COVER SHEET

16371

SEC Registration Number

PRIME ORION PHILIPPINES, INC.

(Company's Full Name)

20/F LKG TOWER 6801 AYALA AVENUE MAKATI CITY

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

ATTY. DAISY L. PARKER

(Contact Person)

884-1106

(Company Telephone Number)

SEC Form

06 30

Month *Day*

(Fiscal Year)

17-Q

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **31 March 2014**

2. Commission Identification Number 163671 3. BIR Tax Identification No **320-000-804-342**

PRIME ORION PHILIPPINES, INC.

4. Exact name of issuer as specified in its charter

Makati City, Philippines

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

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

20/F LKG Tower, 6801 Ayala Avenue, Makati City

7. Address of issuer's principal office Postal Code

(632) 884-1106

8. Issuer's telephone number, including area code

N/A

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

(As of 31 December 2012)

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**2,367,149,383**
Outstanding Loans (consolidated)	**P 0**

11. Are any or all of the securities listed on a Stock Exchange?
Yes [X] No [ ]

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

Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Management Discussion and Analysis of Results of Operation and Financial Condition

Consolidated Results of Operations

During the quarter, the Group reported a consolidated net income of P100.6 million compared to last year's net loss of P22.7 million. The net income for the period includes gain on the sale of Available-For-Sale (AFS) financial asset. On year to-date results, consolidated net income was P206.1 million compared to last year's P499.4 million. Net income for the nine month period includes the recognition by Tutuban Properties, Inc. (TPI) of insurance recovery arising from the fire loss, while last year's income includes the gain on condonation of debt and reversal of provision for losses arising from the approval of the Rehabilitation Plan of Lepanto Ceramics, Inc. (LCI) and the gain on sale of AFS investments.

Consolidated revenue for the quarter was up 36%, as the 3% increase in rental revenue of TPI and the realized gain on sale of AFS investments more than offset the lost revenue from tile operations.

Consolidated revenue for the nine month period amounted to P629.1 million, 25% lower from the P841.6 million last year. TPI's year-to-date rental revenue was down by 5% while revenue from tiles was minimal as sales were limited to available stocks. On the other hand, Insurance business grew by 4%.

For the quarter, consolidated cost and expenses dropped by 18%, from P238.0 million to P194.2 million. Lower consolidated costs and expenses were brought about by decrease in manufacturing costs and rental and utilities. However, these were neutralized by higher underwriting costs and operating costs.

On a year-to-date, cost and expenses decreased by 25% as rent and utilities and cost of sales went down by 13% and 91%, respectively, due primarily to lower consumption of power and water and the reduced sales from tile business. Underwriting costs of insurance business increased to P139.2 million due to higher claims and losses. The increase in operating expenses is attributable to depreciation and amortization coupled by the accrual of retirement benefits.

TPI

For the nine months period, TPI posted a higher net income of P189.8 million compared to last year's P8.8 million which can be attributable to the recognition of recovery from insurance as a result of the fire. Rental revenue decreased by 5%, from P313.6 million to P299.0 million. Operating costs decreased by 7% driven by the decrease in CUSA subsidy and depreciation and amortization.

For the quarter, TPI registered a net loss of P2.9 million compared to last year's net income of P3.5 million. Gross revenues from mall operations remained at P91 million. Overall, occupancy and rent generating area increased but rental revenue declined due to lower rental rates. On cost and expenses, CUSA related expenses decreased by 8% driven by reduced water consumption and contracted services. Direct operating expenses increased due to rent escalation.

LCI

LCI filed a Petition for Rehabilitation (PR) with RTC-Calamba under the Financial Rehabilitation and Insolvency Act of 2010. On 20 December 2012, the Court issued an Order approving the Third Amended and Restated PR. Under the Approved Rehabilitation Plan (ARP), LCI will be rehabilitated by a combination of debt re-scheduling, debt condonation and debt-equity conversion.

On August 22, 2013, LCI filed a Motion to Amend the ARP seeking the inclusion among the claims to be condoned the (a) Deposit for Future Subscription in the amount of ₱373.6 million; and (b) claims of Orion I Holdings Philippines, Inc. to the extent of 60% of the market value of LCI's assets securing the Mortgage Trust Indenture and Collateral Trust Indenture, in the amount of ₱677.5 million. On 03 March 2014, the Court issued an Order approving the amendments.

As a result of the ARP and the approval of its amendments, LCI recognized a gain from condonation of debt from trade creditors and related parties and reversal of provisions for probable losses in the amount of P1.5 billion and P3.1 billion as of 31 March 2014 and 2013, respectively.

Inclusive of the above gains, LCI reported for this quarter a net income of P1.48 billion as against P3.15 billion last year. On a year to date, the company reported a net income of P1.43 billion for FY2014 and P3.1 billion for FY2013. Isolating gain on condonation of debt and reversal of provision for losses, LCI posted a net loss of P18.2 million and P66.2 million during the quarter and nine months period, respectively, decreased by 50% and 16% from last year's P36.3 million and P78.3 million. The loss can be primarily attributed to rehabilitation costs, recognition of depreciation of factory buildings and equipments and real property taxes as period cost. Manufacturing operations remain on shut down since November 2012. However, cash flows from operations remain positive.

FLT Prime Insurance Corporation (FLT)

For the nine months period, total revenues of FLT improved by 4%, from P145.9 million to P152.4 million. The increase in revenues is attributable to net premium earned which grew by 5% as motor car business consistently expand growing 5% and accident and health contributed an increase of 10%, compared to last year. On the other hand, underwriting charges substantially increased because of higher claims and losses. As a result, FLT registered a net loss of P26.8 million as against P4.0 million of the same period last year.

During the quarter, FLT reported a net loss of P6.7 million compared to last year's net income of P8.0 million. The reduction in net income was a result of increase in underwriting costs, lower investment income coupled by an impairment loss on AFS financial asset.

Financial Condition

Total assets of the Group stood at P4.8 billion compared to last year's P4.9 billion. Cash and cash equivalents were reduced by 52% due to acquisition of new investments and purchase of real estate property in San Vicente, Palawan. Accordingly, AFS financial assets and real estate held for sale and development increased by 20% and 53%, respectively. Held to Maturity investments that matured were reinvested as AFS financial asset. Decrease in Receivables was due to improved collection. The lower cost of Inventories was due to LCI plant shut down. Increase in other current assets was due to unutilized creditable withholding during the period.

Current assets was higher than its total current liabilities, which stood at P3.2 billion and P0.9 billion respectively. Decrease in Leasehold Rights, Property Plant and Equipment and Software costs represents depreciation and amortization as of the period.

The Group reported a 13.5% decrease in total liabilities. This is attributable to the 30% reduction in accounts payable and accrued expenses. Retirement benefit obligation decreased due to contribution to the retirement fund as of the period. Increase in deferred income tax liability was a result of the recognition of recovery from insurance. Increase in unrealized valuation loss on AFS financial assets was due to decline in market value as of the reporting period.

Financing Through Loans

As of 31 March 2014, the Group has no outstanding loan from any financial institution.

The top 5 Key Performance Indicators of the Company are as follows:

Ratios	Formula	31-Mar-14	31-Mar-13	30-Jun-13
Current Ratio	Current Assets / Current liabilities	3.39:1 3,248,276 / 958,225	2.06:1 2,570,910 / 1,243,297	2.59:1 3,279,257 / 1,265,783
Debt to Equity Ratio	Total Liabilities / Equity	0.592:1 1,756,336 / 2,967,678	0.767:1 1,997,666 / 2,604,427	0.736:1 2,029,657 / 2,756,321
Capital Adequacy Ratio	Equity / Total Assets	0.619:1 2,967,678 / 4,791,010	0.556:1 2,604,427 / 4,686,410	0.567:1 2,756,321 / 4,861,570
Book Value per Share	Equity / Total # of shares	1.253 2,967,678 /2,367,149	1.100 2,604,427 /2,367,149	1.164 2,756,321 /2,367,149
Income per Share	Net Income / Total # of Shares	0.087 206,058 / 2,367,149	0.211 499,396 / 2,367,149	0.304 720,018 / 2,367,149

Current ratio shows the Group's ability to meet its short term financial obligation. As of 31 March 2014, the Group has P3.39 worth of current assets for every peso of current liabilities as compared to P2.59 as of June 30, 2013. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholder's fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 30 June 2013, debt to equity ratio improved by 20% as a result of the reported net income during the period.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Company. As of 31 March 2014, the Group's Capital Adequacy Ratio is 0.619 compared to last year's 0.567. Increase was attributable to improved Equity for the period.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 31 March 2014, the Group has book value per share of P1.253, higher by 8% compared to 30 June 2013.

Income per share is calculated by dividing net income by the weighted average number of shares issued and outstanding. As of 31 March 2014, the Group reported a P0.087 income per share as compared to last year's P0.211 per share.

(i) ***Any known trends, demands, commitments, events or uncertainties that will have a material impact on issuer's liability.***

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company and its subsidiaries liquidity increasing or decreasing in any material way.

(ii) ***Events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation***

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

(iii) ***Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.***

There are no known off-balance sheet transactions, arrangements, obligations (including contingent obligations), during the period.

(iv) ***Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.***

The Group has not entered into any material commitment for capital expenditure.

(v) ***Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales or revenues or income from continuing operations should be described.***

There are no known trends, events or uncertainties that have material impact on net sale/revenues/income from continuing operation.

(vi) ***Any significant elements of income or loss that did not arise from the registrant's continuing operations.***

The Group did not recognize income or loss during the period that did not arise from continuing operations.

(vii) ***Causes of Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%).***

Causes of any material changes from period to period of FS is included in the Financial Condition.

