SEPT. 30, 2015 AND SEPT. 30, 2014

	UNAUDITED SEPT. 30, 2015	UNAUDITED SEPT. 30, 2014
REVENUES		
Equity in net earnings of associate	P 69,238,377	P 41,597,265
Interest Income		
From Banks	7,580,630	6,297,036
From Securities	18,067,885	21,107,766
Total Interest Income	25,648,515	27,404,802
Unrealized gains on trading securities	2,845,053	5,529,636
Rental Income	9,596,708	3,165,674
Gains on disposal /redemption of AFS/HTM investments	2,246,856	677,247
Dividend Income	1,773,744	2,254,242
Realized gain on sale of FVPL	605,420	
Net unrealized foreign exchange gain	0	0
Other income	78,911	555,957
	P 112,033,584	P 81,184,823
EXPENSES		
Net foreign exchange loss	1,233,773	3,896,640
Amortization of unrealized losses on changes in fair value of AFS investments	0	0
Salaries, wages and employees' benefits	7,447,609	7,514,914
Depreciation	4,618,042	2,581,902
Professional fees	1,782,316	1,889,768
Condominium dues	1,390,133	1,730,190
Repairs and maintenance	14,380	729,264
Taxes and licenses	578,959	610,998
Entertainment, amusement and recreation	330,301	428,782
Unrealized loss on financial assets at FVPL	11,463,402	3,958,172
Others	1,302,732	1,550,887
	30,161,647	24,891,517
NET INCOME	P 81,871,937	P 56,293,306
NET INCOME ATTRIBUTABLE TO:		
STOCKHOLDERS OF THE COMPANY	P 80,009,459	P 53,478,641
MINORITY INTERESTS	1,862,478	2,814,665
EARNINGS PER SHARE	P 0.2076	P 0.1390

See accompanying Notes to Consolidated Financial Statements

Prepared by:



ARSENIO T. LIAO

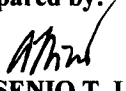
Accountant

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDING SEPT. 30, 2015 AND SEPT. 30, 2014**

	UNAUDITED SEPT. 30, 2015	UNAUDITED SEPT. 30, 2014
NET INCOME	P 81,871,937	P 56,293,306
OTHER COMPREHENSIVE INCOME(LOSS)		
Changes in fair value of AFS investments	(454,912)	(1,270,998)
Amortization of unrealized losses on changes in fair value of AFS investments	-	-
Disposal of AFS investment		
Impairment loss on AFS investments		
Others		
	(454,912)	(1,270,998)
TOTAL COMPREHENSIVE INCOME(LOSS)	P 81,417,025	P 55,022,308
TOTAL COMPREHENSIVE INCOME(LOSS)		
ATTRIBUTABLE TO:		
STOCKHOLDERS OF THE COMPANY	P 79,577,293	P 52,271,193
MINORITY INTERESTS	1,839,732	2,751,115
	P 81,417,025	P 55,022,308

See accompanying Notes to Consolidated Financial Statements

Prepared by:

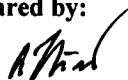

ARSENIO T. LIAO
 Accountant

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS PERIOD JULY 1-SEPT. 30, 2015 AND JULY 1-SEPT. 30, 2014

	UNAUDITED JULY 1-SEPT. 30, 2015	UNAUDITED JULY 1-SEPT. 30, 2014
REVENUES		
Equity in net earnings of associate	P 69,238,377	P 41,597,265
Interest Income		
From Banks	2,826,115	1,389,983
From Securities	6,656,028	6,868,653
Total Interest Income	9,482,143	8,258,636
Unrealized gains on trading securities	0	1,965,661
Rental Income	3,146,017	1,220,709
Gains on disposal /redemption of AFS/HTM investments	195,103	0
Dividend Income	685,187	514,502
Net unrealized foreign exchange gain	0	0
Other income	0	0
	P 82,746,827	P 53,556,323
EXPENSES		
Net foreign exchange loss	22,438	502,172
Amortization of unrealized losses on changes in fair value of AFS investments	0	280,631
Salaries, wages and employees' benefits	2,475,782	2,491,033
Depreciation	1,516,455	859,971
Professional fees	542,223	607,222
Condominium dues	401,118	555,843
Repairs and maintenance	6,680	6,150
Taxes and licenses	71,566	75,034
Entertainment, amusement and recreation	87,925	113,705
Unrealized loss on financial assets at FVPL	8,022,570	3,121,939
Others	581,820	611,942
	13,728,577	9,225,642
NET INCOME	P 69,018,250	P 44,330,681
NET INCOME ATTRIBUTABLE TO:		
STOCKHOLDERS OF THE COMPANY	P 68,322,676	P 42,114,147
MINORITY INTERESTS	695,574	2,216,534
EARNINGS PER SHARE	P 0.17730	P 0.1095

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, 2015 AND JULY 1-SEPT. 30, 2014**

	UNAUDITED JULY 1-SEPT. 30,2015	UNAUDITED JULY 1- SEPT.30, 2014
NET INCOME	P 69,018,250	P 44,330,681
OTHER COMPREHENSIVE INCOME(LOSS)		
Changes in fair value of AFS investments	19,937	164,175
Amortization of unrealized losses on changes in fair value of AFS investments	-	-
Disposal of AFS investment		
Impairment loss on AFS investments		
Others		
	19,937	164,175
TOTAL COMPREHENSIVE INCOME(LOSS)	P 69,038,187	P 44,494,856
TOTAL COMPREHENSIVE INCOME(LOSS)		
ATTRIBUTABLE TO:		
STOCKHOLDERS OF THE COMPANY	P 68,341,616	P 42,270,113
MINORITY INTERESTS	696,571	2,224,743
	P 69,038,187	P 44,494,856

See accompanying Notes to Consolidated Financial Statements

Prepared by:



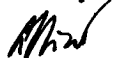
ARSENIO T. LIAO
Accountant

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPT. 30, 2015 AND SEPT.30, 2014
AND THE YEAR ENDED DECEMBER 31, 2014**

		UNAUDITED SEPT. 30, 2015	UNAUDITED SEPT. 30, 2014	AUDITED DEC. 31, 2014
CAPITAL STOCK				
Balance at beginning of year	P	481,827,653P	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	481,827,653	481,827,653
ADDITIONAL PAID-IN CAPITAL				
Treasury Shares		(98,942,697)	(98,942,697)	(98,942,697)
Other Reserves		12,135,100	(17,162,247)	12,590,012
Actuarial loss on retirement benefit obligation		(2,376,318)	(1,902,158)	(2,376,318)
Share in other comprehensive income of associates		(26,709,841)	(13,171,541)	(26,709,841)
SHARE IN REVALUATION INCREMENT ON LAND OWNED BY MCHC's SUBSIDIARIES				
RETAINED EARNINGS				
Balance at beginning of period		1,177,526,941	1,177,181,818	1,177,181,819
Net Income		80,009,459	53,478,641	77,290,274
Dividends declared		(77,483,228)	(77,483,228)	(76,945,152)
Balance at end of period		1,180,053,172	1,153,177,231	1,177,526,941
		1,690,747,046	1,648,586,218	1,688,675,727
Minority Interests		71,251,051	73,597,908	69,388,573
TOTAL STOCKHOLDERS' EQUITY				
	P	1,761,998,097 P	1,722,184,126 P	1,758,064,300

