

# **SOCResources, Inc.**

Parent Company Financial Statements  
December 31, 2015 and 2014

and

Independent Auditors' Report



## **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., which comprise the parent company statements of financial position as at December 31, 2015 and 2014, 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, 2015 and 2014, 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.



Martin C. Guantes

Partner

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SEC Accreditation No. 0325-AR-3 (Group A),

August 25, 2015, valid until August 24, 2018

Tax Identification No. 152-884-272

BIR Accreditation No. 08-001998-52-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321643, January 4, 2016, Makati City

April 6, 2016



**SOCRESOURCES, INC.****PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱212,608,304	₱255,732,357
Receivables (Note 5)	6,586,889	4,466,846
Due from related parties (Note 13)	1,234,692,751	1,210,902,429
Prepayments and other current assets (Note 6)	4,057,001	3,784,315
<b>Total Current Assets</b>	<b>1,457,944,945</b>	<b>1,474,885,947</b>
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) financial assets (Note 7)	32,745,902	36,313,568
Investment in a subsidiary (Note 8)	322,298,000	322,298,000
Property and equipment (Note 9)	28,237	20,299
<b>Total Noncurrent Assets</b>	<b>355,072,139</b>	<b>358,631,867</b>
<b>TOTAL ASSETS</b>	<b>₱1,813,017,084</b>	<b>₱1,833,517,814</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other liabilities (Note 10)	₱484,840	₱5,299,053
<b>Noncurrent Liabilities</b>		
Retirement benefit obligation (Note 11)	3,286,173	3,253,850
Deferred tax liability (Note 12)	99,239	-
<b>Total Noncurrent Liabilities</b>	<b>3,385,412</b>	<b>3,253,850</b>
<b>Total Liabilities</b>	<b>3,870,252</b>	<b>8,552,903</b>
<b>Equity (Note 14)</b>		
Common stock - ₱1 par value		
Authorized - 1,000,000,000 shares		
Issued - 600,559,569 shares in 2015, and 600,489,569 in 2014	600,559,569	600,489,569
Subscribed - 306,000,000 shares in 2015 and 306,070,000 in 2014 (net of subscription receivables of ₱229,500,000 in 2015 and ₱229,552,500 in 2014)	76,500,000	76,517,500
Additional paid-in capital	72,272,140	72,272,140
Retained earnings:		
Appropriated	500,000,000	500,000,000
Unappropriated	559,066,813	579,437,032
Unrealized valuation gains on AFS financial asset (Note 7)	5,597,730	1,329,647
Actuarial gain (loss) on defined benefit plan (Note 11)	112,230	(119,327)
Treasury stock (Note 14)	(4,961,650)	(4,961,650)
<b>Equity</b>	<b>1,809,146,832</b>	<b>1,824,964,911</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,813,017,084</b>	<b>₱1,833,517,814</b>

See accompanying Notes to Parent Company Financial Statements.



**SOCRESOURCES, INC.****PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2015	2014
<b>REVENUES</b>		
Interest income (Notes 4, 7 and 13)	<b>₱2,079,453</b>	₱2,685,663
Dividend income (Note 7)	<b>273,350</b>	1,299,658
Foreign exchange gains - net	<b>287,439</b>	3,398,108
Gain on sale of AFS financial assets (Note 7)	<b>–</b>	24,525,926
	<b>2,640,242</b>	31,909,355
<b>COSTS AND EXPENSES</b>		
Provision for impairment loss on AFS financial assets (Note 7)	<b>7,835,749</b>	4,129,214
Research and development expenses	<b>4,033,140</b>	1,357,737
Personnel costs	<b>3,666,880</b>	3,608,441
Travel and transportation	<b>2,893,931</b>	1,828,309
Professional fees	<b>1,749,533</b>	1,467,545
Taxes and licenses	<b>1,261,645</b>	688,600
Telecommunications and postage	<b>201,673</b>	227,599
Trainings and seminars	<b>178,463</b>	146,092
Rent and utilities (Note 15)	<b>170,604</b>	154,287
Supplies	<b>152,029</b>	215,355
Dues and subscription	<b>94,450</b>	114,200
Repairs and maintenance	<b>39,970</b>	112,357
Depreciation and amortization (Note 9)	<b>12,899</b>	33,152
Others	<b>719,495</b>	658,612
	<b>23,010,461</b>	14,741,500
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(20,370,219)</b>	17,167,855
<b>PROVISION FOR INCOME TAX</b> (Note 12)	<b>–</b>	2,483,902
<b>NET INCOME (LOSS)</b>	<b>(20,370,219)</b>	14,683,953
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Unrealized valuation gains (loss) on AFS financial assets (Note 7)	<b>4,268,083</b>	(22,915,268)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gain (loss) on defined benefit plan - net of deferred tax liability (Note 11)	<b>231,557</b>	(76,320)
	<b>4,499,640</b>	(22,991,588)
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱15,870,579)</b>	(₱8,307,635)

See accompanying Notes to Parent Company Financial Statements.