(viii) ***Any seasonal aspects that had a material effect on the financial condition or results of operations.***

There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

% of contribution of subsidiaries to Consolidated Net Income on a per type of business basis

Parent company (Holding company)	-8.37%
Real estate and property development	156.54%
Financial services	-14.08%
Manufacturing	-34.09%
Total	100.00%

SIGNATURES

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

Issuer:
PRIME ORION PHILIPPINES, INC.
By:

DAISY L. PARKER
Corporate Secretary
Date: 15 May 2014

RONALD P. SUGAPONG
Treasurer
Date:15 May 2014

[3rd quarter (31 Mar. 14)] c: Abby/POPI 17-Q/2013-2014

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

Unaudited Interim Consolidated Financial Statements
March 31, 2014 and June 30, 2013

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value and Number of Shares)

	UNAUDITED March 31, 2014	AUDITED June 30, 2013 As restated (Note 20)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱318,429**	₱663,821
Receivables (Note 5)	**794,589**	873,292
Inventories (Note 6)	**20,616**	34,810
Real estate held for sale and development (Note 7)	**429,497**	280,179
Amounts owed by related parties (Note 18)	**22**	24
Available-for-sale (AFS) financial assets (Note 8)	**1,464,767**	1,220,130
Held-to-maturity (HTM) investments (Note 9)	**-**	2,000
Other current assets (Note 10)	**220,356**	205,002
Total Current Assets	**3,248,276**	3,279,258
Noncurrent Assets		
Investment in associate (Note 11)	**2,588**	2,588
Leasehold rights (Note 23)	**1,060**	4,239
Investment properties (Note 12)	**743,325**	754,604
Property, plant and equipment (Note 13)	**681,247**	704,975
Software costs (Note 14)	**7,430**	7,893
Other noncurrent assets (Note 15)	**107,084**	108,013
Total Noncurrent Assets	**1,542,734**	1,582,312
TOTAL ASSETS	**₱4,791,010**	₱4,861,570

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 16)	**₱749,579**	₱1,063,951
Rental and other deposits (Note 17)	**208,646**	199,159
Amounts owed to related parties (Note 18)	**-**	2,673
Total Current Liabilities	**958,225**	1,265,783
Noncurrent Liabilities		
Retirement benefits liability (Note 20)	**89,737**	134,043
Deferred income tax liabilities - net	**226,699**	148,156
Subscriptions payable	**481,675**	481,675
Total Noncurrent Liabilities	**798,111**	763,874
Total Liabilities	**1,756,336**	2,029,657
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value		
Authorized - 2,400,000,000 shares		
Issued and subscribed - 2,367,149,383 shares		
(net of subscriptions receivable of ₱300,792 as at		
March 31, 2014 and June 30, 2013)	**2,066,357**	2,066,357
Additional paid-in capital	**829,904**	829,904
Revaluation increment on property, plant and equipment (Note 13)	**259,844**	259,844
Unrealized valuation gain (losses) on AFS financial assets	**(7,338)**	(4,762)
Re-measurement loss on retirement plans (Note 20)	**(53,269)**	(51,526)
Deficit	**(127,819)**	(343,496)
	2,967,679	2,756,321
Non-Controlling Interests	**66,995**	75,592
Total Equity	**3,034,674**	2,831,913
TOTAL LIABILITIES AND EQUITY	**₱4,791,010**	₱4,861,570

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	QUARTER ENDED MARCH 31		NINE MONTHS PERIOD ENDED MARCH 31	
	2014	2013	**2014**	2013
REVENUES				
Rental	**94,449**	90,685	**304,510**	314,244
Insurance premiums and commissions	**52,318**	53,931	**152,354**	145,902
Gain on sale of AFS investments	**134,243**	18,408	**140,354**	141,976
Merchandise sales - net	**3,690**	46,215	**15,532**	220,332
Service income	**4,805**	3,724	**6,571**	4,329
Interest income on investments	**1,842**	2,495	**5,778**	13,662
Dividend income	**2,072**	601	**4,032**	1,203
	293,420	216,060	**629,131**	841,649
COST AND EXPENSES				
Operating expenses (Note 19)	**79,626**	78,068	**241,430**	232,185
Rental and utilities	**43,765**	48,138	**143,520**	164,526
Insurance underwriting deductions	**42,787**	39,263	**139,199**	118,810
Depreciation and amortization	**20,440**	23,191	**61,140**	56,531
Cost of goods sold and services	**7,624**	49,340	**21,943**	234,450
	194,243	238,000	**607,232**	806,501
OTHER INCOME (CHARGES)				
Recovery from insurance	**-**	-	**269,882**	-
Others - net	**3,129**	13,120	**7,283**	19,245
Interest and others - net	**633**	2,159	**3,052**	6,621
Foreign exchange gains (losses) - net	**(30)**	(100)	**69**	(142)
Gain from condonation of debt	**-**	(8,456)	**-**	207,178
Gain on sale of assets	**-**	527	**-**	527
Reversal of provision for probable losses	**-**	-	**-**	243,346
Provision for impairment loss on AFS financial assets	**(2,600)**	-	**(2,600)**	-
Rehabilitation expenses	**(510)**	(6,137)	**(11,117)**	(7,607)
	623	1,113	**266,568**	469,167
	193,621	236,887	**340,664**	337,334
INCOME (LOSS) BEFORE INCOME TAX	**99,800**	(20,827)	**288,468**	504,315
PROVISION FOR INCOME TAX	**(827)**	1,834	**82,410**	4,918
NET INCOME (LOSS)	**100,626**	(22,661)	**206,058**	499,397
ATTRIBUTABLE TO:				
Equity holders of the company	**102,678**	(25,056)	**214,098**	500,602
Noncontrolling interests	**(2,051)**	2,395	**(8,039)**	(1,205)
	100,626	**(22,661)**	**206,058**	**499,397**
EARNINGS PER SHARE (Note 21)				
Basic, for income for the period attributable to ordinary equity holders of the parent	**0.04**	(0.01)	**0.09**	0.21

See Accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	QUARTER ENDED MARCH 31		NINE MONTHS PERIOD ENDED MARCH 31	
	2014	2013	**2014**	2013
NET INCOME (LOSS) FOR THE PERIOD	**100,626**	(22,661)	**206,058**	499,397
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified				
to profit or loss in subsequent period:				
Unrealized valuation gain (loss) on AFS investments	**153,220**	8,907	**(1,950)**	29,325
Other comprehensive income (loss) not to be reclassified				
to profit or loss in subsequent period:				
Remeasurement gain (loss) on retirement plan - net of tax	-	(3,949)	-	(11,846)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**253,846**	**(17,703)**	**204,108**	**516,876**
Total comprehensive income attributable to:				
Equity holders of the company	**255,897**	(20,098)	**216,174**	518,047
Noncontrolling interests	**(2,051)**	2,395	**(12,066)**	(1,170)
	253,846	**(17,703)**	**204,108**	**516,876**

See Accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED MARCH 31, 2014 AND 2013

(Amounts in Thousands)

	Capital Stock	Additional Paid In Capital	Revaluation Increment on Property, Plant and Equipment	Unrealized Valuation Gain (Loss) on AFS Investments	Remeasurement Gain (loss) on Retirement Plans (Note 20)	Deficit	Non-Controlling Interests	Total
Balances at June 30, 2012, as previously stated	2,066,357	829,904	261,018	63,034	-	(1,073,928)	85,507	2,231,893
Effect of adoption of amendments to PAS 19 - net of tax (Note 20)	-	-	-	-	(35,731)	953	-	(34,778)
Balances at June 30, 2012, as restated	2,066,357	829,904	261,018	63,034	(35,731)	(1,072,975)	85,507	2,197,115
Net income (loss) for the period	-	-	-	-		525,658	(3,600)	522,058
Other comprehensive income (loss):								
Unrealized valuation loss on AFS investments			-	26,332	-	-	161	26,493
Total Comprehensive income (loss) as previously stated	-	-	-	26,332	-	525,658	(3,439)	548,551
Effect of adoption of amendments to PAS 19 - net of tax (Note 20)	-	-	-	-	(11,846)	951	-	(10,895)
Total Comprehensive income (loss) as restated	-	-	-	26,332	(11,846)	526,609	(3,439)	537,656
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	(62,151)	-	-	-	(62,151)
Balances at March 31, 2013	**2,066,357**	**829,904**	**261,018**	**27,215**	**(47,577)**	**(546,366)**	**82,068**	**2,672,620**
Balances at June 30, 2013, as previously stated	2,066,357	829,904	259,844	(4,762)	-	(345,718)	75,592	2,881,217
Effect of adoption of amendments to PAS 19 - net of tax (Note 20)	-	-	-	-	(51,526)	2,221	-	(49,304)
Balances at June 30, 2013, as restated	2,066,357	829,904	259,844	(4,762)	(51,526)	(343,496)	75,592	2,831,913
Net loss for the period	-	-	-	-		214,098	(8,039)	206,059
Other comprehensive income (loss) for the period								
Unrealized valuation loss on AFS investments	-	-	-	(1,950)	-	-	(4,003)	(5,953)
Total Comprehensive income (loss) for the period	-	-	-	(1,950)	-	214,098	(12,042)	200,106
Effect of adoption of amendments to PAS 19 - net of tax (Note 20)					(1,744)			(1,744)
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	(625)	-	-	-	(625)
Effect of deconsolidation of a subdiary	-	-	-	-	-	1,579	3,445	5,024
Balances at March 31, 2014	**2,066,357**	**829,904**	**259,844**	**(7,337)**	**(53,269)**	**(127,820)**	**66,995**	**3,034,673**

See accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	NINE MONTHS ENDED MARCH 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**288,085**	504,315
Adjustments for:		
Gain on sale of AFS financial assets (Note 8)	**(140,354)**	(134,556)
Gain on condonation of debt	-	(207,178)
Recovery from insurance	**(269,882)**	–
Provision for impairment losses on:		
Receivables (Note 5)	**586**	-
Inventories (Note 6)	-	(1,105)
Other current assets	6	7
AFS financial assets	2,600	-
Reversal of provision for losses	-	(243,346)
Depreciation and amortization (Notes 12, 13, 14 and 26)	**61,028**	62,669
Interest income	**(9,763)**	(28,488)
Dividend income (Note 8)	**(3,649)**	(826)
Interest expense and bank charges	**933**	258
Unrealized foreign exchange losses (gains) - net	**(69)**	142
Operating loss before working capital changes	**(70,478)**	(48,109)
Decrease (increase) in:		
Receivables	**59,778**	(360,507)
Inventories	**14,194**	66,036
Real estate held for sale and development	**(149,319)**	(37,246)
Other current assets	**(15,360)**	(4,908)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(80,779)**	330,344
Rental and other deposits	**9,488**	(2,595)
Net cash flows used in operations	**(232,476)**	(56,985)
Interest received	**9,763**	**28,488**
Net cash flows used in operating activities	**(222,713)**	(28,498)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of AFS financial assets	**172,351**	277,932
Acquisitions of:		
Investment properties (Note 12)	**(12,775)**	(22)
AFS financial assets (Note 8)	**(272,185)**	(75,391)
Software cost (Note 14)	**(1,991)**	–
Property, plant and equipment (Note 13)	**(7,646)**	(12,096)
Decrease (increase) in:		
Other noncurrent assets	**(3,412)**	3,051
Amounts owed by related parties	**3**	(7)
HTM investments	**2,000**	–
Dividends received (Note 8)	**3,649**	826
Net cash flows from (used in) investing activities	**(120,005)**	194,294
CASH FLOWS FROM FINANCING ACTIVITY		
Decrease in amounts owed to related parties	**(2,673)**	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(345,391)**	165,796
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**663,820**	544,601
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)	**318,429**	710,397

See Accompanying Notes to Consolidated Financial Statements

1. Corporate Information and Status of Operations

Corporate Information
Prime Orion Philippines, Inc. (POPI; the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 19, 1989. The Parent Company's registered office address is 20th Floor LKG Tower, 6801 Ayala Avenue, Makati City. The Parent Company's primary purpose is to acquire by purchase, exchange, assign, donate or otherwise, and to hold, own and use, for investment or otherwise and to sell, assign, transfer, exchange, lease, develop, mortgage, pledge, traffic, deal in and with, and otherwise operate, enjoy and dispose of any and all properties of every kind and description and wherever situated, as and to the extent permitted by law, including but not limited to, buildings, tenements, warehouses, factories, edifices and structures and other improvements, and bonds, debentures, promissory notes, shares of capital stock, or other securities and obligations, created, negotiated or issued by any corporation, association, or other entity, domestic or foreign.