See accompanying Notes to Consolidated Financial Statements

Prepared by:



ARSENIO T. LIAO
Accountant

F & J PRINCE HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDING SEPT. 30, 2015 AND SEPT. 30, 2014

	UNAUDITED SEPT. 30, 2015	UNAUDITED SEPT. 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	P 80,009,459	P 53,478,641
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net earnings in associate	(69,238,377)	(41,597,265)
Minority Interest	1,862,478	2,814,665
Depreciation and amortization	4,605,455	2,572,759
Amortization of unrealized loss/gain on FV of AFS inv.	(454,912)	(1,270,998)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	49,571,560	57,502,780
Prepaid expenses and other current assets	(95,067)	(483,461)
Increase (decrease) in accounts payable and accrued expenses	(7,655,431)	(426,057)
<i>Net cash provided by operating activities</i>	<u>58,605,165</u>	<u>72,591,064</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions/disposals of property and equipment	0	0
AFS/HTM investments and financial assets (FVPL)	(10,139,205)	(18,449,668)
Decrease (increase) in:		
Receivable from related parties	(1,400)	(21,250)
Other assets	0	205,752
<i>Net cash provided by (used in) investing activities</i>	<u>(10,140,605)</u>	<u>(18,265,166)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in:		
Cash dividends declared and paid	(77,483,228)	(77,483,228)
Dividends payable	(8,226)	(18,000)
Income tax payable	(2,153,252)	(4,751,406)
<i>Net cash provided by (used in) financing activities</i>	<u>(79,644,706)</u>	<u>(82,252,634)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	P (31,180,146)	P (27,926,736)
CASH AND CASH EQUIVALENTS, BEGINNING	946,841,757	1,024,774,443
CASH AND CASH EQUIVALENTS, ENDING	P 915,661,611	P 996,847,707

See accompanying Notes to Consolidated Financial Statements

Prepared by:



ARSENIO T. LIAO
Accountant

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3 MONTHS PERIOD ENDING JULY 1-SEPT. 30, 2015 & JULY 1-SEPT. 30, 2014

	UNAUDITED JULY 1- SEPT. 30, 2015	UNAUDITED JULY 1- SEPT.30,2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	P 68,322,676	P 42,114,147
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net earnings in associate	(69,238,377)	(41,597,265)
Minority interest	695,574	2,216,534
Depreciation and amortization	1,508,975	859,971
Unrealized loss/gain on changes in fair value of AFS/FVPL	19,937	164,175
Amortization of unrealized loss/gain on FV of AFS inv.	-	
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(1,453,072)	504,849
Prepaid expenses and other current assets	(72,279)	(50,253)
Increase (decrease) in:		
Accounts payable and accrued expenses	(5,014,200)	(528,036)
Net cash provided by operating activities	(5,230,766)	3,684,122
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions/disposals of property and equipment	0	0
Investment in property	0	
AFS/HTM/other investments and financial assets (FVPL)	19,417,236	(11,671,666)
Decrease (increase) in:		
Receivables from related parties	(100)	0
Other assets	0	0
Net cash provided by (used in) investing activities	19,417,136	(11,671,666)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in:		
Cash dividends declared and paid	(77,483,228)	(77,483,228)
Deposit liability	0	0
Dividends payable	(6,966)	(18,000)
Income tax payable	0	0
Net cash provided by (used in) financing activities	(77,490,194)	(77,501,228)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	P (63,303,824)	P (85,488,772)
CASH AND CASH EQUIVALENTS, BEGINNING	978,965,435	1,082,336,479
CASH AND CASH EQUIVALENTS, ENDING	P 915,661,611	P 996,847,707

F& J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2015 AND DECEMBER 31, 2014
WITH VERTICAL AND HORIZONTAL PERCENTAGE ANALYSIS

"ANNEX G"

Page 1

	UNAUDITED SEPT. 30, 2015	VERTICAL PERCENTAGE ANALYSIS SEPT. 30, 2015	AUDITED DEC. 31, 2014	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2014	INCREASE (DECREASE) AMOUNT SEPT. 30, 2015	INCREASE (DECREASE) PERCENTAGE ANALYSIS SEPT. 30, 2015
ASSETS						
Current Assets						
Cash and cash equivalents	915,661,611	51.38%	946,841,757	52.95%	(31,180,146)	-3.29%
Financial assets at fair value through fair value thru profit or loss (FVPL)	55,106,581	3.09%	65,604,929	3.67%	(10,498,348)	-16.00%
Short-term investments	-	-	-	-	--	-
Receivables :						
Advances to Officers & Employees	9,500	0.00%	9,500	0.00%	0	0%
Creditable Withheld Taxes	0	0.00%	0	0.00%	0	0.00%
Accounts Receivable	827,459	0.05%	697,743	0.04%	129,716	18.59%
Dividends Receivable	0	0.00%	53,374,543	2.98%	(53,374,543)	-100.00%
Management Fee Receivable	45,197,865	2.54%	45,197,865	2.53%	0	0.00%
Accrued Interest Receivable	43,753,772	2.45%	43,753,772	2.45%	0	0.00%
Others	9,009,206	0.51%	5,335,939	0.30%	3,673,267	68.84%
Total Receivables	98,797,802	5.55%	148,369,362	8.30%	(49,571,560)	-33.41%
Allowance for doubtful accounts	90,110,187	-5.06%	90,110,187	-5.04%	0	0.00%
Total Receivables-Net	8,687,615	0.49%	58,259,175	3.26%	(49,571,560)	-85.09%
Current portion of HTM investments	0	0.00%	0	0.00%	0	0.00%
Current portion of AFS investments	0	0.00%	8,978,882	0.50%	(8,978,882)	0.00%
Prepaid expenses & other current assets:						
Others	2,445,879	0.14%	1,773,451	0.10%	672,428	37.92%
Input Tax	13,879,825	0.78%	14,470,203	0.81%	(590,378)	-4.08%
Prepaid Income Tax	413,017	0.02%	400,000	0.02%	13,017	3.25%
Total Prepaid expenses & other current assets	16,738,721	0.94%	16,643,654	0.93%	95,067	0.57%
Total Current Assets	996,194,528	55.90%	1,096,328,397	61.31%	(100,133,869)	-9.13%
Non-current Assets						
Receivables from related parties	1,885,964	0.11%	1,884,564	0.11%	1,400	0.07%
Investments in associates	223,979,625	12.56%	149,116,248	8.34%	74,863,377	50.20%
HTM investments-net of current portion	0	0	0	0.00%	0	0.00%
Available -for-sale (AFS) investments	375,419,426	21.06%	351,427,991	19.65%	23,991,435	6.83%
Investment in properties	134,553,786	7.55%	136,677,566	7.64%	(2,123,780)	-1.55%
Property and Equipment						
Building	20,755,943	1.16%	20,755,943	1.16%	0	0.00%
Building Improvements	8,692,633	0.49%	8,692,633	0.49%	0	0.00%
Transportation equipment	8,395,222	0.47%	8,395,222	0.47%	0	0.00%
Furniture and fixtures	2,831,072	0.16%	2,831,072	0.16%	0	0.00%
Total Property and Equipment	40,674,870	2.28%	40,674,870	2.28%	0	0.00%
Less: accumulated depreciation	29,280,626	-1.64%	26,798,951	-1.50%	2,481,675	9.26%
Net Book Value	11,394,244	0.64%	13,875,919	0.78%	(2,481,675)	-17.88%
Total Property and Equipment	11,394,244	0.64%	13,875,919	0.78%	(2,481,675)	-17.88%
Deferred income tax assets-net	0	0.00%	0	0.00%	0	0.00%
Other Assets - net	38,822,113	2.18%	38,822,113	2.17%	0	0.00%
Total Non-Current Assets	786,055,158	44.10%	691,804,401	38.69%	94,250,757	13.62%
TOTAL ASSETS	1,782,249,686	100.00%	1,788,132,798	100.00%	(5,883,112)	-0.33%

