

SOCResources, Inc.
(Formerly South China Resources, Inc.)

Parent Company Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SOCResources, Inc.

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of SOCResources, Inc., (formerly South China Resources, Inc.) which comprise the parent company statements of financial position as at December 31, 2014 and 2013, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of SOCResources, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 17 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SOCResources, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ladislao Z. Avila, Jr.

Partner

CPA Certificate No. 69099

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January 18, 2013, valid until January 17, 2016

Tax Identification No. 109-247-891

BIR Accreditation No. 08-001998-43-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751254, January 5, 2015, Makati City

April 10, 2015



SOCRESOURCES, INC.**(Formerly South China Resources, Inc.)****PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱255,732,357	₱131,373,780
Receivables (Note 5)	4,466,846	6,677,025
Due from related parties (Note 13)	1,210,902,429	1,024,538,929
Prepayments and other current assets (Note 6)	3,784,315	306,712
Total Current Assets	1,474,885,947	1,162,896,446
Noncurrent Assets		
Investment in a subsidiary (Note 8)	322,298,000	322,298,000
Available-for-sale (AFS) financial assets (Note 7)	36,313,568	362,560,662
Property and equipment (Note 9)	20,299	53,451
Total Noncurrent Assets	358,631,867	684,912,113
TOTAL ASSETS	₱1,833,517,814	₱1,847,808,559
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Note 10)	₱5,299,053	₱6,574,905
Income tax payable	-	112,546
Total Current Liabilities	5,299,053	6,687,451
Noncurrent Liabilities		
Retirement benefit obligation (Note 11)	3,253,850	2,871,641
Deferred tax liability (Note 12)	-	4,976,921
Total Noncurrent Liabilities	3,253,850	7,848,562
Total Liabilities	8,552,903	14,536,013
Equity (Note 14)		
Common stock - ₱1 par value		
Authorized - 1,000,000,000 stocks		
Issued - 600,489,569 stocks in 2014, and 2013	600,489,569	600,489,569
Subscribed - 306,070,000 stocks in 2014 and 2013		
(net of subscription receivables of ₱229,552,500 as of		
December 31, 2014 and 2013)	76,517,500	76,517,500
Additional paid-in capital	72,272,140	72,272,140
Unrealized valuation gains on AFS financial asset, net of deferred tax liability (Note 7)	1,329,647	24,244,915
Retained Earnings		
Appropriated	500,000,000	500,000,000
Unappropriated	579,437,032	564,753,079
Treasury stock (Note 14)	(4,961,650)	(4,961,650)
Other comprehensive loss (Note 11)	(119,327)	(43,007)
Equity	1,824,964,911	1,833,272,546
TOTAL LIABILITIES AND EQUITY	₱1,833,517,814	₱1,847,808,559

See accompanying Notes to Parent Company Financial Statements.

SOCRESOURCES, INC.
(Formerly South China Resources, Inc.)

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
REVENUES		
Gain on sale of AFS financial assets (Note 7)	₱24,525,926	₱18,944,678
Interest income (Notes 4, 7 and 13)	2,685,663	12,311,178
Dividend income (Note 7)	1,299,658	5,775,742
Foreign exchange gains - net	3,398,108	22,428,404
	31,909,355	59,460,002
COSTS AND EXPENSES		
Provision for impairment loss on AFS financial assets (Note 7)	4,129,214	–
Personnel costs	3,608,441	3,706,831
Travel and transportation	1,763,776	1,717,347
Professional fees	1,467,545	1,175,061
Research and development expenses	1,357,737	4,381,198
Taxes and licenses	688,600	598,964
Telecommunications and postage	227,599	198,080
Supplies	215,355	146,420
Rent and utilities (Note 15)	154,287	145,092
Trainings and seminars	146,092	102,740
Dues and subscription	114,200	134,113
Repairs and maintenance	112,357	36,695
Entertainment and representation	64,533	140,406
Depreciation and amortization (Note 9)	33,152	61,481
Others	658,612	3,539,835
	14,741,500	16,084,263
INCOME BEFORE INCOME TAX	17,167,855	43,375,739
PROVISION FOR INCOME TAX (Note 12)	2,483,902	303,928
NET INCOME	14,683,953	43,071,811
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Unrealized valuation gains (losses) on AFS financial assets - net of deferred tax liability (Note 7)	(22,915,268)	5,745,198
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gains (losses) on defined benefit plan (Note 11)	(76,320)	25,194
	(22,991,588)	5,770,392
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱8,307,635)	₱48,842,203

See accompanying Notes to Parent Company Financial Statements.



SOCRESOURCES, INC.
(Formerly South China Resources, Inc.)

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱17,167,855	₱43,375,739
Adjustments for:		
Unrealized foreign exchange loss (gain)	5,839,137	(22,428,404)
Provision for impairment loss on AFS financial assets (Note 7)	4,129,214	–
Depreciation and amortization (Note 9)	33,152	61,481
Gain on sale of AFS financial assets (Note 7)	(24,525,926)	(18,944,678)
Interest income (Notes 4, 7 and 13)	(2,685,663)	(12,311,178)
Dividend income (Note 7)	(1,299,658)	(5,775,742)
Operating loss before working capital changes	(1,341,889)	(16,022,782)
Increase in:		
Receivables	(1,102,714)	31,476,546
Prepayments and other current assets	(54,926)	377,066
Decrease in accounts payable and other liabilities	(1,275,852)	(4,425,445)
Retirement benefit expense (Note 11)	305,889	284,922
Net cash flows generated from (used) in operations	(3,469,492)	11,690,307
Interest received	467,370	6,021,251
Income tax paid	(6,019,125)	(7,950,303)
Net cash flows from (used in) operating activities	(9,021,247)	9,761,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of AFS financial assets (Note 7)	326,181,603	58,705,982
Payments received from related parties	22,686,107	54,012,589
Interest received on bonds (Note 7)	3,020,632	4,733,892
Dividends received (Note 7)	1,589,677	5,745,455
Advances to related parties (Note 13)	(208,011,611)	(513,277,835)
Acquisitions of:		
AFS financial assets (Note 7)	(6,247,447)	(95,532,169)
Property and equipment (Note 9)	–	(11,450)
Net cash flows from (used in) investing activities	139,218,961	(485,623,536)
CASH FLOWS FROM A FINANCING ACTIVITY		
Acquisition of treasury stock (Note 14)	–	(3,920,900)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	130,197,714	(479,783,181)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(5,839,137)	15,463,380
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
	131,373,780	595,693,581
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)		
	₱255,732,357	₱131,373,780

See accompanying Notes to Parent Company Financial Statements.