Prime Orion Philippines, Inc. and its subsidiaries, collectively referred to as "the Group", have principal business interests in holding companies, real estate and property development, financial services and manufacturing and distribution (see Note 22).

Status of Operations
On December 23, 2011, Lepanto Ceramics, Inc. (LCI; a subsidiary) filed a Petition for Rehabilitation (PR) with the Regional Trial Court (RTC) of Calamba under the Financial Rehabilitation and Insolvency Act of 2010, to arrest its continuing financial losses for the past several years and to enable it to eventually meet its financial obligations to its creditors. On March 26, 2012, the Court issued an Order, giving due course to the PR and directing the Rehabilitation Receiver (RR) to submit an amended Rehabilitation Plan (RP) based on comments submitted by creditors.

However, the Revised and Restated RP, the Second Amended and Restated RP, and the Third Amended and Restated RP, all of which were crafted by the RR, were respectively voted upon and rejected by the creditors. On November 28, 2012, the RR submitted to the Court the Third Amended and Restated RP with the Recommendation to Confirm the Third Amended and Restated RP Pursuant to Section 63, of Republic Act No. 10142.

On December 20, 2012, the Court issued an Order approving the Third Amended and Restated RP and ordering LCI to submit a Status Report on the implementation thereof every 90 days. On January 11, 2013, the RR issued a Notice to Creditors that the pay-out of claims would commence on January 21, 2013.

The following are the conditions provided in the Third Amended and Restated RP approved by the Court:

(a) Class 1 (Workers) shall be paid the full amount of their allowed claims within one (1) year from approval of the Third Amended and Restated RP;
(b) Class 2 (Local Government of Calamba) shall be paid the full amount of its allowed claim within one (1) year from approval of the Third Amended and Restated RP;
(c) Class 3 (Trade) Creditors will condone 85% of their allowed claims;
(d) Class 4 (Non-Trade Unsecured) Creditors will advance to LCI such amount necessary to pay 15% of the allowed claim of each Class 3 (Trade) Creditor;
(e) The post commencement advances of Class 4 (Non-Trade Unsecured) Creditors will be converted to voting common shares;
(f) The pre-commencement allowed claims of Class 4 (Non-Trade Unsecured) Creditors will be condoned;
(g) Class 5 (Secured) Creditor will condone its claims in excess of the market value of LCI's assets which serve as a security for LCI's liability to the Secured Creditor. All servicing of the

remaining claims of Class 5 (Secured) Creditor will be made after the Class 3 (Trade) Creditors are settled; and

(h) The common shares held by the Class 5 (Secured Creditor) in LCI will be converted to preferred shares.

On August 22, 2013, LCI filed a Motion to Amend the Rehabilitation Plan seeking the amendments to the Third Amended and Restated RP (a) inclusion of the Deposit for Future Subscription of Orion I Holdings Philippines, Inc. (OIHPI) in the amount of ₱373.6 million among the claims to be condoned; (b) Condonation of the claims of OIHPI to the extent of 60% of the market value of LCI's assets securing the Mortgage Trust Indenture and Collateral Trust Indenture, or in the amount of ₱677.5 million. On March 3, 2014, the Court issued an Order approving the amendments.

On August 6, 2012, the Board of Directors (BOD) of OYL Holdings, Inc. (OYLHI; a subsidiary) approved its immediate dissolution and commenced its liquidation thereafter. Consequently, OYLHI changed its basis of accounting from going-concern basis to liquidation basis of accounting. On November 14, 2012, the SEC approved the amended articles of incorporation of OYLHI that shorten its corporate term to December 31, 2013. As of March 31, 2014, OYLHI was deconsolidated from the Group.

On September 5, 2012, certain investments properties and property, plant and equipment of Tutuban Properties, Inc. (TPI; a subsidiary) located at Claro M. Recto, Manila were damaged by fire. Fixed assets that were completely destroyed were written off, while those partially damaged assets amounting to ₱6.6 million were provided with an allowance for impairment.

As at March 31, 2014, the insurance policy in force with FLT Prime Insurance Corporation (FPIC), a related party, includes the fire loss event for the investment properties and property, plant and equipment affected by the fire. The insurance policy was substantially ceded by FPIC to third party reinsurers.

The unaudited consolidated financial statements of the Group as at March 31, 2014 and June 30, 2013 and for the nine months ended March 31, 2014 and 2013 were approved and authorized for issuance by the BOD on May 15, 2014.

2. Basis of Preparation, Statement of Compliance, Basis of Consolidation and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for AFS investments, land, land improvements, building and building improvements under "property, plant and equipment" which are carried at fair values. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded off to the nearest thousand (₱000) except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at March 31, 2014 and June 30, 2013:

Subsidiaries	Nature of Business	Effective Percentage of Ownership	
		March 31, 2014	June 30, 2013
Real Estate, Property Development and Others:			
Orion Land, Inc. (OLI) and Subsidiaries:			
OLI	Real Estate and Investment Holding Company	**100.0**	100.0
TPI and Subsidiaries:			
TPI	Real Estate, Mall Operations	**100.0**	100.0
TPI Holdings Corporation (TPIHC)	Investment Holding Company	**100.0**	100.0
Orion Property Development, Inc. (OPDI) and Subsidiaries:			
OPDI	Real Estate Development	**100.0**	100.0
Orion Beverage, Inc. (OBI) *	Manufacturing	**100.0**	100.0
Luck Hock Venture Holdings, Inc.	Other Business Activities	**60.0**	60.0
Manufacturing and Distribution:			
OIHPI and Subsidiaries:			
OIHPI	Financial Holding Company	**100.0**	100.0
LCI	Manufacture of Ceramic Floor and Wall Tiles	**100.0**	100.0
OYLHI**	Financial Holding Company	**-**	60.0
Financial Services and Others:			
OE Holdings, Inc. (OEHI) and Subsidiaries:			
OEHI	Wholesale and Trading	**100.0**	100.0
Orion Maxis Inc. (OMI)	Marketing and Administrative Services	**100.0**	100.0
ZHI Holdings, Inc. (ZHI)	Financial Holding Company	**100.0**	100.0
FPIC	Non-Life Insurance Company	**70.0**	70.0
Orion Solutions, Inc. (OSI)	Management Information Technology Consultancy Services	**100.0**	100.0

* *Inactive*

** *Deconsolidated as of March 31, 2014*

All of the companies are incorporated and based in the Philippines.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared for the same accounting period as the Parent Company using uniform accounting policies. All significant intercompany transactions and balances between and among the Group, including intercompany profits and unrealized profits, have been eliminated in the consolidation.

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the parent.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) which were adopted as at July 1, 2013:

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments), requires an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

- PFRS 10, *Consolidated Financial Statements*, effective for annual periods beginning on or after January 1, 2013, replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretation Committee (SIC)-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 12, *Disclosure of Interests with Other Entities*, effective for annual periods beginning on or after January 1, 2013, includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

- PFRS 13, *Fair Value Measurement*, effective for annual periods beginning on or after January 1, 2013, establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Revised PAS 19, *Employee Benefits*, effective for annual periods beginning on or after January 1, 2013, includes changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. It also receives new disclosures such as, among others, a sensitive analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

- PAS 28, *Investments in Associates and Joint Ventures*, effective for annual periods beginning on or after January 1, 2013, explains that as a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The new standard is applicable but its impact is still to be assessed by the Group.

- Annual improvements to PFRSs (2009-2011 cycle).

The adoption of the new and amended standards and interpretations above do not have an impact on the accounting policies, financial position or performance of the Group.

Future Changes in Accounting Policies

The Group did not early adopt the following standards and Philippine Interpretations:

Effective for the fiscal year beginning July 1, 2014:

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

- PFRS 10, PFRS 12 and PAS 27, *Investment Entities - Exception to consolidation* (Amendments), provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with PFRS 9/PAS 39.

  An investment entity does not consolidate its subsidiaries (unless the subsidiary provides services that relate only to the entity’s own investment activities).

  The exception to consolidation applied by investment entities are not retained by parent entities that are not themselves investment entities. That is, a parent entity that is not an investment entity itself is not permitted to apply the investment entity accounting in its consolidated financial statements. Instead, it must consolidate all entities that it controls, including those controlled through an investment entity. The amended standards are effective for annual periods beginning on or after January 1, 2014. The amended standards are not expected to have an impact on the consolidated financial statements.

- PAS 36, *Recoverable Amount Disclosures for Non-financial Assets* (Amendments), is effective for annual periods beginning on or after January 1, 2014. The amendments removed the requirement to disclose the recoverable amount of a cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant when compared to the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives.

  Instead, an entity is only required to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which it has recognized or reversed an impairment loss. It also requires disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. It further requires disclosure on the discount rate(s) used when the recoverable amount is based on fair value less costs of disposal that was measured using a present value technique. The amendments to PAS 36 are to be applied retrospectively. The amended standard is not expected to have an impact on the consolidated financial statements.

- PAS 39, *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments), is effective for annual periods beginning on or after January 1, 2014. Novation of hedging instrument will not discontinue hedge accounting when all of the following conditions are met:

  i. Novation arose as a consequence of laws or regulations, or the introduction of laws or regulations.
  ii. The parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties.
  iii. Novation did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

  The amendments to PAS 39 are to be applied retrospectively. The amended standard is not expected to have an impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies,* is effective for annual periods beginning on or after January 1, 2014. This interpretation covers accounting for all levies except those that are within the scope of other standards and fines or penalties for breaches of legislation. Adoption of the interpretation when it becomes effective will not have any impact on the Group's consolidated financial statements.

Effective for the fiscal year beginning July 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after January 1, 2015, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

  The Group made an evaluation of the impact of the adoption of the standard based on the audited financial statements as at June 30, 2013 and decided not to early adopt PFRS 9 in its 2013 financial reporting ahead of its effectivity date on January 1, 2015. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

To be Determined

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the Group's consolidated financial statements.