	UNAUDITED SEPT. 30, 2015	VERTICAL PERCENTAGE ANALYSIS SEPT. 30, 2015	AUDITED DEC. 31, 2014	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2014	INCREASE (DECREASE) AMOUNT SEPT. 30, 2015	INCREASE (DECREASE) PERCENTAGE ANALYSIS SEPT. 30, 2015
LIABILITIES & STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts Payable and accrued expenses						
Accounts payable-trade	0	0.00%	0	0.00%	0	0.00%
Accounts payable-others	735,509	0.04%	7,873,132	0.44%	(7,137,623)	-90.66%
Withholding taxes payable	221,715	0.01%	473,695	0.03%	(250,980)	-52.98%
SSS Premium Payable	16,831	0.00%	23,023	0.00%	(6,192)	-26.89%
HDMF Premium Payable	2,396	0.00%	22,157	0.00%	(19,761)	-89.19%
Philhealth Premium Payable	6,550	0.00%	6,525	0.00%	25	0.38%
Deposit Payable	1,588,445	0.09%	1,555,859	0.09%	32,586	2.09%
Output Vat Payable	161,303	0.01%	60,634	0.00%	100,669	166.03%
Accrued expenses	321,612	0.02%	695,767	0.04%	(374,155)	-53.78%
Total Accounts payable & accrued expenses	3,055,361	0.17%	10,710,792	0.60%	(7,655,431)	-71.47%
Dividends Payable	2,516,296	0.14%	2,524,522	0.14%	(8,226)	-0.32%
Income Tax Payable	0	0.12%	2,153,252	0.12%	(2,153,252)	-100.00%
Provision for legal obligation	5,000,000	0.28%	5,000,000	0.28%	0	0.00%
Total Current Liabilities	10,571,657	0.59%	20,388,566	1.14%	(9,816,909)	-48.15%
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	9,679,932	0.55%	9,679,932	0.54%	0	0.00%
Total Non-Current Liabilities	9,679,932	0.55%	9,679,932	0.54%	0	0.00%
Stockholders' Equity						
Capital stock	481,827,653	27.03%	481,827,653	26.95%	0	0.00%
Additional paid in capital	144,759,977	8.12%	144,759,977	8.10%	0	0.00%
Other reserves	12,135,100	0.68%	12,590,012	0.70%	(454,912)	-3.61%
Actuarial loss on retirement obligation	(2,376,318)	-0.13%	(2,376,318)	-0.13%	0	0.00%
Accumulated share in OCI of associates	(26,709,841)	-1.50%	(26,709,841)	-1.49%	0	0.00%
Treasury shares	(98,942,697)	-5.55%	(98,942,697)	-5.53%	0	0.00%
Retained earnings	1,180,053,172	66.21%	1,177,526,941	65.85%	2,526,231	0.21%
Total Equity Attributable to Stockholders of the Company	1,690,747,046	94.86%	1,688,675,727	94.45%	2,071,319	0.12%
Minority Interest	71,251,051	4.00%	69,388,573	3.87%	1,862,478	2.68%
Total Stockholders' Equity	1,761,998,097	98.86%	1,758,064,300	98.32%	3,933,797	0.22%
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	1,782,249,686	100.00%	1,788,132,798	100.00%	(5,883,112)	-0.33%

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Organization

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

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

Authorization for Issuance

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

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

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

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

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The application of these exceptions requires investment entities to account for subsidiaries at FVPL.

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

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

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

These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units for which impairment loss has been recognized or reversed during the period.

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

Philippine Interpretation IFRIC 21, *Levies*

Philippine Interpretation IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

Annual Improvements to PFRSs

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

2010-2012 Cycle

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

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

2011-2013 Cycle

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

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first PFRS financial statements.

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 December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014.

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

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

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

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

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

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

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

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

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

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

MCHC has investments in the following subsidiaries:

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

*Still in the preoperating stage.

PIEI

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

MC

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

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

MCRDC

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

MCTC

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

Transactions with Non-controlling Interests

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

Investments in Associates

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

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

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

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

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investments in the associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss in the consolidated statement of income.

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

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

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

3. Summary of Significant Accounting Policies

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

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

Financial assets

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

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

Financial assets at FVPL

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

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

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

The Group's investments in trading securities are classified under financial assets at FVPL as of September 30, 2015 and December 31, 2014. (see Note 6).

Loans and receivables

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

The Group's cash and cash equivalents, receivables, fixed income deposit included under "Other noncurrent assets" account and receivables from related parties are classified as loans and receivables as of September 30, 2015 and December 31, 2014 (see Notes 5, 7, 13 and 18).

HTM investments

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

AFS financial assets

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

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

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

The Group's AFS financial assets consist of debt and equity securities as of September 30, 2015 and December 31, 2014 (see Note 9).

Derivative financial instruments

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

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

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

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

The Group has no bifurcated embedded derivatives as of September 30, 2015 and December 31, 2014.