**SOCRESOURCES, INC.**

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	Common Stock (Note 14)		Additional Paid-in Capital	Retained Earnings (Note 14)		Unrealized Valuation Gains on AFS Financial Assets - net (Note 7)	Actuarial Gain (Loss) on Defined Benefit Plan (Note 11)	Treasury Stock (Note 14)	Total
	Issued	Subscribed		Appropriated	Unappropriated				
<b>BALANCES AT DECEMBER 31, 2013</b>	<b>₱600,489,569</b>	<b>₱76,517,500</b>	<b>₱72,272,140</b>	<b>₱500,000,000</b>	<b>₱564,753,079</b>	<b>₱24,244,915</b>	<b>(₱43,007)</b>	<b>(₱4,961,650)</b>	<b>₱1,833,272,546</b>
Net income	–	–	–	–	14,683,953	–	–	–	14,683,953
Total comprehensive income (loss)	–	–	–	–	–	(22,915,268)	(76,320)	–	(22,991,588)
<b>BALANCES AT DECEMBER 31, 2014</b>	<b>600,489,569</b>	<b>76,517,500</b>	<b>72,272,140</b>	<b>500,000,000</b>	<b>579,437,032</b>	<b>1,329,647</b>	<b>(119,327)</b>	<b>(4,961,650)</b>	<b>1,824,964,911</b>
Issuance of common stocks	70,000	(70,000)	–	–	–	–	–	–	–
Collection of subscription receivable	–	52,500	–	–	–	–	–	–	52,500
Net loss	–	–	–	–	(20,370,219)	–	–	–	(20,370,219)
Other comprehensive income	–	–	–	–	–	4,268,083	231,557	–	4,499,640
<b>BALANCES AT DECEMBER 31, 2015</b>	<b>₱600,559,569</b>	<b>₱76,500,000</b>	<b>₱72,272,140</b>	<b>₱500,000,000</b>	<b>₱559,066,813</b>	<b>₱5,597,730</b>	<b>₱112,230</b>	<b>(₱4,961,650)</b>	<b>₱1,809,146,832</b>

*See accompanying Notes to Parent Company Financial Statements.*



**SOCRESOURCES, INC.****PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	<b>(₱20,370,219)</b>	₱17,167,855
Adjustments for:		
Depreciation and amortization (Note 9)	<b>12,899</b>	33,152
Interest income (Notes 4, 7 and 13)	<b>(2,079,453)</b>	(2,685,663)
Unrealized foreign exchange loss (gain)	<b>(287,439)</b>	5,839,137
Dividend income (Note 7)	<b>(273,350)</b>	(1,299,658)
Provision for impairment loss on AFS financial assets (Note 7)	<b>7,835,749</b>	4,129,214
Retirement benefit expense (Note 11)	<b>363,119</b>	305,889
Gain on sale of AFS financial assets (Note 7)	<b>–</b>	(24,525,926)
Operating loss before working capital changes	<b>(14,798,694)</b>	(1,036,000)
Increase in:		
Receivables	<b>(1,953,101)</b>	(1,102,714)
Prepayments and other current assets	<b>(272,686)</b>	(54,926)
Decrease in accounts payable and other liabilities	<b>(4,814,213)</b>	(1,275,852)
Cash flows used in operations	<b>(21,838,694)</b>	(3,469,492)
Interest received	<b>1,912,511</b>	467,370
Income tax paid	<b>–</b>	(6,019,125)
Net cash flows used in operating activities	<b>(19,926,183)</b>	(9,021,247)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received (Note 7)	<b>273,350</b>	1,589,677
Advances to related party (Note 13)	<b>(23,790,322)</b>	(208,011,611)
Acquisitions of:		
Property and equipment	<b>(20,837)</b>	–
AFS financial assets (Note 7)	<b>–</b>	(6,247,447)
Proceeds from sale of AFS financial assets (Note 7)	<b>–</b>	326,181,603
Payments received from related parties	<b>–</b>	22,686,107
Interest received on bonds (Note 7)	<b>–</b>	3,020,632
Net cash flows from (used in) investing activities	<b>(23,537,809)</b>	139,218,961
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from collection of subscription receivable (Note 14)	<b>52,500</b>	–
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<b>287,439</b>	(5,839,137)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(43,124,053)</b>	124,358,577
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>255,732,357</b>	131,373,780
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱212,608,304</b>	₱255,732,357