The Group does not expect any significant impact in the consolidated financial statements when it adopts the above standards and interpretations. The revised and additional disclosures provided by the standards and interpretations will be included in the financial statements when these are adopted in the future, if applicable.

<u>Summary of Significant Accounting and Financial Reporting Policies</u>

<u>Presentation of Financial Statements</u>
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of consolidated profit or loss (separate consolidated statement of income) and a second statement beginning with consolidated profit or loss and displaying components of other comprehensive income (consolidated statement of comprehensive income).

<u>Financial Instruments - Initial Recognition</u>
Financial assets within the scope of PAS 39 are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, HTM investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial instruments are recognized initially at fair value plus transaction costs, except in the case of financial instruments recorded at FVPL.

Purchases or sales of financial instruments that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

As at March 31, 2014 and 2013, the Group's financial assets are in the nature of loans and receivables, AFS financial assets and HTM investments. The Group has no financial assets at fair value though profit or loss as at March 31, 2014 and 2013.

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, as derivatives designated as hedging instruments in an effective hedge, or as other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

As at March 31, 2014 and 2013, the Group's financial liabilities are in the nature of other financial liabilities. As at March 31, 2014 and 2013, the Group has no financial liabilities classified as at FVPL.

Financial Instruments - Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

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, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are impaired or derecognized. Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables include cash and cash equivalents, receivables and amounts owed by related parties (see Notes 4, 5, and 18).

AFS Financial Assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in 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 the market conditions.

Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

AFS financial assets are included in current assets if it is expected to be realized or disposed of within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

After initial recognition, AFS financial assets are subsequently measured at fair value with unrealized gains and losses recognized under OCI in the "Unrealized valuation gains (losses) on AFS financial assets" in the consolidated statement of changes in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or the investment is determined to be impaired, when the cumulative loss is reclassified from equity to the consolidated statement of income as finance costs.

Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the EIR. Dividends earned on holding AFS financial assets are recognized in the consolidated statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

The Group's listed and nonlisted equity securities and quoted and unquoted debt securities are classified under this category (see Note 8).

HTM Investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM investments when the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of income. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets and the Group will be precluded from using the HTM investments account for the current period and for the next two succeeding periods from tainting date. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired.

Other Financial Liabilities
After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

The Group's financial liabilities include accounts payable and accrued expenses, rental and other deposits and amounts owed to related parties (see Notes 16, 17 and 18).

<u>Fair Value of Financial Instruments</u>
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to the quoted market prices (bid price for long positions and ask price for short positions) at the close of business at the end of the reporting period, without any reduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model.

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

Offsetting of Financial Instruments
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a currently legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

Impairment of Financial Assets
The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event 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 debtors or a group of debtors 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. Interest income continues to be recognized based in the original EIR. If in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed 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 Values
For AFS financial assets, the Group assesses at each end of the reporting period whether there is objective evidence that an investment or group of investment is impaired.

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is to be evaluated against the original cost of the investment or "prolonged" against the period in which the fair value has been below its original cost. When 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 as OCI in the consolidated statement of comprehensive income, is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income while increases in fair value after impairment are recognized directly in OCI in equity.

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

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

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

- the rights to receive cash flows from the asset have expired;

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained all the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that
reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the consolidated statement of income.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV).

Costs incurred in bringing each product to its present location are accounted for as follows:
- Raw materials, factory supplies and spare parts - purchase cost on a moving-average method;

- Finished goods and work in progress - direct materials, labor, and proportion of manufacturing overhead based on normal operating capacity but excluding borrowing costs.

The NRV is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, factory supplies and spare parts is the current replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

Real Estate Held for Sale and Development
Real estate held for sale and development is carried at the lower of cost and NRV. NRV is the selling price in the ordinary course of business less the costs of completion, marketing and distribution. Cost includes acquisition cost of the land plus development and improvement costs. Borrowing costs incurred on loans obtained to finance the improvements and developments of real estate held for sale and development are capitalized while development is in progress. Repossessions are reacquired property which is measured at carried at the lower of cost and NRV at the date of reacquisition.

Creditable Withholding Taxes (CWT)
CWT which are claimed against income tax due represents excess of the tax payable and are carried over in the succeeding period for the same purpose.

Input Value-added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers for the purchase of domestic goods and/or services as required by Philippine taxation laws and regulations. Input VAT is presented as current asset.

Investments in Associates
The Group's investments in associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investments in associates. The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount in the "Equity on net income of associates" in the consolidated statement of income.

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

In the Parent Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

The effective percentage of ownership in investment in associate as at March 31, 2014 and June 30, 2013 are as follows:

	Effective Percentage of Ownership	
	March 31, 2014	June 30, 2013
BIB Aurora Insurance Brokers, Inc. (BAIBI)	**20.0**	20.0

Leasehold Rights

Leasehold rights are stated at cost and are amortized on a straight line basis over the remaining term of the lease from the start of commercial operation.

Investment Properties

The Group's investment properties include properties utilized in its mall operations, condominium unit, commercial building and certain land which are held for rentals while the rest of the land is held for capital appreciation.

Investment properties utilized in its mall operations are stated at their revalued amount as deemed cost as allowed under PFRS less accumulated depreciation and amortization and any accumulated impairment losses. Condominium unit and commercial building are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated at cost less any impairment in value.

The initial cost of investment properties include the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Leasehold improvements under investment properties (including buildings and structures) on the leased land are carried at cost less accumulated amortization and any impairment in value.

Investment properties are derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leasehold improvements and investment properties are amortized on a straight-line basis over the estimated useful lives or the term of the lease, whichever is shorter.

The lease contract on a land where investment property is located is for twenty five (25) years, which is also the amortization period of the investment property. In December 2009, the lease contract on a land where the Group's primary investment property is located was renewed (see Note 23). As a result of the lease renewal, and the review of the estimated useful life and amortization period of the said investment property, management came to a conclusion that there has been a significant change in the expected pattern of economic benefits from the said property of the Group. As a result, the Group prospectively revised the remaining amortization period of this property from an average of twenty five (25) years (which is the shorter of the lease term and the estimated useful life) to thirty five (35) years. The change has been accounted for as a change in accounting estimates.

Property, Plant and Equipment

Land and improvements and buildings and improvements at revalued amount

Land and buildings together with their improvements are stated at appraised values were determined by an independent firm of appraisers. The excess of appraised values over the acquisition costs of the properties is shown under the "Revaluation increment in property, plant and equipment" account in the consolidated statement of financial position and in the consolidated statement of changes in equity. An amount corresponding to the difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost is transferred annually from "Revaluation increment on property, plant and equipment" to "Deficit" accounts in the consolidated statement of financial position.

Leasehold improvements, machinery and equipment, transportation equipment, furniture, fixtures and equipment and hotel equipment at cost

Property, plant and equipment are carried at cost, less accumulated depreciation, amortization and any impairment in value. The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year 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 benefit expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the property, plant and equipment as follows:

	Years
Land improvements	30
Buildings and improvements	30
Machinery and equipment	5-10
Transportation equipment	5
Furniture, fixtures and equipment	3-5
Condominium units and improvements	25
Hotel equipment	5

Leasehold improvements are amortized on a straight-line basis over three (3) to five (5) years or the term of the lease, whichever is shorter.

An item of property, plant 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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The residual values, useful lives and depreciation and amortization methods are reviewed and adjusted if appropriate, at each end of the reporting period.

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

Software Costs

Software costs acquired separately are measured on initial recognition at cost. The initial cost of software costs consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Following initial recognition, software costs are carried at cost less accumulated amortization and any accumulated impairment loss.

Software costs are amortized on a straight-line basis over the assets’ estimated useful lives of three (3) to five (5) years.

The period and method of amortization for software costs with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on software costs with finite lives is recognized in the consolidated statement of income.

Impairment of Nonfinancial Assets

Inventories

The Group recognizes provision for inventory losses when the net realizable values of inventory items become lower than the costs due to obsolescence or other causes. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods, when identified, are written down to their net realizable values.

Real Estate for Sale and Development, Leasehold Rights, Investment Properties, Property, Plant and Equipment and Software Costs

The Group assesses at each end of the reporting period whether there is an indication that real estate for sale and development, leasehold rights, investment properties, property, plant and equipment and software costs may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years.

Nonfinancial Other Current and Noncurrent Assets
The Group provides allowance for impairment losses on nonfinancial other current and noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other current and noncurrent assets.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Product Classification
Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract, there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Group defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Recognition and Measurement

a) Premium Revenue
   Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for premiums arising from marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relates to the unexpired periods of the policies at financial reporting dates is accounted for as "Reserve for unearned premiums" and shown as part of "Accounts payable and accrued expenses" in the Liabilities section of the consolidated statements of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at financial reporting dates are accounted for as "Deferred reinsurance premiums" and shown under "Other noncurrent assets" in the Assets section of the consolidated statement of financial positions. The net changes in these accounts between financial reporting dates are charged to or credited against income for the period.

b) Insurance Contract Liabilities
   Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

   Provision for unearned premiums
   The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods is deferred as provision for unearned premiums using the 24^{th} method, except for the marine cargo's last two months of the year. The change in the provision for unearned premiums is taken to the consolidated statement of income in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired

insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision and incurred but not reported (IBNR) losses
Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the financial reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money and includes IBNR losses. No provision for equalization or catastrophic reserves is recognized. The liability is derecognized when the contract expires, is discharged or is cancelled.

Liability adequacy test
At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests.

c) Reinsurance Assets
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for ceded insurance liabilities. Recoverable amounts are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contract.

An impairment review is performed on all reinsurance assets when an indication of impairment arises during the financial reporting period. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized as income and expense in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

<u>Deferred Acquisition Costs</u>
Commission and other acquisition costs incurred during the financial reporting period that are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized using the twenty-forth (24^{th}) method except for marine cargo where the deferred acquisition costs pertain to the commissions for the last two (2) months of the year. Amortization is charged to the consolidated statement of income. The unamortized acquisition costs are shown as deferred acquisition cost under “other noncurrent assets.

<u>Rental and Other Deposits</u>
Customer rental and other deposits represent payment from tenants on leased properties which are refundable at the end of the lease contract.

Subscriptions Payable
Subscriptions payable pertains to the Group's unpaid subscription of shares of stock of other entities. These are recognized and carried in the books at the original subscription price in exchange of which, the shares of stock will be issued.

Capital Stock
Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to "Additional paid-in capital".