SOCRESOURCES, INC.
(Formerly South China Resources, Inc.)

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

	Common Stock (Note 14)		Additional Paid-in Capital	Unrealized Valuation Gains on AFS Financial Assets - net (Note 7)	Actuarial Losses on Defined Benefit Plan (Note 11)	Retained Earnings (Note 14)		Treasury Stock (Note 14)	Total
	Issued	Subscribed - net				Appropriated	Unappropriated		
Balances at January 1, 2013	₱600,489,569	₱76,517,500	₱72,272,140	₱18,499,717	(₱68,201)	₱500,000,000	₱521,681,268	(₱1,040,750)	₱1,788,351,243
Net income	-	-	-	-	-	-	43,071,811	-	43,071,811
Other comprehensive income	-	-	-	5,745,198	25,194	-	-	-	5,770,392
Total comprehensive income	-	-	-	5,745,198	25,194	-	43,071,811	-	48,842,203
Treasury stock acquisition (Note 14)	-	-	-	-	-	-	-	(3,920,900)	(3,920,900)
Balances at December 31, 2013	600,489,569	76,517,500	72,272,140	24,244,915	(43,007)	500,000,000	564,753,079	(4,961,650)	1,833,272,546
Net income	-	-	-	-	-	-	14,683,953	-	14,683,953
Other comprehensive income	-	-	-	(22,915,268)	(76,320)	-	-	-	(22,991,588)
Total comprehensive income	-	-	-	(22,915,268)	(76,320)	-	14,683,953	-	(8,307,635)
Balances at December 31, 2014	₱600,489,569	₱76,517,500	₱72,272,140	₱1,329,647	(₱119,327)	₱500,000,000	₱579,437,032	(₱4,961,650)	₱1,824,964,911

See accompanying Notes to Parent Company Financial Statements.



SOCRESOURCES, INC.

(Formerly South China Resources, Inc.)

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Organization and Business

Corporate Information

SOCResources, Inc. [formerly South China Resources, Inc. (the Parent Company)] was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In October 2003, the SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now registered primarily to invest in, purchase, 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, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as "holding companies". The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

On April 25, 2014, the Board of Directors (BOD) approved the amendment in the articles of incorporation to change the name of the Parent Company from South China Resources, Inc. to SOCResources, Inc. The change was approved by the Philippine SEC on September 4, 2014.

SOC Land Development Corporation (the Subsidiary) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 25, 2010 (see Note 8).

The registered office address of the Parent Company is 4th floor ENZO Bldg., 399 Senator Gil Puyat Avenue, Makati City. The Parent Company changed its office address from 3/F Low Rise Pacific Star Bldg., Sen. Gil Puyat cor. Makati Avenue, Makati City.

Approval of the Parent Company Financial Statements

The parent company financial statements as at and for the years ended December 31, 2014 and 2013 were approved and authorized for issue by the BOD on April 10, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis except for AFS financial assets that have been measured at fair value. The parent company financial statements are presented in Philippine peso (₱), which is the Parent Company's functional currency. All values are rounded off to the nearest peso, except when otherwise indicated.



These are the Parent Company's separate financial statements prepared in accordance with PFRS. The Parent Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements. The consolidated financial statements may be obtained at 4th Floor ENZO Bldg., 399 Senator Gil Puyat Avenue, Makati City.

Statement of Compliance

The accompanying parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretation Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended standards and new Philippine Interpretations from IFRIC which were applied starting January 1, 2014.

The nature and the impact of each new standard and amendment are described below:

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2014

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and new Philippine Interpretations from IFRIC and improved PFRS which the Company has adopted starting January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Company.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Company since it has no offsetting arrangements.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company.



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

These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Company's financial statements.

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

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The interpretation has no significant impact on the Company.

Annual Improvements to PFRSs (2010-2012 cycle)

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

Annual Improvements to PFRSs (2011-2013 cycle)

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

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2014

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

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after



January 1, 2015. It is not expected that this amendment would be relevant to the Company since it has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

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

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

- **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, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Company 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 Company. They include:

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

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.



- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. 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. These amendments are effective from annual periods beginning on or after 1 January 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- PFRS 14, *Regulatory Deferral Accounts*

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



Annual Improvements to PFRSs (2012-2014 cycle)

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

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19, Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).



Effective January 1, 2018

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

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

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

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

- PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative



separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.
- **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 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Accounting Policies

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 date of placements and that are subject to an insignificant risk of change in value.

Financial Instruments

Date of Recognition

Financial instruments are recognized in the Parent Company statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. The Parent Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.



Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value from 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” difference) in profit or loss unless it qualifies for the 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 profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the amount of “Day 1” difference.

Classification of Financial Instruments

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 are further classified into the following categories: financial assets at FVPL, loans and receivables, Held to maturity (HTM) investments and Available for sale (AFS) financial assets. Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Parent Company has no financial assets or liabilities at FVPL and HTM investments as of December 31, 2014 and 2013.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the EIR and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Parent Company’s loans and receivables consist of “Cash and cash equivalents”, “Receivables”, “Security deposit” presented under “Prepayments and other current assets” and “Due from related parties”.



AFS Financial Assets

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

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is transferred to other income (expenses), or determined to be impaired, at which time the cumulative loss is recognized in the parent company profit or loss. Interest earned while holding AFS financial assets is reported as interest income using EIR method.

The Parent Company evaluates its AFS financial assets whether the ability and intention to sell them in the near term is appropriate. When the Parent Company is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Parent Company may elect to reclassify these financial assets.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intent to hold the financial asset accordingly until maturity.

For a financial asset reclassified out of the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using EIR method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit or loss.

HTM Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Parent Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Where the Company 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 category for the current period and for the next two succeeding periods from the tainting date.

In 2012, the Parent Company initially recognized debt securities as HTM investments; however, following the sale of more than an insignificant amount of these investments prior to their maturity, the Company reclassified the remaining portfolio of HTM investments as AFS financial assets (see Note 7).