*See accompanying Notes to Parent Company Financial Statements.*



## **SOCRESOURCES, INC.**

### **NOTES TO PARENT COMPANY FINANCIAL STATEMENTS**

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#### **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 (SOC Land; 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.

##### Approval of the Parent Company Financial Statements

The parent company financial statements as at and for the years ended December 31, 2015 and 2014 were approved and authorized for issue by the BOD on April 6, 2016.

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#### **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 Philippine Financial Reporting Standards (PFRS). The Parent Company also prepares and issues





consolidated financial statements, which are also presented in compliance with PFRS, for the same financial year as the parent company financial statements. These are filed and may be obtained from the Philippine SEC and PSE.

#### Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the first time amendments, which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise indicated, the adoption of these amendments did not have any significant impact on the parent company financial statements.

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*
- *Annual Improvements to PFRSs (2010-2012 cycle)*
  - PFRS 2, *Share-based Payment: Definition of Vesting Condition*
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  - PAS 24, *Related Party Disclosures - Key Management Personnel*
- *Annual Improvements to PFRSs (2011-2013 cycle)*
  - PFRS 3, *Business Combination - Scope Exceptions for Joint Arrangements*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
  - PAS 40, *Investment Property*

#### New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2015

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the adoption of these standards and interpretations are not expected to have significant impact on the parent company financial statements.

*No definite adoption date prescribed by the SEC and Financial Reporting Standard Council (FRSC)*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

*Effective January 1, 2016*

- Amendments to PFRS 10, *Consolidated Financial Statements* and Amendments to PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*



- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 16, *Property, Plant and Equipment*, and Amendments to PAS 41, *Agriculture - Bearer Plants*
- Amendments to PAS 16, *Property, Plant and Equipment*, and Amendments to PAS 38, *Intangible Assets Clarification of Acceptable Methods of Depreciation and Amortization*
  
- *Annual Improvements to PFRSs (2012-2014 Cycle)*
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  - PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  - PAS 34, *Interim Financial Reporting -Disclosure of Information 'Elsewhere in the Interim Financial Report'*

*Effective January 1, 2018*

- PFRS 9, *Financial Instruments*

In addition, the International Accounting Standards Board has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Company is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers (effective January 1, 2018)*
- IFRS 16, *Leases (effective January 1, 2019)*

#### 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 Parent Company 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 Parent Company 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, 2015 and 2014.

#### *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 effective interest 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 effective interest method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit or loss.

#### *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 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 effective interest 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".

#### *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 effective interest 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, 2015 and 2014.



*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.



### 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 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 Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the 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 statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

#### 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 as follows:

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

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,

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.

#### Retirement Benefit

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

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

Defined benefit costs comprise the following:

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

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

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

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through profit or loss in the period in which they occur. Re-measurements are not reclassified to the parent company statement in comprehensive loss in subsequent periods.



### 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 effective interest rate. Effective interest 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 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.

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### **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 on SOC Land*

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 Receivables, Security Deposit and Due from Related Parties*

The Parent Company reviews the balance of receivables, security deposit 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 was no allowance for impairment losses on receivables, security deposit and due from related parties as of December 31, 2015 and 2014. The aggregate carrying amount of receivable, security deposit and due from related parties amounted to ₱1,242.0 million and ₱1,216.1 million as of December 31, 2015 and 2014, 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 six 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.

As of December 31, 2015 and 2014, the Parent Company's provision for impairment loss on AFS financial assets amounted to ₱7.8 million and ₱4.1 million, respectively (see Note 7).