Deficit
Deficit includes accumulated losses attributable to the Group's equity holders.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

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

Rental
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

Merchandise sale - net
Revenue from sale of merchandise is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Insurance premiums and commissions
Premiums from insurance contracts are recognized as revenue over the period of the contracts using the twenty-forth (24^{th}) method. The portion of the premiums written that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Reserve for unearned premiums" included in the "Accounts payable and accrued expenses" account in the consolidated statement of financial position. The related insurance premiums ceded that pertain to the unexpired periods at the end of the reporting period are accounted for as "Deferred reinsurance premiums" shown as part of "Other noncurrent assets" in the consolidated statement of financial position. The net changes in these accounts between ends of the reporting periods are charged or credited to income for the period.

Interest income
For all financial instruments measured at amortized cost and interest bearing financial assets classified as AFS financial assets, interest income or expense is recorded using the EIR, which is the rate that exactly

discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized in the consolidated statement of income in the period these are incurred.

Earnings Per Share
Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Retirement Benefits Costs
The Group has a funded defined benefit retirement plan.

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

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 OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The standard requires an entity to recognize short-term employee benefits when an employee has rendered service in exchange of those benefits.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. A reassessment is made after the 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 the 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 give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Operating Lease Commitments - Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rent income from operating leases are recognized as income on a straight-line basis over the lease term or based on the terms of the lease, as applicable. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Operating Lease Commitments - Group as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease payments under non-cancellable operating leases are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in Philippine peso based on the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

Income Taxes

Current Income Tax

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carry forward of unused NOLCO and MCIT can be utilized, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

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

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

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered. Subsidiaries operating in the Philippines file income tax returns on an individual basis. Thus, the deferred tax assets and deferred tax liabilities are offset on a per entity basis.

Claims

The liabilities for unpaid claim costs (including incurred but not reported losses) and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves is continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense for the period in which the estimates are changed or payments are made. Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvaged recoverables and deducted from the liability for unpaid claims. The unpaid claim costs are accounted as Claims payable under “Accounts payable and accrued expenses” account in the consolidated statement of financial position.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingencies

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

Segment Reporting

The Group’s operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and contingent liabilities, at the end of the reporting period. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.
Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency
Based on the economic substance of underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the Group.

Determining Classification of Financial Instruments
The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

Determining Classification of Investment Properties
The Group classifies its buildings and improvements and land and improvements either as investment property or owner-occupied property based on its current intentions where it will be used. When buildings and improvements as well as land and improvements are held for capital appreciation or when management is still undecided as to its future use, it is classified as investment property. Buildings and improvements and land and improvements which are held for rent are classified as investment properties.

Assessing Operating Lease Commitments - Group as Lessor
The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which

are leased out under operating lease arrangements.

Assessing Operating Lease Commitments - Group as Lessee
The Group has entered into a lease agreement for the corporate office space and a subsidiary's mall operations. The Group has determined that it does not obtain all the significant risks and rewards of ownership of the assets under operating lease arrangements.

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes in circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimating Casualty Loss
As a result of the fire which occurred on September 4, 2012, the Group, in its own initiative, made an assessment of the extent of the damages sustained on its individual assets, including receivables, investment properties and property and equipment. The reassessment was conducted with the joint coordination of the Group's engineering and operations group and other technical consultants, taking into consideration various factors such as assets' net book values, restoration costs and usability as of the reassessment date. Judgment by management was particularly employed when deciding whether an asset should be provided with full or partial allowance for losses.

Management believes that the impairment assumptions are reasonable and appropriate and any differences in the actual casualty loss will impact the profit and loss during the period when the actual amounts are determined.

Estimating Allowance for Impairment Losses on Receivables and Amounts Owed by Related Parties
The Group reviews its receivables and amounts owed by related parties at each end of the reporting period to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations and considers cumulative assessment for the risk of the collectability of past due accounts. Facts, such as the Group's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered to ascertain the amount of allowance that will be provided. The allowances are evaluated and adjusted as additional information is received. For the amounts owed by related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing allowance against the recorded receivable amounts.

Receivables amounted to ₱794.6 million and ₱873.3 million as at March 31, 2014 and June 30, 2013, respectively, net of allowance for impairment losses amounting to ₱140.9 million and ₱308.9 million as at March 31, 2014 and June 30, 2013, respectively (see Note 5).

Amounts owed by related parties amounted to ₱0.02 million as at March 31, 2014 and June 30, 2013, net of allowance for impairment losses amounting to ₱1.6 million as at March 31, 2014 and June 30, 2013. There is no provision for impairment losses on amounts owed by related parties in March 31, 2014 and 2013 (see Note 18).

Estimating Allowance for Inventory Losses
The Group maintains an allowance for inventory losses. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the inventory. These factors include, but are not limited to, the physical condition and location of inventories on hand, the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period, and the purpose for which the inventory item is held.

Inventories amounted to ₱20.6 million and ₱34.8 million as at March 31, 2014 and June 30, 2013, respectively, net of allowance for inventory losses amounting to ₱97.9 million as at March 31, 2014 and June 30, 2013 (see Note 6).

Estimating Allowance for Impairment Losses on Real Estate for Sale and Development
The Group maintains an allowance for real estate for sale and development losses. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the real estate for sale and development. These factors include, but are not limited to, the physical condition and location of real estate for sale and development, the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period, and the purpose for which the real estate for sale and development item is held.

Real estate for sale and development amounted to ₱429.5 million and ₱280.2 million as at March 31, 2014 and June 30, 2013, respectively. No impairment losses were recognized in March 31, 2014 and 2013 (see Note 7).

Estimating Allowances for Impairment Losses of AFS Financial Assets
The Group recognizes impairment losses on AFS financial assets when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. For equity instruments, when determining whether the decline in value is significant, the Group considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period). For debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. 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 the AFS financial assets previously recognized in the consolidated statement of income.

Total allowance for impairment losses on AFS financial assets amounted to ₱303.1 million and ₱300.2 million as at March 31, 2014 and June 30, 2013, respectively. The carrying amounts of the Group’s AFS financial assets are ₱1,464.4 million and ₱1,220.1 million as at March 31, 2014 and June 30, 2013, respectively (see Note 8).

Estimating Allowance for Impairment of HTM Investment
The Group determines impairment of its HTM investment based on its evaluation of objective evidence of impairment which includes observable data that comes to the attention of the Group such as, but not limited to, significant financial difficulty of the counterparty or the probability that the issuer will enter bankruptcy or other financial reorganization.

As at March 31, 2014 and June 30, 2013, no impairment was recognized for the Group's HTM investment. The carrying value of the Group's HTM investment amounted to nil and ₱2.0 million as at March 31, 2014 and June 30, 2013, respectively (see Note 9).

Estimating Allowance for Impairment Losses of Investments in Associates
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the fair value of investments in associates, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such asset, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the investment is impaired. Any resulting impairment loss could have a material adverse impact on the consolidated statement of financial position and consolidated statement of income.

Investments in associates amounted to ₱2.6 million as at March 31, 2014 and June 30, 2013 (see Note 11). No impairment losses on investments in associates were recognized as at March 31, 2014 and 2013.

Estimating Useful Lives of Leasehold Rights, Investment Properties, Property, Plant and Equipment and Software Costs
The estimated useful lives used as bases for depreciating and amortizing the Group's leasehold rights, investment properties, property, plant and equipment and software costs were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group's assets.

The Group estimates the useful lives of its leasehold rights, investment properties, property, plant and equipment and software costs based on the period over which the assets are expected to be available for use. The estimated useful lives of leasehold rights, investment properties, property, plant and equipment and software costs are reviewed, at least, annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of rights, property, investment properties, leasehold plant and equipment and software costs would increase depreciation and amortization and decrease in leasehold rights, investment properties, property, plant and equipment and software costs.

The carrying value of leasehold rights amounted to ₱1.1 million and ₱4.2 million as at March 31, 2014 and June 30, 2013, respectively (see Note 23).

The carrying value of investment properties amounted to ₱743.3 million and ₱754.6 million as at March 31, 2014 and June 30, 2013, respectively (see Note 12).

The carrying value of property, plant and equipment amounted to ₱681.2 million and ₱705.0 million as at March 31, 2014 and June 30, 2013, respectively (see Note 13).

The carrying value of software costs amounted to ₱7.4 million and ₱7.9 million as at March 31, 2014 and June 30, 2013, respectively (see Note 14).

Estimating Allowance for Impairment Losses of Investment Properties
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of investment properties which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the

Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that this asset may not be recoverable. Any resulting impairment loss could have a material adverse impact on financial condition and results of operations of the Group.

No provision for impairment losses on investment properties was recognized as at March 31, 2014 and 2013. Total allowance for impairment losses on investment properties amounted ₱6.6 million as at March 31, 2014 and June 30, 2013. The carrying value of investment properties amounted to ₱743.3 million and ₱754.6 million as at March 31, 2014 and June 30, 2013, respectively (see Note 12).

Estimating Allowance for Impairment Losses of Property, Plant and Equipment, Leasehold Rights and Software Costs
The Group assesses impairment of property, plant and equipment, leasehold rights and software costs whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

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

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the risk-free rate of interest for a term consistent with the period of expected cash flows.

Estimating Allowance for Impairment Losses on Other Current and Noncurrent Assets
The Group provides allowance for losses on other current and noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for losses would increase recorded expenses and decrease other current and noncurrent assets.

As at March 31, 2014 and June 30, 2013, the carrying value of other current assets amounted to ₱220.4 million and ₱205.0 million, respectively, net of allowance for impairment losses amounting to ₱2.9 million as at March 31, 2014 and June 30, 2013 (see Note 10).

As at March 31, 2014 and June 30, 2013, the carrying value of other noncurrent assets amounted to ₱107.1 million and ₱108.0 million, respectively (see Note 15). There were no provision for impairment losses recognized as at March 31, 2014 and 2013 (see Note 15).

Claims liability arising from insurance contracts
Estimates have to be made both for the expected ultimate cost of claims reported at the financial reporting period and for the expected ultimate cost of the IBNR claims as of financial reporting period. It can take a significant period of time before the ultimate claim costs can be established with certainty. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends. At each financial reporting period, prior period claims estimates are assessed for adequacy and changes made are charged to current period provision.

The carrying values of claims payable amounted to ₱301.9 million and ₱594.6 million as at March 31, 2014 and June 30, 2013, respectively (See Note 16).

Determining Present Value of Retirement Benefits Costs
The determination of the Group's retirement benefits liability and retirement benefit costs is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the Group's accrued retirement benefits liability and annual retirement benefit costs.

Retirement benefits liability amounted to ₱89.7 million and ₱134.0 million as at March 31, 2014 and June 30, 2013, respectively. Retirement benefits costs amounted to ₱17.8 million and ₱3.8 million as at March 31, 2014 and 2013, respectively (see Note 19 and 20).