Other Financial Liabilities

Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle 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. 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.

This category includes loans and borrowings which are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Parent Company's other financial liabilities consist of "Accounts payable and other liabilities" as of December 31, 2014 and 2013.

Financial Assets Carried at Amortized Cost

The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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 the 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 (the effective interest rate computed at initial recognition). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.

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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets Carried at Fair Value

In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original 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, is removed from equity and



recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at fair value. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a 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 profit or loss, the impairment loss is reversed through profit or loss.

AFS Financial Assets 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, 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.

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 the Parent Company. 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 Parent Company 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 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 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.

The Company's valuation committee determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring measurement. The valuation committee comprises of the head of the risk management department and chief finance officers.

External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Company's BOD. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The valuation committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the valuation committee and the Company's external valuers present the valuation results to the BOD. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company 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.

Impairment of Financial Assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in profit or loss. 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 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 the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties 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.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, when 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 Parent Company 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 Parent Company 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 Parent Company has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement 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 Parent Company’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 Parent Company could be required to pay.

Financial Liabilities

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

When 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 parent company statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company 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.

Prepayments and Other Current Assets

Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months.

Input Value-added Tax (VAT)

Input VAT represents VAT imposed on the Parent Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. The input VAT is recognized as an asset and will be used to offset against the Parent Company’s current output VAT liabilities and any excess will be claimed as tax credits. Any excess which will be claimed as tax credits within twelve (12) months or within the normal operating cycle is presented as part



of “Prepayments and other current assets” in the parent company statement of financial position. Otherwise, these are classified as other noncurrent assets. Input VAT is stated at its estimated net realizable value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter, as follows:

<u>Category</u>	<u>Number of Years</u>
Transportation equipment	5
Office furniture and equipment	5
Leasehold improvements	5

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

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 the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.



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 Parent Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Common Stock

The Parent Company has issued common stocks that are classified as equity. Common stock is measured at par value for all shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Subscription receivables pertain to the uncollected portion of the subscribed shares.

Retained Earnings

The amount included in retained earnings includes profit attributable to the Parent Company'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 BOD. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Parent Company and no dividends are allocated to them respectively. When the stocks are retired, the common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-up capital when the shares were issued and to retained earnings for the remaining balance.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured.

Interest Income

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



Dividend Income

Dividend income is recognized when the Parent Company's right to receive the payment is established, usually upon declaration of the dividends.

Gain on Sale of AFS Financial Assets

Realized gain or loss on sale of AFS financial assets is recognized in profit or loss when the Parent Company disposes its AFS financial assets.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

General and Administrative Expenses

Expenses incurred in the general administration of day-to-day operation of the Parent Company are generally recognized when the service is used or the expense arises.

Income Taxes

Current Tax

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

Deferred Tax

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the foreign exchange rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date 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 specified asset;
or
- d. there is a substantial change to the asset.

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

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Parent Company's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Provisions

Provisions are recognized when the Parent Company 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, 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 an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events After the Reporting Date

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



3. Significant Accounting Judgments, Estimates and Assumptions

The parent company financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the parent company financial statements and related notes. The judgments, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Actual results could differ from such estimates.

Judgment

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. It is the currency that mainly influences its revenues and costs of operation.

Classification of Financial Instruments

The Parent Company exercises judgment in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company statement of financial position.

In addition, the Parent Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Determination of Control

The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Parent Company has all the following:

- a. power over the entity
- b. exposure, or rights, to variable returns from its involvement with the entity; and
- c. the ability to use its power over the entity to affect the amount of the Parent's Company's returns.

Operating Leases - The Parent Company as Lessee

The Parent Company has entered into a lease for its administrative office location. The Parent Company has determined that all the significant risks and benefits of ownership of these properties remain with the lessors. Accordingly, these leases are accounted for as operating leases.

Estimates and Assumptions

Valuation of Financial Instruments

PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Parent Company utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity. The fair value of the Parent Company's financial assets and liabilities are disclosed in Note 16.



Impairment Losses on Accounts Receivable and Due from Related Parties

The Parent Company reviews the balance of accounts receivable and due from related parties at each reporting date to assess whether impairment losses should be recorded in profit or loss. 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. In addition to specific allowance against individually significant loans and receivables, the Parent Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Parent Company's assessment of the accounts since their inception. These assessments take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows. There are no allowance for impairment losses on accounts receivable and due from related parties as of December 31, 2014 and 2013. The aggregate carrying amount of receivables and due from related parties amounted to ₱1,215.4 million and ₱1,031.2 million as of December 31, 2014 and 2013, respectively (see Note 13).

Impairment of AFS financial assets

The Parent Company treats AFS financial assets as impaired when there has been 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 when is 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 20% or more of the cost of AFS and 'prolonged' if greater than 6 months. In addition, the Parent Company evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Parent Company also considers the ability of the investee to provide dividends.

In 2014, the Parent Company recognized impairment loss amounting to ₱4.1 million due to the significant decline in value of an AFS financial asset (see Note 7).

The carrying amounts of AFS financial assets amounted to ₱36.3 million and ₱362.6 million as of December 31, 2014 and 2013, respectively (see Note 7). The change in the fair value of the AFS financial assets is recorded as "Unrealized valuation gains on AFS financial assets" account in the equity section of the parent company statement of financial position. As of December 31, 2014 and 2013, the unrealized valuation gains on AFS financial assets amounted to ₱1.3 million and ₱24.2 million, respectively (see Note 7).

Useful Lives of Property and Equipment

The Parent Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.



Impairment of Nonfinancial Assets

The Parent Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Parent Company 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 estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The 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. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

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

No provision for impairment losses was recognized in 2014 and 2013. The carrying values of nonfinancial assets amounted to ₱326.1 million and ₱322.7 million as of December 31, 2014 and 2013, respectively.

Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and excess MCIT to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets have been recognized on deductible temporary differences, unused NOLCO and excess MCIT (see Note 12).

4. Cash and Cash Equivalents

	2014	2013
Cash on hand and with banks	₱255,732,357	₱108,947,799
Cash equivalents	–	22,425,981
	₱255,732,357	₱131,373,780

Cash with banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the respective short-term investment rates. Interest income earned amounted to ₱0.05 million and ₱5.1 million in 2014 and 2013, respectively.