The carrying amounts of AFS financial assets amounted to ₱32.7 million and ₱36.3 million as of December 31, 2015 and 2014, 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, 2015 and 2014, the unrealized valuation gain on AFS financial assets amounted to ₱5.6 million and ₱1.3 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 Property and Equipment, Investment in a Subsidiary, Input Tax and Prepayments*

The Parent Company assesses impairment on property and equipment, investment in a subsidiary, input tax and prepayments 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 2015 and 2014. The aggregate amount of property and equipment, investment in a subsidiary, input tax and prepayments amounted to ₱326.3 million and ₱325.7 million as of December 31, 2015 and 2014, 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 and unused NOLCO (see Note 12).

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#### 4. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	₱60,842,473	₱255,732,357
Cash equivalents	151,765,831	-
	<b>₱212,608,304</b>	<b>₱255,732,357</b>

Cash in 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 ₱2.1 million and ₱0.1 million in 2015 and 2014, respectively. Outstanding accrued interest receivable related to the short-term investments amounted to ₱0.2 million and nil as of December 31, 2015 and 2014, respectively (see Note 5).

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#### 5. Receivables

	2015	2014
Receivable from officers and employees	₱6,329,563	₱4,386,600
Accrued interest (see Notes 4 and 7)	166,942	-
Others	90,384	80,246
	<b>₱6,586,889</b>	<b>₱4,466,846</b>

#### 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, 2015 and December 31, 2014 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 2015 and 2014.

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**6. Prepayments and Other Current Assets**

	<b>2015</b>	2014
Prepayments	<b>₱3,449,120</b>	₱3,486,082
Input VAT	<b>483,219</b>	176,682
Security deposit (see Notes 15 and 16)	<b>72,072</b>	67,536
Supplies	<b>45,809</b>	54,015
Others	<b>6,781</b>	-
	<b>₱4,057,001</b>	₱3,784,315

Prepayments consists of prepaid taxes and insurance

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

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**7. AFS Financial Assets**

	<b>2015</b>	2014
Shares of stock	<b>₱15,645,902</b>	₱21,013,568
Golf club shares	<b>17,100,000</b>	15,300,000
	<b>₱32,745,902</b>	₱36,313,568

Shares of stock

Listed shares consist of equity securities that are traded in the Philippine Stock Exchange. 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 statements of financial position.

Dividend income earned from equity securities classified as “AFS financial assets” amounted to ₱0.3 million and ₱1.3 million in 2015 and 2014, respectively.

*Sale of Equity Shares*

In 2014, 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.

*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 amounted to ₱1.2 million.





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

	2015	2014
Balances at beginning of year	₱1,329,647	₱24,244,915
Fair value adjustments (net of impairment loss amounting to ₱7.8 million and ₱4.1 million in 2015 and 2014, respectively.)	4,268,083	(14,213,713)
Disposals	-	(8,701,555)
<b>Balances at end of year</b>	<b>₱5,597,730</b>	<b>₱1,329,647</b>

## 8. Investment in a Subsidiary

The Parent Company's investment in 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.

SOC Land was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010. 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.

The registered office address of SOC Land is 2/F ENZO Building, Bel-air, Makati City.

## 9. Property and Equipment

### December 31, 2015

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
<b>Cost:</b>				
Balances at beginning of year	₱13,020,964	₱1,735,588	₱458,886	₱15,215,438
Additions	-	20,837	-	20,837
<b>Balances at end of year</b>	<b>13,020,964</b>	<b>1,756,425</b>	<b>458,886</b>	<b>15,236,275</b>
<b>Accumulated depreciation and amortization:</b>				
Balances at beginning of year	13,020,964	1,715,289	458,886	15,195,139
Depreciation and amortization	-	12,899	-	12,899
<b>Balances at end of year</b>	<b>13,020,964</b>	<b>1,728,188</b>	<b>458,886</b>	<b>15,208,038</b>
<b>Net book values</b>	<b>₱-</b>	<b>₱28,237</b>	<b>₱-</b>	<b>₱28,237</b>



December 31, 2014

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
<b>Cost:</b>				
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
<b>Accumulated depreciation and amortization:</b>				
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

*Fully depreciated property and equipment*

As of December 31, 2015 and 2014, 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.

**10. Accounts Payable and Other Liabilities**

	2015	2014
<b>Accrued expenses:</b>		
Professional fees	<b>₱336,000</b>	₱300,000
Personnel	–	3,188,300
Entertainment and representation	–	1,500,000
Travel and transportation	–	145,380
Others	<b>2,216</b>	36,000
Accounts payable	<b>125,207</b>	70,897
Government payables	<b>21,417</b>	58,476
	<b>₱484,840</b>	₱5,299,053

Accrued expenses

Accrued expenses are expected to be settled within the next financial year.