Assessing Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces it to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Significant judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. However, there is no assurance that the Group will generate sufficient future taxable profits to allow all or part of its deferred income tax assets to be utilized.

Estimating Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with inside and outside legal counsel handling the defense in these matters and is based upon the analysis of potential results. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings.

Estimating Fair Values of Financial Instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Any change in the fair value of these financial instruments would directly affect the consolidated statement of income and consolidated statement of changes in

equity.

Fair values of financial assets as at March 31, 2014 and June 30, 2013 amounted to ₱2,577.2 million and ₱2,759.3 million, respectively, while the fair values of financial liabilities as at March 31, 2014 and June 30, 2013 amounted to ₱1,439.9 million and ₱1,717.0 million, respectively (see Note 26).

4. Cash and Cash Equivalents

	March 31, 2014	June 30, 2013
	(In Thousands)	
Cash on hand and in banks	**₱120,409**	₱99,869
Short-term investments	**198,021**	563,952
	₱318,429	₱663,821

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

5. Receivables

	March 31, 2014	June 30, 2013
	(In Thousands)	
Trade debtors	**₱124,193**	₱156,644
Insurance receivables	**738,460**	777,917
Others	**72,843**	247,604
	935,496	1,182,165
Less allowance for impairment losses	**140,907**	308,873
	₱794,589	₱873,292

Trade debtors are both interest and non-interest bearing and are generally collectible on thirty (30) days' term. The interest rates used ranges from 5% to 10% per annum.

Insurance receivables consist of premiums receivable, due from ceding companies, reinsurance recoverable on paid and unpaid losses - facultative, funds held by ceding companies and reinsurance accounts receivables and are generally on 60 to 180 days' term.

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱167.8 million as at June 30, 2013. The receivables from CLC are fully provided with allowance. As of March 31, 2014, the receivables were written off.

Advances to suppliers and contractors, advances to officers and employees and interest receivables also form part of other receivables. These are non-interest bearing and are generally collectible on demand.

Allowance for impairment pertains to specific and collective assessment. The movements of allowance for impairment losses on receivables are as follows:

	Trade debtors	Insurance receivables	Others	Total
	(In Thousands)			
At June 30, 2013	₱90,617	₱7,576	₱210,680	₱308,873
Provisions (reversal) during the period (Note 19)	(673)	765	(168,058)	(167,966)
At March 31, 2014	₱89,944	₱8,341	₱42,622	₱140,907

6. **Inventories**

	March 31, 2014	June 30, 2013
	(In Thousands)	
At NRV:		
Finished goods	**₱17,825**	₱31,908
Factory supplies and spare parts	**2,791**	2,902
	₱20,616	₱34,810

Movements in the allowance for inventory losses are as follows:

	March 31, 2014	June 30, 2013
	(In Thousands)	
Balances at beginning of year	**₱97,892**	₱33,526
Provisions during the period	**–**	70,952
Recovery during the period	**–**	(6,586)
Balances at end of period	**₱97,892**	₱97,892

7. **Real Estate Held for Sale and Development**

	March 31, 2014	June 30, 2013
	(In Thousands)	
Land for development	**₱395,499**	₱246,181
Land for sale	**33,998**	33,998
	₱429,497	₱280,179

Batangas and Calamba lands pertains to real estate held for sale, the composition of cost as at March 31, 2014 and June 30, 2013 are as follows:

	March 31, 2014	June 30, 2013
Land cost	**₱277,680**	₱130,472
Construction overhead and other related costs	**97,107**	94,997
Professional fees	**17,932**	17,932
Taxes	**2,780**	2,780
	₱395,499	₱246,181

Homelands pertain to land held for development which is located in Calamba, Laguna.

Movements in the real estate held for sale and development are as follows:

	March 31, 2014	June 30, 2013
Balances at beginning of the period	**₱280,179**	₱279,120
Additions	**149,318**	141
Repossessions	–	918
Balances at end of the period	**₱429,497**	₱280,179

Additions pertain to acquisition of land in San Vicente, Palawan, taxes, construction overhead and other related costs incurred during the period.

Repossessions pertain to the cost of repossessed land held for sale located in Calamba, Laguna due to the delinquent payment from land buyers.

8. AFS Financial Assets

	March 31, 2014	June 30, 2013
	(In Thousands)	
Listed equity securities - net of allowance for impairment losses amounting to ₱294.1 million and to ₱291.5 million as at March 31, 2014 and June 30, 2013, respectively	**₱1,035,129**	₱1,007,720
Quoted debt securities	**402,695**	175,428
Unquoted debt securities	**3,672**	5,700
Nonlisted equity securities	**23,271**	31,282
	₱1,464,767	₱1,220,130

AFS financial assets in quoted shares of stock are carried at fair value with cumulative changes in fair values presented as a separate account in equity. Meanwhile, unquoted debt and nonlisted equity AFS financial assets are based on latest available transaction price at the end of the reporting period.

As at March 31, 2014 and 2013, the Group sold certain listed equity securities and recognized a gain on sale of ₱7.3 million and ₱142.0 million, respectively.

Certain AFS financial assets are reserved investments in accordance with the provisions of the Insurance Code as security for the benefit of policy holders and creditors of the FPIC.

9. HTM Investments

HTM investments at amortized cost amounted to nil and ₱2.0 as at March 31, 2014 and June 30, 2013, respectively.

HTM investments are reserved investments in accordance with the provisions of the Insurance Code as security for the benefit of policy holders and creditors of the FPIC.

10. **Other Current Assets**

	March 31, 2014	June 30, 2013
	(In Thousands)	
CWTs	**₱190,908**	₱175,421
Input VAT	**31,152**	30,298
Prepayments	**1,185**	2,253
	223,245	207,972
Less allowance for impairment losses	**2,889**	2,970
	₱220,356	₱205,002

Prepayments pertain to prepaid insurance, taxes and licenses and other prepaid expenses that are to be amortized over a period of one (1) year.

Movements in the allowance for impairment losses are as follows:

	March 31, 2014	June 30, 2013
	(In Thousands)	
Balances at beginning of the period	₱2,970	₱6,239
Provisions	6	193
Write-off	(87)	(3,462)
Balances at end of the period	₱2,889	₱2,970

11. **Investments in Associate**

	March 31, 2014	June 30, 2013
	(In Thousands)	
Acquisition costs:		
Balances at beginning of the period	**₱5,959**	₱1,416,101
Additions	–	15,666
Reclassification	–	(1,425,808)
Balances at end of the period	**5,959**	5,959
Accumulated equity in net losses of associates:		
Balances at beginning of the period	**(₱3,371)**	(₱160,052)
Equity in net income of associates	**–**	32
Reclassification	**–**	156,649
Balances at end of the period	**(3,371)**	(3,371)
	₱2,588	₱2,588

Movement of allowance for impairment follows:

	March 31, 2014	June 30, 2013
	(In Thousands)	
Balances at beginning of the period	₱–	₱725,023
Reclassification during the period	–	(725,023)
Balances at end of the period	₱–	₱–

On November 13, 2012, the SEC approved the conversion of debt to equity of Cyber Bay resulting to a change in percentage ownership of POPI from 22.28% to 17.95%. The management assessed that the Group ceased to have significant influence over Cyber Bay. As a result of the reduction in the ownership interest and loss of significant influence, the investment in Cyber Bay was reclassified to AFS financial asset starting November 13, 2012.

12. Investment Properties

As at March 31, 2014

	Buildings and Improvements	Land and Improvements	Total
		(In Thousands)	
Cost			
At beginning of year	₱2,167,397	₱131,624	₱2,299,021
Additions	46,203	–	46,203
Reclassification	(33,428)	–	(33,428)
At end of period	2,180,173	131,624	2,311,797
Accumulated Depreciation and Amortization			
At beginning of year	₱1,537,382	₱414	₱1,537,796
Depreciation and amortization (Note 19)	23,951	103	24,054
At end of period	1,561,333	517	1,561,850
	618,840	131,107	749,947
Less: Allowance for impairment losses	(6,621)	–	(6,621)
Net Book Value	₱612,219	₱131,107	₱743,325

As at June 30, 2013

	Buildings and Improvements	Land and Improvements	Total
		(In Thousands)	
Cost			
At beginning of year	₱2,187,055	₱131,624	₱2,318,679
Additions	58,486	–	58,486
Write-off	(78,144)	–	(78,144)
At end of the period	2,167,397	131,624	2,299,021
Accumulated Depreciation and Amortization			
At beginning of year	₱1,528,556	₱276	₱1,528,832
Depreciation and amortization	30,511	138	30,649
Write-off	(21,685)	–	(21,685)
At end of the period	1,537,382	414	1,537,796
	630,015	131,210	761,225
Less: Allowance for impairment losses	(6,621)	–	(6,621)
Net Book Value	₱623,394	₱131,210	₱754,604

Investment properties of TPI substantially represent leasehold improvements on the land leased from Philippine National Railways (PNR) which are utilized in TPI's office space, mall operations and held for rentals. Upon adoption of PAS 40, *Investment Property*, upon its transition in 2005, TPI chose the cost model and continues to carry these investment properties at deemed cost using their revalued amount as allowed under PFRS.

In accordance with the general requirement under PFRS 1, the Group closed out the "Revaluation Reserve" on investment properties account amounting to retained earnings which pertains to the remaining balance of the deemed cost adjustment on investment properties account which arose when the Group transitioned to PFRS in 2005.