Financial liabilities

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

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

Other financial liabilities

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

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

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

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

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

Assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial

assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss, is or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of the discounting is not material. The carrying amount of the asset is reduced either directly or through use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. The amount of the loss shall be recognized in the consolidated statement of income.

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

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

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

Assets carried at cost

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

AFS financial assets

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

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are

not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

"Day 1" Profit or Loss

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

Reclassification of Financial Instruments

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

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

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

Offsetting Financial Instruments

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

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

Input Value-added Taxes (VAT)

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

Creditable Withholding Taxes (CWTs)

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

Property and Equipment

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

Impairment of Nonfinancial Assets

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

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

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's estimated recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Capital Stock and Additional Paid-in Capital

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

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

Treasury Shares

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

Dividends Payable

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

Retained Earnings

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

Revenue

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

Interest

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

Dividend

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

Fair value gains on financial assets at FVPL

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

Rent

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

Expenses

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

Retirement Benefits

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

- c) there is a change in the determination of whether fulfillment is dependent on a specific asset;
or
- d) there is a substantial change to the asset.

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

Operating lease - Group as a lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Foreign Currency Transactions

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

Income Taxes

Final tax

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

Current income tax

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

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

Deferred income tax

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits in the form of minimum corporate income tax (MCIT) and unused tax losses in the form of net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefits of MCIT and NOLCO can be utilized, except:

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

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

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

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

Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

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

Earnings Per Share

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

Segment Reporting

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

Events after the Reporting Date

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

Future Changes in Accounting Policies

Pronouncements Issued but Not yet Effective

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

New Pronouncements	Effective for Annual Periods Beginning On or After
<p data-bbox="342 399 1088 462"><u>PFRS 9, <i>Financial Instruments</i> - Classification and Measurement (2010 version)</u></p> <p data-bbox="342 483 1088 1239">PFRS 9 reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.</p>	<p data-bbox="1104 483 1401 924">PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the FRSC. Such adoption, however, is still for approval by the Board of Accountancy (BOA).</p>
<p data-bbox="342 1260 1088 1428">The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The Group, however, has yet to conduct a quantification of the full impact of this standard.</p>	
<p data-bbox="342 1428 1088 1491"><i>IFRIC 15, <i>Agreements for the Construction of Real Estate</i></i></p>	
<p data-bbox="342 1491 1088 1915">This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The adoption of this interpretation will not have any material effect on the consolidated financial statements of the Group.</p>	<p data-bbox="1104 1491 1401 1915">The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB), and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate</p>

New Pronouncements	Effective for Annual Periods Beginning On or After
The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.	industry is completed.

New Pronouncements	Effective for Annual Periods Beginning On or After
<p>PFRS 9, <i>Financial Instruments</i> - Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)</p> <p>PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.</p> <p>The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.</p>	<p>PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.</p>
<p>PAS 19, <i>Employee Benefits - Defined Benefit Plans: Employee Contributions</i>(Amendments)</p> <p>The amendments require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit.</p> <p>These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments have no potential impact to the Group as there are no contributions from employees or third parties to the plan.</p>	<p>January 1, 2015</p>

New Pronouncements	Effective for Annual Periods Beginning On or After
<p>PAS 16, <i>Property, Plant and Equipment</i>, and PAS 38, <i>Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization</i> (Amendments)</p>	
<p>The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are to be applied prospectively, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.</p>	January 1, 2016
<p>PAS 16, <i>Property, Plant and Equipment</i>, and PAS 41, <i>Agriculture - Bearer Plants</i> (Amendments)</p>	
<p>The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>, will apply. The amendments are to be applied retrospectively, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.</p>	January 1, 2016
<p>PAS 27, <i>Separate Financial Statements - Equity Method in Separate Financial Statements</i> (Amendments)</p>	
<p>The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments will not have any impact on the Group's consolidated financial statements.</p>	January 1, 2016

New Pronouncements	Effective for Annual Periods Beginning On or After
<p>PFRS 10, <i>Consolidated Financial Statements</i> and PAS 28, <i>Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i></p>	
<p>These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	January 1, 2016
<p>PFRS 11, <i>Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations</i> (Amendments)</p>	
<p>The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are to be applied retrospectively, with early adoption permitted. These amendments are not expected to have any impact to the Group.</p>	January 1, 2016
<p>PFRS 9, <i>Financial Instruments</i> (2014 or final version)</p>	
<p>In July 2014, the final version of PFRS 9, <i>Financial Instruments</i>, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.</p>	
<p>The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.</p>	PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of

New Pronouncements	Effective for Annual Periods Beginning On or After
	initial application is before February 1, 2015.

Annual Improvements to PFRSs (2010-2012 cycle)

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

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

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

- *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- *PAS 24, Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the

related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

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

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19, Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

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

IFRS 15, Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

4. Significant Accounting Judgments and Estimates

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

Determining Functional Currency

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

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

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

Operating Lease - The Group as a Lessor

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

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

Contingencies

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

Estimates and Assumptions

Determination of Fair Values of Financial Instruments

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

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

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

Estimating Allowance for Impairment Losses on Loans and Receivables

The Group reviews its loans and receivables (cash and cash equivalents, receivables, and fixed income deposit included under "Other noncurrent assets" account and receivables from related parties) at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For receivables from related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For trade receivables, the Group evaluates specific accounts where the Group has information that certain third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered to ascertain the amount of reserves that will be recorded in "Receivables". These allowances are re-evaluated and adjusted as additional information is received. The allowance for impairment losses on receivables and receivables from related parties amounted to ₱90.1 million as of Sept. 30, 2015 and December 31, 2014, respectively (see Notes 7 and 18). No provision for impairment losses on receivables was recognized in 2014, 2013 and 2012. The Group's current receivables are disclosed in Note 7 to the consolidated financial statements. The balance of the Group's noncurrent receivables from related parties, net of allowance for impairment losses, amounted to ₱1.9 million as of Sept. 30, 2015 and December 31, 2014.(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, 2015 and December 31, 2014 (see Notes 9 and 22). The carrying amount of the Group's AFS equity financial assets as of Sept. 30, 2015 and December 31, 2014 are disclosed in Note 9 to the consolidated financial statements.

Estimating Impairment of Nonfinancial Assets

The Group determines whether prepayments and other current assets, investments in associates, property and equipment, investment properties, and other noncurrent assets are impaired whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

The Group has not identified any events or changes in circumstances that would indicate an impairment loss on the following other nonfinancial assets as of Sept. 30, 2015 and December 31, 2014:

	Sept. 30, 2015	December, 2014
Prepayments and other current assets	₱16,738,721	₱16,643,654
Property and equipment (see Note 11)	11,394,244	13,875,919
Investment properties (see Note 12)	134,553,786	136,677,566
Other noncurrent assets (see Note 13)	26,056,343	26,056,343
	₱188,743,094	₱193,253,482

The balance excludes investment in limited liability partnership and fixed income deposit, which are classified as financial assets, amounting to ₱12.8 million as of Sept. 30, 2015 and December 31, 2014 respectively.