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 Parent Company has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. RA No. 7641 (“Retirement Pay Law”), an act amending article 287 of Presidential Decree No. 442 (“Labor Code of the Philippines”), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The latest actuarial valuation report is as at December 31, 2015.

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:

### *Retirement benefit expense*

	2015	2014
Current service cost	<b>₱181,229</b>	₱160,871
Interest cost	<b>181,890</b>	145,018
	<b>₱363,119</b>	₱305,889

Amounts recognized in comprehensive income pertaining to actuarial gain and loss amounted to a gain of ₱330,796 and a loss of ₱76,320 in 2015 and 2014, respectively.

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

	2015	2014
Beginning defined benefit obligation	<b>₱3,253,850</b>	₱2,871,641
Current service cost	<b>181,229</b>	160,871
Interest cost	<b>181,890</b>	145,018
Actuarial loss/(gain) due to:		
Experience adjustments	<b>(184,992)</b>	(76,115)
Changes in demographic assumptions	<b>(68,486)</b>	-
Changes in financial assumptions	<b>(77,318)</b>	152,435
Ending defined benefit obligation	<b>₱3,286,173</b>	₱3,253,850

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

	2015	2014
Discount rate	<b>4.71%</b>	5.59%
Future salary increase	<b>3.00%</b>	5.00%

The estimated weighted average duration of benefit payment is 13 years as of December 31, 2015.



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, 2015, assuming if all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100 (100)	(₱96,554) 111,066
Future salary increases	100 (100)	₱87,205 (75,435)

## 12. Income Taxes

The provision for income tax amounted to nil and ₱2.5 million in 2015 and 2014, respectively.

Deferred tax liability as of December 31, 2015 pertains to actuarial gains on defined benefit plan recognized in other comprehensive income amounting to ₱0.1 million.

In 2015, deferred income tax asset on NOLCO was recognized amounting to ₱0.3 million to the extent of deferred tax liability arising from the unrealized foreign exchange gains amounting to ₱0.3 million.

- a. The reconciliation of provision for income tax computed at statutory income tax rate to provision for income tax follows:

	2015	2014
Provision for (benefit from) income tax at statutory tax rate	(₱6,111,066)	₱5,150,357
Adjustments resulting from tax effects of:		
NOLCO for which no deferred income tax asset was recognized during the year	5,684,852	–
Nondeductible expenses	2,970,028	1,944,937
Nontaxable income	(82,005)	(6,031,541)
Interest income subjected to final tax	(623,836)	(134,268)
Change in unrecognized deferred tax assets	(1,837,973)	1,554,417
Provision for income tax	₱–	₱2,483,902

- b. The components of the Company's net deferred income tax assets follow:

	2015	2014
Deferred income tax assets:		
Pension liability	₱3,286,173	₱3,253,850
NOLCO	18,662,066	–
Allowance for impairment loss on AFS financial assets	7,263	7,263



However, no related deferred income tax asset was recognized since management believes that it is not probable that sufficient future taxable profit will be available in the near future to allow the benefit of the deferred income tax asset to be utilized.

c. The movement of the Parent Company's NOLCO follows:

	2015	2014
Balances at beginning of year	₱-	₱14,999,232
Additions	18,949,505	-
Application	-	(₱14,999,232)
	<b>₱18,949,505</b>	<b>₱-</b>

As of December 31, 2015, the Parent Company has NOLCO amounting to ₱18.9 million that can be claimed as deduction from future taxable income until 2018.

### 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 the following significant related party transactions:

	Amount/volume		Outstanding balance		Terms	Conditions
	2015	2014	2015	2014		
<b>Subsidiary:</b>						
SOC Land.						
Advances from related parties	₱23,774,269	₱208,000,000	₱1,234,526,298	₱1,210,752,029	Due and demandable; noninterest bearing	Unsecured; No impairment
<b>Other related parties:</b>						
International Pipe Industries Corporation (IPIC)						
Advances from related parties	-	(21,648,112)	-	-	30 days, 8% per annum	Secured by receivables and finished goods with fair value equivalent; No impairment.
South China Petroleum International (SCPI)						
Advances from related parties	16,053	11,612	166,453	150,400	Due and demandable	Unsecured; No impairment
<b>Total</b>	<b>₱23,790,322</b>	<b>₱186,363,500</b>	<b>₱1,234,692,751</b>	<b>₱1,210,902,429</b>		



*Transaction with SOC Land*

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

*Transactions with other related parties*

- International Pipe Industries Corporation (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 in 2014. IPIC fully settled its payable to the company amounting to ₱21.6 million in 2014.