13. **Property, Plant and Equipment**

As at March 31, 2014

	Condominium Units	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Hotel Equipment	Total
At cost							
At beginning of year	8,692	11,891	2,091,141	39,576	86,065	7,316	**2,244,682**
Additions	-	44	1,037	364	1,542	44	**3,031**
Disposals	-	-	-	-	(304)	-	**(304)**
At end of the period	8,692	11,936	2,092,178	39,940	87,303	7,360	**2,247,409**
Accumulated depreciation and amortization							
At beginning of year	4,188	6,317	2,059,799	30,114	78,771	1,402	**2,180,590**
Depreciation and amortization (Note 19)	163	157	4,182	2,888	2,330	1,571	**11,291**
Disposals	-	-	-	-	(272)	-	**(272)**
At end of the period	4,350	6,474	2,063,980	33,001	80,830	2,974	**2,191,609**
Net book value	**4,342**	**5,462**	**28,198**	**6,938**	**6,473**	**4,386**	**55,800**

At revalued amounts	**Land and Improvements**	**Buildings and Improvements**	**Total**
At beginning of year	338,470	687,589	1,026,059
Addition	-	4,614	4,614
At end of the period	338,470	692,203	1,030,673
Accumulated depreciation and amortization			
At beginning of year	17,846	367,332	385,177
Depreciation and amortization (Note 19)	510	19,539	20,049
At end of the period	18,355	386,871	405,226
Net book values	**320,114**	**305,332**	**625,446**

As at June 30, 2013

	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Condominium Units and Improvements	Hotel Equipment	Total
			(In Thousands)				
Cost							
At beginning of year	₱21,415	₱2,090,733	₱44,026	₱84,083	₱8,692	₱1,063	₱2,250,013
Additions	439	2,039	3,573	4,768	–	6,099	16,918
Disposals	–	–	(8,936)	(382)	–	–	(9,318)
Retirements	(9,963)	–	–	(411)	–	–	(10,374)
Write-off	–	(1,614)	–	(887)	–	–	(2,501)
Reclassification	–	(17)	–	(138)	–	155	–
At end of the period	11,891	2,091,141	38,663	87,033	8,692	7,317	2,244,738
Accumulated Depreciation and Amortization							
At beginning of year	16,213	2,055,838	34,635	77,089	3,970	–	2,187,744
Depreciation and amortization	66	5,521	3,504	4,208	217	1,402	14,918
Disposals	–	–	(8,936)	(382)	–	–	(9,318)
Retirements	(9,963)	–	–	(402)	–	–	(10,365)
Write-off	–	(1,561)	–	(773)	–	–	(2,334)
At end of the period	6,316	2,059,798	29,203	79,740	4,187	1,402	2,180,645
Net Book Values	₱5,575	₱31,343	₱9,460	₱7,293	₱4,505	₱5,915	₱64,093

	Land and Improvements	Buildings and Improvements	Total
		(In Thousands)	
At revalued amounts:			
At beginning of year	₱339,662	₱686,255	₱1,025,917
Revaluation	(1,193)	1,334	141
At end of the period	338,469	687,589	1,026,058
Accumulated depreciation and amortization			
At beginning of year	17,069	340,758	357,827
Depreciation and amortization	776	25,861	26,637
Revaluation	–	712	712
At end of the period	17,845	367,331	385,176
Net book values	₱320,624	₱320,258	₱640,882

Certain items of property, plant and equipment identified as idle and included under machinery and equipment were written down to their estimated recoverable amounts.

The fair value of land and improvements and buildings and improvements, which has been determined based on the latest valuations performed by Asian Appraisal Company, Inc. dated July 23, 2013, exceeds its carrying cost. Asian Appraisal Company, Inc. is an industry specialist in valuing these types of properties.

14. **Software Costs**

	March 31, 2014	June 30, 2013
	(In Thousands)	
At cost:		
Beginning balances	**₱28,645**	₱25,551
Additions	**1,991**	3,094
Ending balances	**30,636**	28,645
Accumulated amortization:		
Beginning balances	**20,752**	17,045
Amortization (Note 19)	**2,454**	3,707
Ending balances	**23,206**	20,752
Net book values at cost	**₱7,430**	₱7,893

15. **Other Noncurrent Assets**

	March 31, 2014	June 30, 2013
	(In Thousands)	
Deferred reinsurance premiums	**₱15,421**	₱33,338
Rental deposits (Note 23)	**34,511**	30,161
Deferred acquisition cost	**25,674**	20,649
Deferred input value added tax	**10,047**	10,929
Prepaid expenses	**12,585**	5,415
Others	**8,846**	7,521
	₱107,084	₱108,013

Deferred reinsurance premiums pertain to the unexpired periods of the reinsurance premiums ceded at the end of the reporting period.

Rental deposits include rental and security deposits paid which are refundable at the end of the contract.

Deferred acquisition cost pertains to the unamortized acquisition costs incurred during the period that are related to securing new insurance contracts and or renewing existing insurance contracts.

Deferred input VAT arises from the purchase of services on credit by the Group which is not yet paid as at end of the period.

Prepaid expenses are comprised of advances to insurance companies for personal accident, term life and fire and deposits to lessors which shall be applied in the future.

16. Accounts Payable and Accrued Expenses

	March 31, 2014	June 30, 2013
	(In Thousands)	
Trade payables	**₱48,185**	₱45,830
Claims payables	**301,924**	594,620
Accrued expenses	**109,650**	127,777
Reserve for unearned premiums	**103,400**	122,655
Nontrade payables	**67,137**	69,801
Due to reinsurers and ceding companies	**36,028**	29,899
Others	**83,255**	73,369
	₱749,579	₱1,063,951

Claims payables pertain to the estimated ultimate cost of incurred but not settled claims as at the reporting period.

Reserve for unearned premiums relates to the portion of the premiums for unexpired periods.

Due to reinsurers and ceding companies refers to the balance of premium and claims with respect to accepted and ceded reinsurance agreement whether directly or through brokers.

The terms and conditions of the above payables are as follows:

- Trade payables and accrued expenses are noninterest-bearing and are normally settled on thirty (30) days' term.

- All other payables are noninterest-bearing and have an average term of one (1) year.

17. Rental and Other Deposits

	March 31, 2014	June 30, 2013
	(In Thousands)	
Rental deposits (Note 23)	**₱97,981**	₱91,931
Security deposits (Note 23)	**89,342**	87,875
Construction bond	**7,943**	7,752
Customer deposits	**5,664**	3,860
Other deposits	**7,716**	7,741
	₱208,646	₱199,159

Deposits include rental, security, customer, construction bond and other deposits paid by tenants to the Group on the leased properties which are refundable at the end of the contract.

18. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Parent Company and its subsidiaries, in their normal course of business, have entered into transactions with related parties principally consisting of noninterest-bearing advances with no fixed repayment terms and are due and demandable.

Account balances with related parties, other than intra-group balances which are eliminated in consolidation, are as follows:

Category		Amount/ Volume	Outstanding Balance	Terms	Conditions
			(In Thousands)		
Amounts owed by related parties:					
Under common control					
Guoman Philippines, Inc.	**March 31, 2014**	**(1)**	**1,624**	Demandable and collectible on demand	Unsecured, non-interest bearing, with impairment of ₱1,610, and unguaranteed
	June 30, 2013	–	1,625		
Genez Investments Corp.	**March 31, 2014**	**–**	**6**	Demandable and collectible on demand	Unsecured, non-interest bearing, no impairment, and unguaranteed
	June 30, 2013	–	6		
Hong Way Holdings, Inc.	**March 31, 2014**	**(1)**	**2**	Demandable and collectible on demand	Unsecured, non-interest bearing, no impairment, and unguaranteed
	June 30, 2013	–	3		
Total	**March 31, 2014**	**(₱2)**	**₱1,632**		
Total	June 30, 2013	₱–	₱1,634		

	March 31, 2014	June 30, 2013
	(In Thousands)	
Amounts owed by related parties	**₱1,632**	₱1,634
Less allowance for impairment losses	**1,610**	1,610
	₱22	₱24

Movements of allowance for impairment losses on amounts owed by related parties are as follows:

	March 31, 2014	June 30, 2013
	(In Thousands)	
Balances at beginning of year	₱1,610	₱87,995
Reversal during the period	–	(62,462)
Write-off during the period	–	(257)
Reclassification (Note 5)	–	(23,666)
Balances at end of period	₱1,610	₱1,610

This assessment is undertaken at each financial year-end by examining the financial position of the related parties and the market in which the related parties operate.

Category		Amount / Volume	Outstanding Balance	Terms	Conditions
Amounts owed to related parties:					
Under common control					
OYL Overseas, Limited	**March 31, 2014**	**₱–**	**₱-**	Demandable and payable on demand	Unsecured, non-interest bearing, and unguaranteed
	June 30, 2013	₱–	₱2,673		

19. Operating Expenses

	NINE MONTHS PERIOD ENDED MACH 31	
	2014	**2013**
Personnel expenses	165,404	152,611
Depreciation and amortization (Note 12,13, 14 and 23)	61,140	56,531
Taxes and licenses	17,506	14,783
Professional and legal fees	14,281	14,488
Janitorial and security services	10,748	9,751
Communication and transportation	7,062	8,931
Supplies and repairs	6,001	7,852
Marketing expenses	4,972	10,532
Insurance	2,728	3,576
Representation	1,652	1,486
Provision for impairment losses (Note 5 and 10)	97	7
Provision for inventory losses	-	(1,105)
Others	10,980	9,273
	302,570	**288,716**

Others consist mainly of various charges that are individually immaterial.

20. Retirement Plan

The Group has a funded, noncontributory retirement plan covering all its regular employees. The plan provides for retirement, separation, disability and death benefits to its members. The normal retirement benefit is based on a percentage of the employees' final monthly salary for every year of credited service.

The Amendment to PAS 19 has been applied retrospectively from July 1, 2012. The Group reviewed its existing employee benefits and determined that the amended standard has a significant impact on its accounting for retirement benefits. The Group will obtain the services of an external actuary to compute the impact to the financial statements upon adoption of the standard.

The effects as at June 30, 2013 and March 31, 2013 are detailed below:

	30-Jun-13	31-Mar-13	30-Jun-12
Increase (decrease) in:			
Retirement benefits liability	(70,436)	(15,564)	(49,683)
Deferred income tax asset	21,131	4,669	14,905
Remeasurement loss on retirement plans	51,526	11,846	35,731
Retained earnings	(2,221)	(951)	(953)

The effects of the revisions to the Group's consolidated statement of income are presented below:

	30-Jun-13	31-Mar-13	30-Jun-12
Increase (decrease) in:			
Retirement benefits expense	(1,811)	(1,358)	(1,361)
Income tax expense	543	408	408
Net income	1,268	951	953

21. **Earnings Per Share**

The following table presents information necessary to calculate basic earnings per share:

	March 31, 2014	March 31, 2013
a. Net income attributable to equity holders of the Parent	**₱214,098**	₱500,602
b. Weighted average number of shares	**2,367,149**	2,367,149
Basic earnings per share (a/b)	**₱0.0904**	₱0.2115

22. **Segment Information**

Business Segments

The Group's operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit.