Estimating Useful Lives of Property and Equipment and Investment Properties

The estimated useful lives used as bases for depreciating the Group's property and equipment and investment properties were determined on the basis of management's assessment of the period within which the benefits of these assets are expected to be realized taking into account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group's assets.

The net book value of the Group's property and equipment and investment properties are disclosed in Notes 11 and 12 to the consolidated financial statements.

Estimating Retirement Benefit Obligation

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

Estimating Realizability of Deferred Income Tax Assets

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

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

Estimating Provision for Legal Obligation

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

5. **Cash and Cash Equivalents**

	September, 2015	December, 2014
Cash on hand	₱9,000	₱9,000
Cash with banks	149,538,636	127,714,828
Short-term placements	766,113,975	819,117,929
	₱915,661,611	₱946,841,757

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

6. Financial Assets at FVPL

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

The carrying value of financial assets at FVPL includes net unrealized loss on fair value changes amounting to ₱5.5 million and ₱0.05 million in 2014 and 2013, respectively, and net unrealized gain on fair value changes amounting to ₱6.6 million in 2012. Fair value changes are presented under “Fair value gains/losses on financial assets at FVPL” in the consolidated statements of income. Net cumulative unrealized gains on financial assets at FVPL amounted to ₱15.8 million and ₱24.4 million as of Sept. 30, 2015 and December 31, 2014, respectively.

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

	September ,2015	December, 2014
Cost:		
Balances at beginning of year	₱41,181,502	₱32,349,524
Additions/disposals	(1,880,000)	8,831,978
Balances at end of year	39,301,502	41,181,502
Changes in fair value:		
Balances at beginning of year	24,423,427	29,958,227
Unrealized losses on change in fair value	(8,618,348)	(5,534,800)
Balances at end of year	15,805,079	24,423,427
	₱55,106,581	₱65,604,929

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

7. Receivables

	September, 2015	December, 2014
Third parties:		
Accrued interest (see Note 9)	₱8,013,352	₱4,554,022
Others	1,005,354	791,417
Related parties:		
Dividends receivable (see Notes 8 and 18)	0	53,374,543
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)	827,459	697,743
	98,797,802	148,369,362
Less allowance for impairment losses	90,110,187	90,110,187
	₱8,687,615	₱58,259,175

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

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

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

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

8. Investments in Associates

	September, 2015	December, 2014
Costs:		
Acquisition costs	₱188,135,135	₱186,260,135
Deposit for future stock subscription	5,625,000	1,875,000
	193,760,135	188,135,135
Accumulated equity in net earnings and OCI:		
Balances at beginning of year	55,811,242	52,363,009
Share in net income from associates	69,238,377	72,551,106
Share in OCI from associates		(13,538,300)
Dividends received/declared		(55,564,573)
Balances at end of year	125,049,619	55,811,242
	318,809,754	243,946,377
Less allowance for impairment losses	94,830,129	94,830,129
	₱223,979,625	₱149,116,248

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

MUDC

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

The recoverability of these assets and the ultimate success of MUDC's future operations are dependent upon the signing of these agreements. The foregoing conditions indicate the existence

of a material uncertainty which may cast significant doubt on MUDC's ability to continue as a going concern and the recoverability of the Group's significant investment in MUDC.

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

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

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

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

	2014	2013
Current assets	₱188	₱160
Noncurrent assets	16,030	16,023
Total assets	16,218	16,183
Current liabilities	280	284
Noncurrent liabilities	273,133	273,062
Total liabilities	273,413	273,346
Capital deficiency	(257,195)	(257,163)
	2014	2013
Revenues	₱2	₱1
Expenses	34	40
Net loss	32	39

BPO

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

Dividends

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

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

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

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

	2014	2013
Current assets	₱135,886	₱177,194
Noncurrent assets	66,223	61,705
Total assets	202,109	238,899
Current liabilities	96,148	131,424
Noncurrent liabilities	12,388	13,623
Total liabilities	108,536	145,047
Equity	93,573	93,852
	2014	2013
Gross revenue	₱331,975	₱375,664
Operating profit	41,447	84,518
Net income	30,187	57,123
Group's share in net income	10,565	19,993

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

PTC

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

Dividends

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

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

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

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

Deposit for Stock Subscription

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

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

PTC's application to increase its authorized capital stock was approved by SEC on September 21, 2015 from 400,000,000 shares at P1.00 per share to 500, 000,000 shares divided into 5 billion shares with the par value of P.10 per share.

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

	2014	2013
Current assets	₱730,760	₱618,963
Noncurrent assets	139,474	133,811
Total assets	870,234	752,774
Current liabilities	394,354	339,467
Noncurrent liabilities	164,888	129,626
Total liabilities	559,242	469,093
Equity	310,992	283,681
	2014	2013
Gross revenue	₱1,389,486	₱1,193,327
Operating profit	220,273	212,953
Net income	206,619	233,587
Group's share in net income	61,986	70,076

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

9. AFS Financial Assets

	September, 2015	December, 2014
Current:		
Debt securities	₱-	₱8,978,882
Non-current:		
Debt securities	302,042,754	278,051,319
Equity securities - net of allowance for impairment losses of ₱10.7 million as of December 31, 2014 and 2013	73,376,672	73,376,672
	₱375,419,426	₱360,406,873

Investments in debt securities

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

In 2013, because of the passage of the two preceding financial years, AFS financial assets with a

fair value of ₱272.6 million was reclassified to “HTM investments” category and measured at amortized cost using the effective interest method (see Note 10).

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

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

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

Investments in equity securities

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

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

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

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

	September , 2015	December, 2014
Balances at beginning of year	₱13,115,725	(₱16,864,550)
Changes in fair value of AFS financial assets	882,081	24,664,540
Reclassification of HTM investments to AFS financial assets (see Note 10)	(1,862,706)	4,530,346
Disposal of AFS financial assets		749,301
Amortization of net unrealized valuation gains on AFS financial assets reclassified to HTM investments		36,088
Balances at end of year	₱12,135,100	₱13,115,725

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

10. HTM Investments

In 2010, HTM investments were reclassified to AFS financial assets following the sale of more than an insignificant portion of the Group’s HTM investments. Under the provisions of PAS 39, no investment should be classified as HTM during the current financial year and in the next two

financial years if the reporting entity has sold or reclassified more than an insignificant (in relation to the total) amount of such investments before maturity.