- South China Petroleum International (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.
- Key Management Personnel Compensation

Short-term employee benefits of key management personnel amounted to ₱2.3 million in 2015 and 2014.

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**14. Equity**

a. Common Stock

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

	December 31, 2015		December 31, 2014	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₱1 par value	<b>1,000,000,000</b>	<b>₱1,000,000,000</b>	1,000,000,000	₱1,000,000,000
Issued	<b>600,559,569</b>	<b>600,559,569</b>	600,489,569	600,489,569
Subscribed	<b>306,000,000</b>	<b>306,000,000</b>	306,070,000	306,070,000
Treasury	<b>4,639,000</b>	<b>(4,961,650)</b>	4,639,000	(4,961,650)
<b>Total</b>		<b>₱1,901,597,919</b>		<b>₱1,901,597,919</b>



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.

In 2015, 70,000 shares subscribed shares were fully paid and issued. Collection from such shares this year amounted to ₱52,500.

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 4th 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 ₱4.9 million.

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**15. Lease Agreements**

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. The lease is renewable every year for a period of twelve (12) months. In line with the contract, the Parent Company paid a security deposit amounting ₱72,072, 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 statements of comprehensive income, amounted to ₱0.2 million in 2015 and 2014.

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**16. Financial Instruments**

Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, accounts receivable, security deposit, due from related parties, 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 (i.e., 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", "AFS financial assets" and security deposits, is equivalent to the carrying amount of these financial assets as carried in the parent company statements 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, 2015 and 2014:

**2015**

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
<b>Loans and receivables</b>					
Cash and cash equivalents*	₱212,593,304	₱-	₱-	₱-	₱212,593,304
Receivables	2,187,165	-	4,399,724	-	6,586,889
Due from related parties	3,521,690	-	1,231,171,061	-	1,234,692,751
Security deposits	72,072	-	-	-	72,072
<b>AFS financial assets</b>					
Shares of stock	15,645,902	-	-	-	15,645,902
Golf club shares	17,100,000	-	-	-	17,100,000
	<b>₱251,120,133</b>	<b>₱-</b>	<b>₱1,235,570,785</b>	<b>₱-</b>	<b>₱1,486,690,918</b>

\*Excluding cash on hand.

**2014**

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
<b>Loans and receivables</b>					
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 Deposits	67,536	-	-	-	67,536
<b>AFS financial assets</b>					
Shares of stock	21,013,568	-	-	-	21,013,568
Golf club shares	15,300,000	-	-	-	15,300,000
	<b>₱500,221,778</b>	<b>₱-</b>	<b>₱1,007,245,958</b>	<b>₱-</b>	<b>₱1,507,467,736</b>

\*Excluding cash on hand.

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 reminder 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, 2015 and 2014. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

**2015**

	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 90 Days		
<b>Loans and receivables</b>							
Cash and cash equivalents*	₱212,593,304	₱-	₱-	₱-	₱-	₱212,593,304	
Receivables	-	177,027	-	10,138	6,399,724	6,586,889	
Due from related parties	3,521,690	-	-	-	1,231,171,061	1,234,692,751	
Security deposit	72,072	-	-	-	-	72,072	
<b>AFS financial assets:</b>							
Shares of stock	15,645,902	-	-	-	-	15,645,902	
Golf club shares	17,100,000	-	-	-	-	17,100,000	
	<b>₱248,932,968</b>	<b>₱177,027</b>	<b>₱-</b>	<b>₱10,138</b>	<b>₱1,237,570,785</b>	<b>₱-</b>	
						<b>₱1,486,690,918</b>	

\*Excluding cash on hand.

**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		
Loans and receivables						
Cash and cash equivalents*	₱255,717,357	₱-	₱-	₱-	₱-	₱255,717,357
Receivables	-	45,754	-	-	-	4,466,846
Due from related parties	-	30,000,000	-	-	-	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
	₱292,098,461	₱30,045,754	₱-	₱-	₱1,185,323,521	₱-
						₱1,507,467,736

\*Excluding cash on hand.