5. Receivables

	2014	2013
Receivable from officers and employees	₱4,386,600	₱4,228,358
Accrued interest (see Notes 4 and 7)	–	2,078,401
Others	80,246	370,266
	₱4,466,846	₱6,677,025

Receivables from officers and employees

Receivables from officers and employees pertain to advances which are settled through liquidation. These receivables will be settled within the next financial year.

Other receivables

Other receivables as of December 31, 2014 and December 31, 2013 include receivable from cash dividends declared by domestic shares. This is expected to be collected within the next financial year.

No impairment loss on receivables was recognized in 2014 and 2013.

6. Prepayments and Other Current Assets

	2014	2013
Prepayments	₱3,486,082	₱90,938
Input VAT	176,682	53,562
Security deposit (see Notes 15 and 16)	67,536	62,820
Supplies	54,015	99,392
	₱3,784,315	₱306,712

Input VAT can be applied against output VAT. The Company believes that the amount can be applied next year.

7. AFS financial assets

	2014	2013
Shares of stock	₱21,013,568	₱244,664,347
Golf club shares	15,300,000	17,650,000
Quoted bonds	–	100,246,315
	₱36,313,568	₱362,560,662

Shares of stock

Listed shares consist of equity securities that are traded in the PSE, New York Stock Exchange (NYSE), Shanghai Stock Exchange (SSE), Taiwan Stock Exchange (TWSE), Bursa Malaysia (MYX), Stock Exchange of Thailand (SET), London Stock Exchange (LSE) the Stock Exchange of Hong Kong Limited (HKEx) and the Singapore Exchange (SGX). Listed shares have no fixed maturity dates or coupon rates and are measured at fair value. The fair values of listed shares are determined at their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs as of reporting date. The



unrealized fair value changes of the investments are presented as “Unrealized valuation gains on AFS financial assets” in the equity section of the parent company statement of financial position.

Dividend income earned from equity securities classified as “AFS financial assets” amounted to ₱1.3 million and ₱5.8 million in 2014 and 2013, respectively.

Sale of Equity Shares

In 2014 and 2013, the Parent Company sold its AFS investments in listed equity shares. Gain on sale of AFS financial assets recognized in profit or loss amount to ₱21.4 million and ₱18.9 million, respectively.

Quoted Bonds

Investments in bonds are denominated in various currencies and are stated at fair value based on quoted prices. Changes in market values are included in the parent company statements of comprehensive income. Fixed interest rate of these bonds range from 4.625% to 6.625% per annum. The value dates of the investments are on February 27, 2012 and November 2, 2012 and with maturity dates ranging from March 31, 2016 to January 5, 2018. Interests on investments are received and settled semi-annually in United States dollar.

Sale of HTM investments

On November 2, 2012, the Parent Company sold a significant amount of its HTM investments before maturity with amortized cost of ₱16.6 million. The gain on sale of HTM investments amounted to ₱1.3 million.

Reclassification of HTM investments to AFS financial assets

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.

Following the stated provisions, the Parent Company reclassified its remaining portfolio of HTM investments to AFS financial assets. The remaining bonds had an amortized cost of ₱66.5 million and fair value was determined to be ₱70.6 million as of reclassification date. Net unrealized gain on changes in fair value of AFS financial assets recognized in other comprehensive income at the time of reclassification amounted to ₱4.1 million.

Sale of Quoted Bonds

In 2014, the Parent Company sold its quoted bonds. Gain on sale of AFS financial assets recognized in profit or loss amount to ₱3.1 million.

Interest income earned from bonds classified as “AFS financial assets” in 2014 and 2013 amounted to ₱1.2 million and ₱4.7 million, respectively.

Movements in the unrealized valuation gains on AFS financial assets are as follows:

	2014	2013
Balances at beginning of year	₱24,244,915	₱18,499,717
Fair value adjustments	(14,213,713)	23,926,239
Disposals	(8,701,555)	(13,204,120)
	1,329,647	29,221,836
Less deferred tax liabilities	–	4,976,921
Balances at end of year	₱1,329,647	₱24,244,915



8. Investment in a Subsidiary

The Parent Company's investment in a subsidiary pertains to its investment in SOC Land (see Note 1). In November 2010, the Parent Company subscribed to and paid for 40,000,000 and 10,000,000 shares in SOC Land, respectively. The total cost of the investment amounted to ₱10.0 million. On March 4, 2011, the Parent Company transferred investment property with a fair value of ₱312.3 million, in exchange for 312,298 additional shares in SOC Land.

In 2010, the Parent Company diversified its business and invested into real property development through SOC Land Development Corporation (SOC Land; the Subsidiary), a wholly-owned subsidiary. SOC Land was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010. The registered office address of SOC Land is 4th floor ENZO Bldg., 399 Senator Gil Puyat Avenue, Makati City. The primary purpose of SOC Land is to deal and engage in real estate business.

On July 28, 2010, the Parent Company purchased 24,023 square meters parcel of land located at East Service Road of South Superhighway, Barangay Buli, Muntinlupa City at a price of ₱321.0 million. As of December 31, 2010, the Parent Company classified the land under "Investment property" in the parent company statement of financial position at cost of ₱321.0 million which approximates its fair value. On March 4, 2011, the Parent Company transferred this investment property with fair value of ₱312.3 million, in exchange for 312,298 additional shares in SOC Land.

Real Estate Development

In 2011, SOC Land undertook its maiden project called Anuva Residences (the Project). The Project involves the development of a 2.4-hectare community situated near Sucat Interchange and will have four (4) tandem buildings with the first building targeted to be completed by 2013. The total estimated cost of the Project is ₱2.0 billion and is targeted for completion within five (5) years from the start of its construction.

On July 12, 2011, the groundbreaking ceremony for the Project was held and construction for the Project's Tandem Building 1 (Anala) commenced thereafter. As of December 31, 2014 and 2013, structural works has an accomplishment rate of 100.00% and 86.71%, respectively.