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

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

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

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

11. Property and Equipment

September, 2015

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Costs:					
Balances at beginning of year	₱20,755,943	₱8,692,633	₱8,395,222	₱2,831,072	₱40,674,870
Additions	-	-	-	-	-
Reclassification to investment property (see Note 12)	-	-	-	-	-
Balances at end of year	20,755,943	8,692,633	8,395,222	2,831,072	40,674,870
Accumulated depreciation:					
Balances at beginning of year	11,831,202	7,870,994	4,444,676	2,652,079	26,798,951
Depreciation	1,684,568	259,336	483,142	54,629	2,481,675
Reclassification to investment property (see Note 12)	-	-	-	-	-
Balances at end of year	13,515,770	8,130,330	4,927,818	2,706,708	29,280,626
Net book values	₱7,240,173	₱562,303	₱3,467,404	₱124,364	₱11,394,244

December, 2014

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

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

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

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

12. Investment Properties

	Land	Condominium	Total
Costs:			
Balances at beginning of year	₱46,319,625	₱-	₱46,319,625
Additions	-	64,829,269	64,829,269
Reclassification from property and equipment (see Note 11)	-	41,359,683	41,359,683
Balances at end of year	46,319,625	106,188,952	152,508,577
Accumulated depreciation:			
Depreciation	-	3,886,216	3,886,216
Reclassification from property and equipment (see Note 11)	-	14,068,575	14,068,575
Balances at end of year	-	17,954,791	17,954,791
Net book values	₱46,319,625	₱88,234,161	₱134,553,786

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

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

establishes a value estimate by processes involving comparison. The fair value is categorized under Level 2 fair value hierarchy.

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

13. Other Noncurrent Assets

	September , 2015	December, 2014
Downpayment for pre-selling condominium units	₱25,586,188	₱25,586,188
Investment in limited liability partnership (LLP)	12,015,271	12,015,271
Fixed income deposit	750,499	750,499
Deposits	470,155	470,155
	₱38,822,113	₱38,822,113

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

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

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

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

14. Accounts Payable and Accrued Expenses

	September , 2015	December, 2014
Accounts payable	₱1,145,304	₱8,459,166
Deposits payable (see Note 21)	1,588,445	1,555,859
Accrued expenses	321,612	695,767
	₱3,055,361	₱10,710,792

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

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

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

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

15. Retirement Benefits Cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. Income Taxes

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

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

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

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

	2014	2013	2012
Nondeductible expenses	58,368	54,735	72,913
Expired MCIT	24,911	–	–
	2014	2013	2012
Dividend income exempt from tax	(P276,350)	(P230,292)	(P273,757)
Interest income subjected to final tax	(1,110,935)	(3,332,805)	(4,464,919)
Equity in net earnings of associates	(21,765,332)	(26,926,803)	(23,299,042)
	P5,116,409	P10,155,438	P9,931,283

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

	2014	2013
Deferred income tax asset:		
<i>Recognized directly in income:</i>		
Allowance for impairment losses on receivables and AFS financial assets	P19,367,160	P18,806,092
Deferred income tax liability:		
<i>Recognized directly in income:</i>		
Unrealized foreign exchange gains	19,367,160	18,806,092
Net deferred income tax	P–	P–

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

	2014	2013
Allowance for impairment losses on receivables and AFS financial assets	P135,580,063	P137,450,289
Allowance for impairment losses on investment in MUDC	94,830,129	94,830,129
Retirement benefit obligation	9,679,932	8,143,006
Provision for legal obligation	5,000,000	5,000,000
NOLCO	1,342,797	2,818,060
MCIT	132,106	102,612

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

Years of Recognition	Availment Periods	Beginning Balance	Application	Expiration	Ending Balance
2011	2013-2014	P1,475,263	(P289,588)	(P1,185,675)	P–
2012	2014-2015	756,193	–	–	756,193
2013	2014-2016	586,604	–	–	586,604
		P2,818,060	(P289,588)	(P1,185,675)	P1,342,797

MCIT:

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

17. Equity

a. Common Stock

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

	September , 2015	December, 2014
Common stock - ₱1 par value		
Class A		
Authorized - 600 million shares		
Issued - 292,610,118 shares	₱292,610,118	₱292,610,118
Class B		
Authorized - 400 million shares		
Issued - 189,217,535 shares	189,217,535	189,217,535
	₱481,827,653	₱481,827,653

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

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

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

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

warrants, which shall entitle each stockholder to subscribe to one share of stock for every one share of stock of the same class that such stockholder subscribe to out of this stock rights issue.

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

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

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

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

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

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

b. Treasury Shares

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

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

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

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

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

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

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

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

Net unrealized valuation gains (losses) on AFS financial assets amounted to ₱12.1 million and ₱12.6 million as of September 30, 2015 and December 31, 2014 respectively (see Note 9).

- d. Retained Earnings

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

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

On July 24, 2013, the BOD declared a regular cash dividend amounting to ₱0.20 per share held payable as follows; ₱0.10 per share or ₱48,182,765 (481,827,653 shares multiplied by ₱0.10 cash dividend per share) to stockholders as of record date of June 14, 2013, payable on or before July 10, 2013; and ₱0.10 per share held or ₱48,182,765 (481,827,653 shares

multiplied by ₱0.10 cash dividend per share) to stockholders as of record date of August 9, 2013, payable on or before September 6, 2013. Of the total amount declared, ₱19.5 million pertains to shares held by MCHC and PIEI.

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

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

On May 07, 2015, 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 03, 2015, payable on or before June 30, 2015; 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 03, 2015, payable on or before August 30, 2015. Of the total amount declared, ₱19.4 million pertains to shares held by MCHC and PIEI.

18. Related Party Transactions

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

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

		Transactions during the year	Outstanding balance	Terms	Conditions
<i>Associates:</i>					
BPO					
Rent income (see Note 21)	2014	₱1,155,077	₱14,687	30 days; non interest bearing	Unsecured; no impairment
	2013	1,100,073	11,799		
Payroll services expense	2014	37,145	–	30 days; non interest bearing	Unsecured; no impairment
	2013	37,145	–		
Dividends (see Note 8)	2014	10,510,424	10,510,424	30 days; non interest bearing	Unsecured; no impairment
	2013	20,474,850	20,474,850		
PTC					
Dividends (see Note 8)	2014	45,054,149	42,864,119	30 days; non interest bearing	Unsecured; no impairment
	2013	79,297,695	35,959,982		
MUDC					
Advances	2014	–	188,224,522	30 days; non	Unsecured; with

		Transactions during the year	Outstanding balance	Terms	Conditions
	2013	–	188,224,522	interest bearing	impairment
<i>Under common control:</i>					
MCMC					
Advances	2014	50	308,216	30 days; non	Unsecured; no
	2013	–	308,166	interest bearing	impairment
Other related parties					
Advances	2014	12,909	359,595	30 days; non	Unsecured; with
	2013	55,540	304,056	interest bearing	impairment
	2014	₱56,769,754	₱242,281,563		
	2013	100,965,303	245,283,375		