### 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.

### 2015

	Total	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months
<b>Financial Assets:</b>					
Cash and cash equivalents	₱212,608,304	₱212,608,304	₱-	₱-	₱-
Receivables	6,586,889	-	177,027	10,138	6,399,724
Due from related parties	1,234,688,751	1,231,167,061	3,521,690	-	-
Security deposit	72,072	-	72,072	-	-
AFS financial assets					
Shares of stock	15,645,902	15,645,902	-	-	-
Golf club shares	17,100,000	17,100,000	-	-	-
	₱1,486,701,918	₱1,476,521,267	₱3,770,789	₱10,138	₱6,399,724
<b>Financial Liabilities:</b>					
Accounts payable and other liabilities**	₱463,422	₱-	₱463,422	₱-	₱-

\*\*Excluding government payables

### 2014

	Total	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months
<b>Financial Assets:</b>					
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
<b>Financial Liabilities:</b>					
Accounts payable and other liabilities**	₱5,240,577	₱-	₱5,240,577	₱-	₱-

\*\*Excluding government payables

### 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.

The following table demonstrates the sensitivity to a reasonably possible change in the equity price based on past price performance and macroeconomic forecast for 2015, 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	
		2015	2014
PSE	+10%	<b>₱3,274,590</b>	₱948,189
	-10%	<b>(3,274,590)</b>	(948,189)

The impact on the Parent Company's equity already excludes the impact on transactions affecting the parent company statements 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, 2015 and 2014 are as follows:

	2015		2014	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Financial Assets				
Cash - USD	<b>\$123,177</b>	<b>₱5,796,708</b>	\$128,163	₱5,731,449

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 Dollar will result in a drop in net income.



	2015		2014	
	Effect on income before tax		Effect on income before tax	
	Change in Peso-US Dollar Exchange Rate Increase by 5%	Change in Peso-US Dollar Exchange Rate Decrease by 5%	Change in Peso-US Dollar Exchange Rate Increase by 5%	Change in Peso-US Dollar Exchange Rate Decrease by 5%
US Dollar	<b>₱289,573</b>	<b>(₱289,835)</b>	<b>₱286,573</b>	<b>(₱286,573)</b>

The exchange rates as of December 31, 2015 and 2014 were:

	USD
<b>2015</b>	<b>₱47.06</b>
2014	₱44.72

#### 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, security deposit, 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, 2015

	Level 1	Level 2	Level 3	Total
<b>AFS financial assets:</b>				
Shares of stock	<b>₱15,645,902</b>	<b>₱-</b>	<b>₱-</b>	<b>₱15,645,902</b>
Golf club shares	<b>17,100,000</b>	<b>-</b>	<b>-</b>	<b>17,100,000</b>
	<b>₱32,745,902</b>	<b>₱-</b>	<b>₱-</b>	<b>₱32,745,902</b>



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
	<b>₱36,313,568</b>	<b>₱-</b>	<b>₱-</b>	<b>₱36,313,568</b>

As of December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and there were no transfers into and out of Level 3 fair value measurements.

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 2015 and 2014.

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

	2015	2014
Common stock	<b>₱600,559,569</b>	₱600,489,569
Subscribed common stock - net	<b>76,500,000</b>	76,517,500
Additional paid-in capital	<b>72,272,140</b>	72,272,140
Retained earnings	<b>1,059,066,813</b>	1,079,437,032
Treasury stock	<b>(4,961,650)</b>	(4,961,650)
	<b>₱1,803,436,872</b>	<b>₱1,823,754,591</b>

**17. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010**

In compliance with Bureau of Internal Revenue RR No. 15-2010 issued on November 25, 2010, hereunder are the information on taxes, duties and license fees paid or accrued by the Company in 2015:

Input VAT

Balance at beginning of year	₱176,682
Current year's domestic purchases for:	
Goods other than for resale or manufacture	7,805
Services lodged under other accounts	298,732
<b>Balance at end of year</b>	<b>₱483,219</b>

The Company has no sales subject to VAT of 12% for the year ended December 31, 2015.



Other Taxes and Licenses

In 2015, 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	₱1,243,874
Others	17,771
	<hr/>
	₱1,261,645
	<hr/>

Withholding Taxes

Tax on compensation and benefits	₱456,556
Expanded withholding tax	118,926
	<hr/>
	₱575,482
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Tax Assessment and Case

As at December 31, 2015, the Parent Company has not received Final Assessment Notice and/or Formal Letter of Demand from the Bureau of Internal Revenue.