On September 2, 2011, SOC Land's Phase 1 project was duly registered with the BOI as a New Developer of Low- Cost Mass Housing on a Non-pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, SOC Land is entitled to an Income Tax Holiday (ITH) for three (3) years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of registration. Under the specific terms and conditions of the registration, SOC Land shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH.

On December 14, 2011, the Housing and Land Use Regulatory Board (HLURB) released SOC Land's License to Sell (LTS) for the Project.



On August 14, 2013, SOC Land has opted to surrender the original copy of the Certificate of Registration no. 2011-193 issued to SOC Land as New Developer of Low-Cost Mass Housing Project which will cancel SOC Land's entitlement to an Income Tax Holiday (ITH) for three (3) years.

SOC Land had ventured into the horizontal development arena. SOC Land acquired a property in Binan, Laguna and will be the first house and lot/lots only project of SOC Land that will be known as Althea Residences. The Althea Residences was formally launched in November 2014 and initially offer 214 choice lots, commercial and residential combined.

With 214 choice lots - 63 commercial and 151 residential lots, A total of 64 house and lot packages are also available as part of the allocated residential lots of Althea Residences which are as follows:

- Aralia - 10 Bungalow Units
- Ayanna - 27 Single Attached Units
- Aurea - 27 Single Detached Units

The second tandem building of Anuva (Azalea) and is expecting to sell 476 units combined of studio, 1BR and 2BR.

9. Property and Equipment

December 31, 2014

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Cost:				
Balances at beginning of year	₱13,020,964	₱1,735,588	₱458,886	₱15,215,438
Additions	-	-	-	-
Balances at end of year	13,020,964	1,735,588	458,886	15,215,438
Accumulated depreciation and amortization:				
Balances at beginning of year	13,020,964	1,682,137	458,886	15,161,987
Depreciation and amortization	-	33,152	-	33,152
Balances at end of year	13,020,964	1,715,289	458,886	15,195,139
Net book values	₱-	₱20,299	₱-	₱20,299

December 31, 2013

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Cost:				
Balances at beginning of year	₱13,020,964	₱1,724,138	₱458,886	₱15,203,988
Additions	-	11,450	-	11,450
Balances at end of year	13,020,964	1,735,588	458,886	15,215,438
Accumulated depreciation and amortization:				
Balances at beginning of year	13,020,964	1,629,585	449,957	15,100,506
Depreciation and amortization	-	52,552	8,929	61,481
Balances at end of year	13,020,964	1,682,137	458,886	15,161,987
Net book values	₱-	₱53,451	₱-	₱53,451



Fully depreciated property and equipment

As of December 31, 2014 and 2013, the cost of fully depreciated property and equipment amounted to ₱13.5 million. These are retained in the records and still used by the Parent Company until these are disposed or the Parent Company vacate the leased premises.

10. Accounts Payable and Other Liabilities

	2014	2013
Accrued expenses		
Personnel	₱3,188,300	₱3,188,300
Entertainment and representation	1,500,000	1,500,000
Professional fees	300,000	492,800
Travel and transportation	145,380	184,899
Others	36,000	1,024,023
Accounts payable	70,897	113,854
Government payables	58,476	71,029
	₱5,299,053	₱6,574,905

Accrued expenses

Accrued expenses include accruals for taxes and processing fees, entertainment and representation and professional fees.

Accounts payable

Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days terms.

Government payables

Government payables consist of mandatory contributions and payments to the Social Security System, Philippine Health Insurance Corporation, and the Home Development Mutual Fund and withholding tax payables which have an average term of 15 to 30 days.

11. Retirement Benefit Obligation

The following tables summarize the components of retirement benefit expense recognized in the statements of income and the funded status and amounts recognized in the balance sheets for the respective plans:

Net benefit expense

	2014	2013
Current service cost	₱160,871	₱153,020
Interest cost on benefit obligation	145,018	131,902
	₱305,889	₱284,922

Amounts recognized in comprehensive income pertaining to actuarial gain and loss amounting to a loss of ₱76,320 and a gain of ₱25,194 in 2014 and 2013, respectively.



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

	2014	2013
Opening defined benefit obligation	₱2,871,641	₱2,611,913
Current service cost	160,871	153,020
Interest cost	145,018	131,902
Actuarial loss due to changes in assumptions	152,435	163
Actuarial gain due to experience adjustments	(76,115)	(25,357)
Closing defined benefit obligation	₱3,253,850	₱2,871,641

The principal assumptions as of December 31 used in determining retirement benefit obligations for the plan are shown below:

	2014	2013
Discount rate	5.59%	5.80%
Future salary increase	5.00%	3.00%

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

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱135,599)
	(100)	155,823
Future salary increases	100	₱130,898
	(100)	(115,000)

12. Income Taxes

The Parent Company's provision for income tax represents regular corporate income tax in 2014 and MCIT in 2013.

There are deductible temporary differences, unused NOLCO, and excess MCIT for which no deferred tax assets were recognized since the Parent Company expects that these deferred tax assets will not be realized in the future.



These gross deductible temporary differences, unused NOLCO, and excess MCIT are as follows:

	2014	2013
<i>Deferred tax asset:</i>		
Retirement benefit	₱3,253,850	₱2,871,641
Allowance for impairment loss on AFS financial assets	7,263	7,263
NOLCO	–	14,999,232
Accrued expenses	–	1,350,000
MCIT	–	303,928
	3,261,113	19,532,064
<i>Deferred tax liability:</i>		
Unrealized foreign exchange gains	–	(22,428,404)
	₱3,261,113	(₱2,896,340)

The Parent Company recognized directly in equity, deferred tax liability amounting to ₱3.6 million pertain to unrealized valuation gains on fair value change of AFS financial assets on 2013.

The movement of the Parent Company's NOLCO and MCIT follows:

NOLCO

	2014	2013
Balances at beginning of year	₱14,999,232	₱–
Additions	–	14,999,232
Application	(14,999,232)	–
	₱–	₱14,999,232

MCIT

	2014	2013
Balances at beginning of year	₱303,928	₱–
Application	(303,928)	–
Additions	–	303,928
Balances at end of year	₱–	₱303,928

Below is a reconciliation of income tax computed at the statutory income tax rate to provision for income tax shown in the parent company statement of comprehensive income:

	2014	2013
Income tax at statutory tax rate of 30%	₱5,150,357	₱13,012,722
Additions to (reductions in) income tax resulting from:		
Non deductible expenses	3,696,678	674,420
Gain on sale of asset held for sale subjected to capital gains tax	–	(4,322,060)
Nontaxable income	(6,031,541)	(642,165)
Change in unrecognized deferred tax assets	(197,324)	(6,832,651)
Interest income subjected to final tax	(134,268)	(1,586,338)
	₱2,483,902	₱303,928



13. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Parent Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Parent Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Parent Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, the Parent Company has significant related party transactions as “Due from related parties” in its parent company statement of financial position.