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

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

	September , 2015	December, 2014
Receivables (net of allowance for impairment of ₱88,989,398 in 2014 and 2013)	₱54,034,525	₱54,034,525
Receivables from related parties (net of allowance for impairment of ₱97,373,076 in 2014 and 2013)	1,885,964	1,884,564

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

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

- b. The Parent Company has existing noninterest-bearing long-term advances to MUDC amounting to ₱49.1 million, including accumulated unpaid interest as of December 31, 2014 and 2013. In 2004, the loan and unpaid interest was fully provided with an allowance for impairment loss since management believes that it is not likely to be collected in the future.
- c. In 2006, total noninterest-bearing long-term advances to related parties amounting to ₱50.3 million, including the unamortized discount of ₱23.4 million as of December 31, 2005, was fully provided with allowance for impairment losses, since management believes that the entire balance is not likely to be collected in the future.

Compensation of the Group’s key management personnel comprised mainly of short-term employee benefits amounting to ₱8.7 million, ₱9.0 million and ₱7.5 million in 2014, 2013 and

2012, respectively. Key management personnel do not have other employee benefits other than the statutory retirement benefits.

19. Earnings per Share

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

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

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

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

20. Segment Information

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

21. Commitments and Contingencies

- a. The Group leases a significant portion of its condominium spaces. The Group recognized rental income amounting to ₱4.5 million, ₱3.7 million and ₱3.5 million in 2014, 2013 and 2012, respectively. Future minimum rental income of ₱4.5 million from existing rental agreements will be recognized in 2015. The lease agreements have terms of one to two years and can be renewed upon the written agreement of the Group and the lessees. Deposit payable pertaining to deposits made by the tenants amounting to ₱1.6 million and ₱1.2 million as of December 31, 2014 and 2013, respectively, will be returned to the lessees after the lease term.
- b. The Group is currently involved in legal litigations covering various labor cases. In 2011, the Group recognized provision for legal obligation amounting to ₱5.0 million, for claims arising

from lawsuits filed by a third party, which is pending decision by the courts. Probable cost has been estimated in consultation with the Group's legal counsel.

- c. Aside from the case discussed above, in the ordinary course of business, the Group is a plaintiff in various litigations and claims. The Group believes, based on information currently available and the advice of its legal counsels, that the ultimate resolution of these legal proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these litigations and claims.

22. Financial Risk Management Objectives and Policies

Risk Management Structure

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

Financial Risk Management Objectives and Policies

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

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

Credit Risk

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

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

Credit risk management

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

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

Credit risk exposures

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

Credit risk concentration profile

The Group has no significant concentrations of credit risk.

Credit quality

As of September 30, 2015 and December 31, 2014, the credit qualities per class of financial assets are as follows:

September 30, 2015

	Neither past due nor impaired		Past due but not impaired	Individually impaired	Total
	High grade	Standard grade			
Loans and receivables:					
Cash and cash equivalents*	₱915,661,611	₱-	₱-	₱-	₱915,661,611
Receivables	8,687,615	-	-	90,110,187	98,797,802
Receivables from related parties	1,885,964	-	-	97,373,076	99,259,040
Fixed income deposits	750,499	-	-	-	750,499
Financial assets at FVPL	55,106,581	-	-	-	55,106,581
AFS financial assets:					
Debt and equity securities	375,419,426	-	-	10,654,000	386,073,426
Investment in LLP	12,015,271	-	-	-	12,015,271
	₱1,369,526,967	₱-	₱-	₱198,137,263	₱1,567,664,230

*Excluding cash on hand

December, 2014

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

*Excluding cash on hand

High grade financial assets

High grade receivables pertain to receivables from related parties and customers with good payment history. These receivables are considered to be of good quality and expected to be

collectible without incurring any credit losses. Other high grade financial assets reflect the investment grade quality of the investments and/or counterparty and realizability is thus assured.

Standard grade financial assets

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

Aging Analysis

Aging analysis per class of financial assets as of September 30, 2015 and December 31, 2014 are as follows:

September 30, 2015

	NeitherPast Due nor Impaired	Past due but not impaired		Impaired	Total
		<1 year	>1 year		
Loans and receivables:					
Cash and cash equivalents	₱15,661,611	₱-	₱-	₱-	₱15,661,611
Receivables	8,687,615	-	-	90,110,187	98,797,802
Receivables from related parties	1,885,964	-	-	97,373,076	99,259,040
Fixed income deposit	750,499	-	-	-	750,499
Financial assets at FVPL	55,106,581	-	-	-	55,106,581
AFS financial assets:					
Debt and equity securities	375,419,426	-	-	10,654,000	386,073,426
Investment in LLP	12,015,271	-	-	-	12,015,271
	₱1,369,526,967	₱-	₱-	₱198,137,263	₱1,567,664,230

December, 2014

	NeitherPast Due nor Impaired	Past due but not impaired		Impaired	Total
		<1 year	>1 year		
Loans and receivables:					
Cash and cash equivalents	₱946,832,757	₱-	₱-	₱-	₱946,832,757
Receivables	58,259,175	-	-	90,110,187	148,369,362
Receivables from related parties	1,884,564	-	-	97,373,076	99,257,640
Fixed income deposit	750,499	-	-	-	750,499
Financial assets at FVPL	65,604,929	-	-	-	65,604,929
AFS financial assets:					
Debt and equity securities	360,406,873	-	-	10,654,000	371,060,873
Investment in LLP	12,015,271	-	-	-	12,015,271
	₱1,445,754,068	₱-	₱-	₱198,137,263	₱1,643,891,331

Impairment assessment

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

The carrying amount of the Group's financial assets with allowance for impairment losses as at September 30, 2015 and December 31, 2014 are as follows:

September, 2015

	Receivables	Receivables from related parties	AFS financial assets	Total
Nominal amounts	₱98,797,802	₱99,259,040	₱386,073,426	₱584,130,268
Less allowance for impairment losses	90,110,187	97,373,076	10,654,000	198,137,263
At September 30, 2015	₱8,687,615	₱1,885,964	₱375,419,426	₱385,993,005

December, 2014

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

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

Liquidity Risk

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

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

The following table summarizes the maturity profile of the Group's financial liabilities as of September 30, 2015 and December 31, 2014 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, 2015