	Transaction	Amount	Outstanding balance	Terms	Conditions
<i>Subsidiary:</i>					
SOC Land					
2014		₱208,000,000	₱1,210,752,029	Due and	
	Advances			demandable;	
2013		₱512,762,210	₱1,002,752,029	noninterest	Unsecured;
				bearing	No impairment
<i>Other related parties:</i>					
International Pipe Industries Corporation (IPIC)					
2014	Advances	(21,648,112)	–	30 days, 8%	Secured by receivables and finished goods with fair value equivalent; No impairment.
2013		(5,500,000)	21,648,112	per annum	
South China Petroleum International (SCPI)					
2014	Advances	11,612	150,400	Due and	Unsecured;
2013		12,290	138,788	demandable	No impairment
2014		₱186,363,500	₱1,210,902,429		
2013		₱507,274,500	₱1,024,538,929		

a. SOC Land

Amounts owed by SOC Land are used to finance the construction of the Project, primarily consisting of building construction costs, consultancy fees, taxes and licenses, advertising and other business expenses.

b. IPIC

IPIC is the pioneer manufacturer of large-diameter spiral welded pipes and machinery fabrication in the Philippines and Southeast Asia and has been producing quality pipes for the last 48 years. IPIC is the only company to date that has secured the American Petroleum Institute monogram in the Philippines. IPIC was also the first company in the Southeast Asia to pioneer in the design and exportation of high-tension transmission poles, weight coating of submarine line pipe and non-tension and pre-tension concrete pressure pipes.

In May 2011, the BOD authorized the Company to enter into a related party agreement with IPIC to provide a standby fund facility of up to ₱50.0 million for the acquisition of raw materials to be processed into finished steel pipe products. The Company will receive a guaranteed return on investment of at least 8% per annum. Interest earned by the Company in relation to these advances amounted to ₱1.0 million and ₱1.6 million in 2014 and 2013, respectively.



IPIC fully settled its payable to the Company amounting to ₱21.6 million in 2014.

c. SCPI

SCPI is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration. Receivable from SCPI pertains to the amount paid for SCPI's business permit and registration.

d. Key Management Personnel Compensation

Short-term employee benefits of key management personnel amounted to ₱2.3 million in 2014 and 2013.

14. Equity

a. Common Stock

The Parent Company's authorized, issued and outstanding common shares are as follows:

	December 31, 2014		December 31, 2013	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₱1 par value	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued	600,489,569	600,489,569	600,489,569	600,489,569
Subscribed	306,070,000	306,070,000	306,070,000	306,070,000
Treasury	4,639,000	(4,961,650)	4,639,000	(4,961,650)

The Parent Company was registered on September 25, 1992 with authorized capital stock amounting to ₱1.0 billion composed of one billion shares with par value ₱1.0 per share.

b. Retained Earnings

On April 7, 2010, the BOD approved a resolution earmarking ₱500.0 million of the Parent Company's retained earnings for purposes of funding its investments in SOC Land related to the Anuva Residences and Diwalwal Mine Reserve projects. On December 21, 2011, the BOD approved a resolution for the reversal of the 2010 appropriation of retained earnings and further earmarking ₱500.0 million of the Parent Company's retained earnings in 2011 for purposes of funding its investments related to the Anuva Residences and other investment projects. The construction of second tandem building of Anuva project, "Azalea" is estimated to start on the 2nd quarter of 2016 and expected to be completed on the 4th quarter of 2018.



c. Treasury Stock

On December 21, 2011, the Parent Company formalized its share repurchase program. Under the terms and conditions of the share repurchase program, 100,000,000 shares shall be repurchased from the market covering a period of twenty-four (24) months starting December 22, 2011. The total budget allocated for the share repurchase program is ₱120.0 million. The program ended last December 22, 2013 purchasing a total of 4,639,000 shares for ₱5.0 million.

15. Contracts and Commitments

Lease Agreements

- a. In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of ENZO Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight (8) months commencing on May 1, 2012 and expiring December 31, 2012. In line with the contract, the Parent Company paid a security deposit amounting ₱67,536, which is classified under “Prepayment and other current assets” (see Note 6). Minimum lease payments within a year under this contract is ₱0.1 million.

Rent expense relates to these lease contracts, presented as “Rental and Utilities” in the parent company statement of comprehensive income amounted to ₱0.2 million and ₱0.1 million in 2014 and 2013, respectively.

16. Financial Instruments

Financial Risk Management Objectives and Policies

The Parent Company’s principal financial instruments comprise cash and cash equivalents, receivables, due from related parties, security deposits, AFS financial assets and accounts payable and other liabilities. The main purpose of these financial instruments is to fund the Parent Company’s operations.

The BOD has overall responsibility for the establishment and oversight of the Parent Company’s risk management framework. The Parent Company’s risk management policies are established to identify and manage the Parent Company’s exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Parent Company’s activities.

The Parent Company has exposure to credit risk, liquidity risk and equity price risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Credit Risk

Credit risk arises when a customer or counterparty fails to discharge an obligation and cause the Company to incur a financial loss.



The Parent Company is exposed to credit risk primarily because of its investing and operating activities. The Parent Company is exposed to credit risk arising from the counterparties (ie., foreign currency denominated debt instruments, fixed income deposits and receivables) to its financial assets.

Credit Risk Management

In managing credit risk on these investments, capital preservation is paramount. The Parent Company trades only with recognized, creditworthy third parties. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities 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 by management.

With respect to credit risk arising from the other financial assets of the Parent Company, which comprise of “Cash and cash equivalents”, “Receivables”, “Due from related parties” and “Security deposits”, management monitor these financial assets on an ongoing basis with the result that the Parent Company’s exposure to impairment losses is not significant.

Credit Risk Exposures

The maximum exposure to credit risk for financial assets, which is composed of “Cash and cash equivalents”, “Receivables”, “Due from related parties”, “AFS financial assets” and “Security deposits”, is equivalent to the carrying amount of these financial assets as carried in the parent company statement of financial position. The maximum exposure to credit risk for “Due from related parties” is equivalent to the carrying amount of these financial assets as carried in the parent company statement of financial position, which is secured by collateral.

Credit Risk Concentration Profile

The Parent Company has no significant concentrations of credit risk.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Parent Company using high quality and standard quality as internal credit ratings.

A high grade financial asset pertains to a counterparty that is not expected by the Parent Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard grade financial assets pertain to other financial assets not belonging to high quality financial assets.



The table below shows the credit quality by class of financial asset based on the Parent Company's rating system as of December 31, 2014 and 2013:

2014

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Loans and receivables					
Cash and cash equivalents*	₱255,717,357	₱-	₱-	₱-	₱255,717,357
Receivables	98,414	-	4,368,432	-	4,466,846
Due from related parties	208,024,903	-	1,002,877,526	-	1,210,902,429
Security deposit**	67,536	-	-	-	67,536
AFS financial assets					
Shares of stock	21,013,568	-	-	-	21,013,568
Golf club shares	15,300,000	-	-	-	15,300,000
	₱501,221,778	₱-	₱1,007,245,958	₱-	₱1,507,467,736

*Excluding cash on hand

**Included under "Prepayments and other current assets"

2013

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Loans and receivables					
Cash and cash equivalents*	₱131,358,780	₱-	₱-	₱-	₱131,358,780
Receivables	-	-	6,677,025	-	6,677,025
Due from related parties	1,024,538,929	-	-	-	1,024,538,929
Security deposit**	62,820	-	-	-	62,820
AFS financial assets					
Shares of stock	244,664,347	-	-	-	244,664,347
Bonds	100,246,315	-	-	-	100,246,315
Golf club shares	17,650,000	-	-	-	17,650,000
	₱1,518,521,191	₱-	₱6,677,025	₱-	₱1,525,198,216

*Excluding cash on hand

**Included under "Prepayments and other current assets"

Cash and cash equivalents are considered high grade as the Parent Company trades only with top banks in the Philippines. AFS financial assets are considered high grade due to high probability of collection when sold. Standard grade receivables are for receivables from officers and employees and third parties and due from related parties which would require some reminder follow-ups to obtain settlement from the counterparties.

The table below shows the aging analysis of financial assets per class that the Parent Company held as of December 31, 2014 and 2013. A financial asset is past due when a counterparty has failed to make a payment when contractually due.



2014

	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days		
Loans and receivables							
Cash and cash equivalents*	₱255,717,357	₱-	₱-	₱-	₱-	₱-	₱255,717,357
Receivables	-	45,754	-	-	4,421,092	-	4,466,846
Due from related parties	-	30,000,000	-	-	1,180,902,429	-	1,210,902,429
Security deposit**	67,536	-	-	-	-	-	67,536
AFS financial assets:							
Shares of stock	21,013,568	-	-	-	-	-	21,013,568
Bonds	-	-	-	-	-	-	-
Golf club shares	15,300,000	-	-	-	-	-	15,300,000
	₱292,098,461	₱30,045,754	₱-	₱-	₱1,185,323,521	₱-	₱1,507,467,736

*Excluding cash on hand

**Included under "Prepayments and other current assets"

2013

	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days		
Loans and receivables							
Cash and cash equivalents*	₱131,358,780	₱-	₱-	₱-	₱-	₱-	₱131,358,780
Receivables	-	-	2,329,750	100,111	4,247,164	-	6,677,025
Due from related parties	-	137,266,543	137,000,100	110,012,191	640,260,095	-	1,024,538,929
Security deposit**	62,820	-	-	-	-	-	62,820
AFS financial assets:							
Shares of stock	244,664,347	-	-	-	-	-	244,664,347
Bonds	100,246,315	-	-	-	-	-	100,246,315
Golf club shares	17,650,000	-	-	-	-	-	17,650,000
	₱493,982,262	₱137,266,543	₱139,329,850	₱110,112,302	₱644,507,259	₱-	₱1,525,198,216

*Excluding cash on hand

**Included under "Prepayments and other current assets"

Liquidity Risk

Liquidity risk is the risk that the Parent Company will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Parent Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below summarize the maturity profile of the Parent Company's financial assets used for liquidity purposes based on contractual undiscounted cashflows, and the Parent Company's financial liabilities based on contractual undiscounted payments.

2014

	Total	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months
Financial Assets:					
Cash and cash equivalents	₱255,732,357	₱255,732,357	₱-	₱-	₱-
Receivables	4,466,846	-	45,754	401,959	4,019,133
Due from related parties	1,210,902,429	-	208,000,000	-	1,002,902,429
Security deposit**	67,536	-	67,536	-	-
AFS financial assets					
Shares of stock	21,013,568	21,013,568	-	-	-
Golf club shares	15,300,000	15,300,000	-	-	-
	₱1,507,482,736	₱292,045,925	₱208,113,290	₱401,959	₱1,006,921,562
Financial Liabilities:					
Accounts payable and other liabilities*	₱5,240,577	₱-	₱5,240,577	₱-	₱-

*Excluding government payables

**Included under "Prepayments and other current assets"



2013

	Total	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months
Financial Assets:					
Cash and cash equivalents	₱131,373,780	₱131,373,780	₱-	₱-	₱-
Receivables	6,677,025	-	2,429,861	68,000	4,179,164
Due from related parties	1,024,538,929	-	274,266,643	110,012,191	640,260,095
Security deposit**	62,820	-	62,820	-	-
AFS financial assets:					
Shares of stock	244,664,347	244,664,347	-	-	-
Bonds	100,246,315	100,246,315	-	-	-
Golf club shares	17,650,000	17,650,000	-	-	-
	₱1,525,213,216	₱493,934,442	₱276,759,324	₱110,080,191	₱644,439,259
Financial Liabilities:					
Accounts payable and other liabilities*	₱6,503,876	₱-	₱6,503,876	₱-	₱-

*Excluding government payables

**Included under "Prepayments and other current assets"

Equity Price Risk

Equity price risk is the likelihood 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 Parent Company's AFS financial assets in equity securities. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The Parent Company measures the sensitivity of its domestic AFS financial assets by using stock market index fluctuations and its effect to respective share prices. For foreign AFS financial assets, the Parent Company uses index fluctuation in the respective stock exchanges where these assets are quoted.