	On demand	< 1 year	> 1 year	Total
Financial assets:				
Cash and cash equivalents	₱149,547,636	₱766,113,975	₱-	₱915,661,611
Receivables	8,687,615	-	-	8,687,615
Receivables from related parties	1,885,964	-	-	1,885,964
Financial assets at FVPL	55,106,581	-	-	55,106,581
AFS financial assets	375,419,426	-	-	375,419,426
Total financial assets	590,647,222	766,113,975	-	1,356,761,197
Financial liabilities:				
Accounts payable and accrued expenses*	2,645,566	-	-	2,645,566
Dividends payable	2,516,296	-	-	2,516,296
Total financial liabilities	5,161,862	-	-	5,161,862
	₱595,809,084	₱766,113,975	₱-	₱1,361,923,059

**Excluding statutory liabilities*

December, 2014

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

**Excluding statutory liabilities*

Market Risks

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

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

a. Interest rate risk

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

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

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

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

	September , 2015	December, 2014
Change in interest rate (percentage)		
+10%	₱30,204,275	₱28,703,020
-10%	(30,204,275)	(28,703,020)

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

b. Foreign currency risk

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

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

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

US Dollar:

	September, 2015		December, 2014	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Cash and cash equivalents	\$2,360,734	₱110,779,804	\$3,506,927	₱156,829,775
Receivables	133,222	6,251,576	1,693,628	75,739,044
Financial assets at FVPL	360,195	16,902,510	405,177	18,119,515
AFS financial assets	5,549,779	260,428,929	4,762,085	212,960,441
HTM investments	-	-	-	-
Investment in LLP	250,000	11,731,500	250,000	11,180,000
	\$8,653,930	₱406,094,319	\$10,617,817	₱474,828,775

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

Other Foreign Currencies:

	Currency	September, 2015		
		Exchange Rate	Original Currency	Peso Equivalent
Cash and cash equivalents	SGD	32.87	40,515	₱1,331,728
	AUD	-	-	-
	HKD	6.06	109,412	663,037
	CNY	7.37	202,369	1,491,460
	EUR	52.80	2,070	109,296
Receivables	EUR	-	-	-
Financial assets at FVPL	EUR	52.80	85,340	4,505,952
	HKD	6.06	2,344,596	14,208,252
AFS financial assets	CNY	7.37	2,953,928	21,770,449
	HKD	6.06	2,056,104	12,459,990
	EUR	-	-	-
	BRL	11.39	488,325	5,562,022
	SGD	32.87	267,024	8,777,079
	TRY	15.45	243,506	3,762,168
	AUD	32.87	102,480	3,368,518
				₱78,009,951

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

The Group has no foreign currency denominated monetary liabilities as of September 30, 2015 and December 31, 2014.

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

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

Original Currency	Percentage	Effect on income before tax	
		Strengthened	Weakened
September, 2015			
US dollar	5%	₱20,304,716	(₱20,304,716)
Chinese yuan (CNY)	5%	1,163,095	(1,163,095)
Hongkong dollar (HKD)	5%	1,366,564	(1,366,564)
E.M.U. euro (EUR)	5%	230,762	(230,762)
Brazil real (BRL)	5%	278,101	(278,101)
Singapore dollar (SGD)	5%	505,440	(505,440)
Turkish lira (TRY)	5%	188,108	(188,108)
Australia dollar (AUD)	5%	168,426	(168,426)

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

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

c. Equity price risk

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

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

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

Effect on income before income tax:

	September, 2015	December, 2014
<i>Financial assets at FVPL:</i>		
Change in stock market index (%)		
+10%	₱5,510,658	₱6,560,493
-10%	(5,510,658)	(6,560,493)

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

Effect on equity:

	September, 2015	December, 2014
<i>Investment in equity securities (AFS):</i>		
Change in club share prices (%)		
+10%	₱7,337,667	₱7,337,667
-10%	(7,337,667)	(7,337,667)

23. Financial Instruments

Categories of Financial Instruments

September , 2015

	Financial assets				Total
	Loans and receivables	Financial assets at FVPL	AFS financial assets	HTM investments	
ASSETS					
Current:					
Cash and cash equivalents	₱915,661,611	₱-	₱-	₱-	₱915,661,611
Listed debt securities	-	55,106,581	-	-	55,106,581
Listed debt securities	-	-	-	-	-
Receivables	8,687,615	-	-	-	8,687,615
Noncurrent:					
Receivables from related Parties	1,885,964	-	-	-	1,885,964
Fixed income deposits	750,499	-	-	-	750,499
Listed debt securities	-	-	302,042,754	-	302,042,754
Quoted equity securities	-	-	55,435,008	-	55,435,008
Unquoted equity securities	-	-	17,941,664	-	17,941,664
Investment in LLP	-	-	12,015,271	-	12,015,271
TOTAL	₱926,985,689	₱55,106,581	₱387,434,697	₱-	₱1,369,526,967

December, 2014

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

	September , 2015	December, 2014
LIABILITIES		
Current:		
Accounts payable and accrued expenses:		
Accounts payable	₱735,509	₱7,873,132
Deposits payable	1,588,445	1,555,859
Accrued expenses	321,612	695,767
Dividends payable	2,516,296	2,524,522
TOTAL	₱5,161,862	₱12,649,280

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 Sept. 30, 2015 and December 31, 2014, the Group held the following financial instruments that are measured and carried at fair value:

September, 2015

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVPL	₱55,106,581	₱-	₱-	₱55,106,581
AFS instruments:				
Listed debt instruments	278,051,319	-	-	278,051,319
Listed equity instruments	55,435,008	-	-	55,435,008
	₱388,592,908	₱-	₱-	₱388,592,908

December, 2014

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

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

24. Capital Management

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

The Group manages its capital structure, which pertains to its equity, and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2014 and 2013. The Group is not exposed to externally imposed capital requirements.

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

	September , 2015	December, 2014
Accounts payable and accrued expenses	₱3,055,361	₱10,710,792
Less cash and cash equivalents	915,661,611	946,841,757
Net debt	(912,606,250)	(936,130,965)
Equity attributable to equity holders of the parent	1,690,747,046	1,688,675,727
Unrealized gains (losses) on changes in fair value of AFS financial assets	12,135,100	12,590,012
Total capital	1,702,882,146	1,701,265,739
Total capital and net debt	₱790,275,896	₱765,134,774
Gearing ratio	(1.15:1)	(1.22:1)

25. Note to Consolidated Statements of Cash Flows

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

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

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2015

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.	160,454	6,963				534	166,883	167,417
Magellan Capital Corporation	308,216	1,334				534	309,016	309,550
Magellan Capital Trading Corporation	169,460	7,963				534	176,889	177,423
Magellan Utilities Development Corp.	21,569						21,569	21,569
Business Process Outsourcing Int'l.	14,686	1,062,480	952,632		124,534			124,534
Pinamucan Power Corporation	1,776	800					2,576	2,576
Power Producer Association of the Philippines	200						200	200
Others	21,382	2,808					24,190	24,190
	697,743	1,082,348	952,632		124,534	1,602	701,323	827,459