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, with all other variables held constant, of the Parent Company's income before income tax and equity:

Stock Exchange	Change in Stock Market Index	Effect on Income Before Income Tax	
		2014	2013
PSE	+10%	₱948,189	₱11,305,044
	-10%	(948,189)	(11,305,044)
HKEx	+5%	-	3,733,652
	-5%	-	(3,733,652)
NYSE	+10%	-	4,756,439
	-10%	-	(4,756,439)
SSE	+5%	-	307,814
	-5%	-	(307,814)
MYX	+5%	-	96,738
	-5%	-	(96,738)
TWSE	+5%	-	440,431
	-5%	-	(440,431)
NASDAQ	+10%	-	1,439,770
	-10%	-	(1,439,770)
LSE	+10%	-	550,809
	-10%	-	(550,809)
SGX	+10%	-	442,888
	-10%	-	(442,888)



The impact on the Parent Company's equity already excludes the impact on transactions affecting the parent company statement of comprehensive income.

Foreign Currency Risk

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

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

Information on the Parent Company's foreign currency denominated monetary assets and their Philippine peso equivalent as of December 31, 2014 are as follows:

	2014		2013	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
Financial Assets				
Cash - USD	128,163	₱5,731,462	557,373	₱24,747,361
Receivables - USD	-	-	43,475	1,930,290
AFS financial assets:				
Shares of stock				
Hong Kong Dollar	-	-	13,048,990	74,673,048
USD	-	-	1,225,866	59,418,603
Taiwan Dollar	-	-	5,958,400	8,808,621
Singapore Dollar	-	-	126,600	4,428,881
Thailand Baht	-	-	-	-
Malaysia Ringgit	-	-	143,640	1,934,751
Bonds - USD	-	-	2,257,290	100,223,680
	128,163	₱5,731,462	23,361,634	₱276,165,235

The table below demonstrate the sensitivity to a reasonable change in the foreign exchange rates, with all other variables held constant, of the Parent Company's income before income tax (due to the changes in the fair value of the foreign-currency-denominated assets and liabilities). This analysis covers only translational risk, and based on the negative net exposure reflected in the foreign exchange risk gap, any devaluation in the Peso and/or strengthening of the US\$ will result in a drop in net income.

	2014		2013	
	Effect on income before tax		Effect on income before tax	
	Change in Peso-Foreign Exchange Rate Increase by 5%	Change in Peso-Foreign Exchange Rate Decrease by 5%	Change in Peso-Foreign Exchange Rate Increase by 5%	Change in Peso-Foreign Exchange Rate Decrease by 5%
USD	₱286,573	(₱286,573)	₱9,315,997	(₱9,315,997)
HKD	-	-	652,450	(652,450)
NTD	-	-	440,431	(440,431)
SGD	-	-	221,444	(221,444)
THB	-	-	-	-
MYR	-	-	96,738	(96,738)
	₱286,573	(₱286,573)	₱10,727,060	(₱10,727,060)



The exchange rates as of December 31, 2014 and 2013 were:

	USD	HKD	MYR	THB	SGD	NTD
2014	₱44.72	–	–	–	–	–
2013	₱44.40	₱5.42	₱13.47	–	₱34.98	₱1.48

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

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

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents, receivables, due from related parties and accounts payable and other liabilities

The carrying amounts of cash and cash equivalents, receivables, due from related parties and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

AFS financial assets

Fair value of AFS financial assets is based on the quoted market bid prices at the close of business as of the reporting date.

Fair Value Hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.



The following table shows the Parent Company's financial instruments carried at fair value:

December 31, 2014

	Level 1	Level 2	Level 3	Total
AFS financial assets:				
Shares of stock	₱21,013,568	₱-	₱-	₱21,013,568
Golf club shares	15,300,000	-	-	15,300,000
	₱36,313,568	₱-	₱-	₱36,313,568

December 31, 2013

	Level 1	Level 2	Level 3	Total
AFS financial assets:				
Shares of stock	₱244,664,347	₱-	₱-	244,664,347
Bonds	100,246,315	-	-	100,246,315
Golf club shares	17,650,000	-	-	17,650,000
	₱362,560,662	₱-	₱-	₱362,560,662

Capital Management

The primary objective of the Parent Company'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 stockholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2014 and 2013.

The following table pertains to the account balances which the Parent Company considers as its core economic capital:

	2014	2013
Common stock	₱600,489,569	₱600,489,569
Subscribed common stock - net	76,517,500	76,517,500
Additional paid-in capital	72,272,140	72,272,140
Retained earnings	1,079,133,104	1,064,753,079
Treasury stock	(4,961,650)	(4,961,650)
	₱1,823,450,663	₱1,809,070,638



17. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during 2014:

Output VAT

The Parent Company is a VAT-registered company with output VAT declaration of ₱124,560 in 2014 on the amount of interest income earned on the Parent Company's advances to Puyat Steel Corporation and International Pipe Industries Corporation of ₱3,214,286 and ₱1,037,996, respectively.

Input VAT

Balance at beginning of year	₱53,562
Current year's domestic purchases for:	
Goods other than for resale or manufacture	4,799
Services lodged under other accounts	242,881
	<hr/>
	301,242
Less claims against output VAT	124,560
Balance at end of year	<hr/> <hr/> ₱176,682

Stock Transaction Tax

In 2014, the Parent Company paid ₱405,154 arising from the sale of AFS financial assets listed in the PSE.

Other Taxes and Licenses

In 2014, other taxes and licenses include all other taxes, local and national, including licenses and permit fees lodged under the taxes and licenses account under the costs and expenses section in the parent company statement of comprehensive income:

License and permit fees	₱269,096
Others	14,351
	<hr/>
	₱283,447

Withholding Taxes

Tax on compensation and benefits	₱513,913
Expanded withholding tax	60,130
	<hr/>
	₱574,043