The industry segments where the Parent Company and its subsidiaries and associates operate are as follows:

- Holding company
- Financial services - insurance and related brokerage
- Real estate - property development
- Manufacturing and distribution - manufacture and distribution of beverage and ceramic tiles

Financial information about the operations of these business segments is summarized as follows:

	Holding Company	**Real Estate and Property Development**	**Financial Services**	**Manufacturing and Distribution**	**Total**
			(In Thousands)		
As at March 31, 2014					
Revenue	**₱2,139**	**₱442,054**	**₱169,344**	**₱15,594**	**₱629,131**
Net income (loss)	**(17,241)**	**322,560**	**(29,016)**	**(70,245)**	**206,058**
Depreciation and amortization	**573**	**33,882**	**2,188**	**24,385**	**61,028**
March 31, 2014					
Total assets	**1,022,833**	**1,873,944**	**1,083,464**	**810,769**	**4,791,010**
Capital expenditures	**259**	**1,409**	**534**	**5,443**	**7,645**
Investment in associates	**–**	**–**	**2,588**	**–**	**2,588**
Total liabilities	**525,865**	**583,723**	**513,792**	**132,956**	**1,756,336**

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Total
			(In Thousands)		
March 31, 2013					
Revenue	₱–	₱453,482	₱166,741	₱221,426	₱841,649
Net income (loss)	(9,373)	142,662	(3,796)	369,904	499,397
Depreciation and amortization	834	34,803	2,466	24,566	62,669
June 30, 2013					
Total assets	1,010,079	1,821,471	1,153,093	876,927	4,861,570
Capital expenditures	641	15,089	644	3,638	20,012
Investment in associates	–	–	2,588	–	2,588
Total liabilities	544,597	521,648	825,614	137,798	2,029,657

Geographical Segments
The Group does not have geographical segments.

23. **Long-term Lease**

On August 28, 1990, TPI, a subsidiary, through a deed of assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. on a contract of lease of the land owned by PNR for the Tutuban Terminal and where the TPI's mall is located. The contract provided for a payment of a guaranteed minimum annual rental plus a certain percentage of gross sales. The lease covers a period of twenty five (25) years until 2014 and is automatically renewable for another twenty five (25) years subject to compliance with the terms and conditions of the lease agreement.

On December 22, 2009, TPI renewed its lease contract with PNR for another twenty five (25) years beginning September 5, 2014, the end of the original lease agreement. Rent expense charged to operations amounted to ₱54.1 million and ₱53.7 million as at March 31, 2014 and 2013, respectively.

As at March 31, 2014 and June 30, 2013, the aggregate annual commitments on these existing lease agreements for the succeeding years are as follows:

	March 31, 2014	June 30, 2013
	(In Thousands)	
Less than one (1) year	**₱112,607**	₱109,982
More than (one) 1 year but not more than (five) 5 years	**626,810**	612,035
More than (five) 5 years	**3,204,793**	3,304,023
	₱3,944,210	₱4,026,040

Leasehold rights pertaining to the leased property has a book value of ₱2.1 million and ₱4.2 million as at March 31, 2014 and June 30, 2013, respectively. Movements in the carrying value of the rights are presented below.

	March 31, 2014	June 30, 2013
	(In Thousands)	
Beginning balances	**₱4,239**	₱13,165
Amortization (Note 19)	**(3,179)**	(8,926)
Net book values	**₱1,060**	₱4,239

Group as a Lessor

The Group has entered into commercial property leases on its buildings. These leases have remaining terms of one (1) year to less than five (5) years. Renewals are subject to the mutual consent of the lessor and the lessee.

Tenants are required to post security deposits, which shall be refunded, without interest, within sixty (60) days after the expiration of the lease period, deducting the amount of damages to the leased premises, if any.

24. Contingencies

The Group is contingently liable for lawsuits or claims, and assessments, which are either pending decision by the courts or under negotiation. Management and its legal counsels believe that the eventual outcome of these lawsuits or claims will not have a material effect on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

25. Financial Risk Management Objectives, Policies and Capital Management

The Group has various financial instruments such as cash and cash equivalents, receivables, amounts owed by / to related parties, AFS financial assets, HTM investments and subscriptions payable. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has other financial liabilities such as accounts payable and accrued expenses and rental and other deposits, which arise directly from its operations.

The main risks from the use of financial instruments are credit risk, liquidity risk, foreign currency risk, equity price risk and interest rate risk. The Group's BOD reviews and approves policies for managing these risks as summarized below.

Credit Risk
The Group's credit risk originates from the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due.

The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The Group's gross maximum exposure to credit risk of its financial assets, which mainly comprise of cash, excluding cash on hand, receivables, amounts owed by related parties, AFS investments and HTM investments arises from default of the counterparty which has a maximum exposure equal to the carrying amount of these instruments at reporting date.

Credit quality of neither past due nor impaired financial asset
The credit quality of financial assets is being managed by the Group by grouping its financial assets into two: (a) High grade financial assets are those that are current and collectible;
(b) Standard grade financial assets need to be consistently followed up but are still collectible.

The tables below show the credit quality by class of financial assets based on the Group's credit rating system:

March 31, 2014

	Neither past due nor impaired		Past due or individually impaired	
	High Grade	**Standard Grade**		**Total**
Financial assets:				
Loans and Receivables				
Cash and cash equivalents	**317,815**	**-**	**-**	**317,815**
Receivables				
Trade debtors	**24,456**	**174**	**99,563**	**124,193**
Insurance receivables	**554,161**	**75,210**	**109,089**	**738,460**
Others	**27,939**	**-**	**44,904**	**72,843**
Amounts owed by related parties	**22**	**-**	**1,610**	**1,632**
AFS Investments				
Listed equity securities	**1,035,129**	**-**	**-**	**1,035,129**
Quoted debt securities	**402,695**	**-**	**-**	**402,695**
Unquoted debt securities	**3,671**	**-**	**-**	**3,671**
Nonlisted equity securities	**23,271**	**-**	**8,660**	**31,931**
HTM Investments	**-**	**-**	**-**	**-**
	2,389,160	**75,384**	**263,825**	**2,728,370**

June 30, 2013

	Neither past due nor impaired		Past due or individually impaired	
	High grade	Standard grade		Total
	(In Thousands)			
Loans and Receivables:				
Cash and cash equivalents	₱663,221	₱–	₱–	₱663,221
Receivables:				
Trade debtors	23,043	34,647	98,954	156,644
Insurance receivables	679,433	31,194	67,290	777,917
Others	30,830	2,567	214,207	247,604
Amounts owed by related parties	24	–	1,610	1,634
AFS Financial Assets:				
Listed equity securities	1,007,720	–	291,501	1,299,221
Quoted debt securities	175,428	–	–	175,428
Unquoted debt securities	5,700	–	–	5,700
Nonlisted equity securities	31,282	–	–	31,282
HTM Investments	2,000	–	–	2,000
	₱2,618,681	₱68,408	₱673,562	₱3,360,651

The tables below show the aging analyses of financial assets per class that the Group held as at March 31, 2014 and June 30, 2013. A financial asset is past due when a counterparty has failed to make payment when contractually due.

	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days		
Financial assets:							
Loans and Receivables							
Cash and cash equivalents	**317,815**	-	-	-	-	-	**317,815**
Receivables							
Trade debtors	**24,630**	**2,180**	**1,320**	**2,267**	**4,141**	**89,654**	**124,193**
Insurance receivables	**629,371**	**15,959**	**9,322**	**10,452**	**65,015**	**8,341**	**738,460**
Others	**27,939**	**1,992**	-	-	-	**42,911**	**72,843**
Amounts owed by related parties	**22**	-	-	-	-	**1,610**	**1,632**
AFS Investments							
Listed equity securities	**1,035,129**	-	-	-	-	-	**1,035,129**
Quoted debt securities	**402,695**	-	-	-	-	-	**402,695**
Unquoted debt securities	**3,671**	-	-	-	-	-	**3,672**
Nonlisted equity securities	**23,271**	-	-	-	-	**8,660**	**31,931**
HTM Investments	-	-	-	-	-	-	-
	2,464,545	**20,131**	**10,642**	**12,718**	**69,156**	**151,177**	**2,728,370**

June 30, 2013	Neither past due nor impaired	Past due but not impaired Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Individually impaired	Total
			(In Thousands)				
Loans and Receivables:							
Cash and cash equivalents	₱663,221	₱–	₱–	₱–	₱–	₱–	₱663,221
Receivables:							
Trade debtors	57,690	–	2,882	1,057	4,398	90,617	156,644
Insurance receivables	710,627	12,836	8,010	4,882	33,986	7,576	777,917
Others	33,397	–	–	–	3,527	210,680	247,604
Amounts owed by related parties	24	–	–	–	–	1,610	1,634
AFS Financial Assets:							
Listed equity securities	1,007,720	–	–	–	–	291,501	1,299,221
Quoted debt securities	175,428	–	–	–	–	–	175,428
Unquoted debt securities	5,700	–	–	–	–	–	5,700
Nonlisted equity securities	31,282	–	–	–	–	–	31,282
HTM Investments	2,000	–	–	–	–	–	2,000
	₱2,687,089	₱12,836	₱10,892	₱5,939	₱41,911	₱601,984	₱3,360,651

Liquidity Risk
Liquidity risk arises when there is a shortage of funds and the Group as a consequence could not meet its maturing obligations.

In the management of liquidity, the Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The tables below summarize the maturity profile of the Group's financial liabilities as at March 31, 2014 and June 30, 2013 based on contractual undiscounted payments:

March 31, 2014

	On demand	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Total**
Accounts payable and accrued expenses	**₱650,069**	**₱3,337**	**₱42,355**	**₱53,818**	**₱749,579**
Amounts owed to related parties	**–**	**–**	**–**	**–**	**–**
	₱650,069	**₱3,337**	**₱42,355**	**₱53,818**	**₱749,579**

June 30, 2013

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Total
Accounts payable and accrued expenses	₱901,694	₱27,152	₱9,960	₱95,349	₱1,034,155
Amounts owed to related parties	2,673	–	–	–	2,673
	₱904,367	₱27,152	₱9,960	₱95,349	₱1,036,828

Foreign Currency Risk
The Group's foreign currency risk results primarily from movements of the Philippine Peso against the US Dollar. The Group's foreign currency risk arises primarily from its cash in banks and trade payables.

The Group monitors and assesses cash flows from anticipated transactions and financing agreements denominated in US Dollar.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱44.99 to US$1.00 and ₱43.20 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at March 31, 2014 and June 30, 2013, respectively**.**

The table below summarizes the Group's exposure to foreign currency risk as at March 31, 2014 and June 30, 2013. Included in the table are the Group's assets and liabilities at carrying amounts:

	March 31, 2014		June 30, 2013	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
		(In Thousands)		
Financial Asset:				
Cash in banks	**$55**	**₱2,463**	$40	₱1,728
Financial Liability:				
Accounts payable	**4**	**178**	4	173
Net financial asset	**$51**	**₱2,285**	$36	₱1,555

The following table presents the impact on the Group's income before income tax due to changes in the fair value of its financial assets and liabilities, brought about by a reasonably possible change in the US$/₱ exchange rate (holding all other variables constant) as at March 31, 2014 and June 30, 2013.

	Change in Currency Rate	Effect on Income before tax
	(In Thousands)	
March 31, 2014	**+2.00%**	**(₱46)**
	-6.00%	**137**
June 30, 2013	+1.00%	(₱16)
	-2.00%	31

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

Equity Price Risk
Equity price risk is the risk that the fair values of equities decrease as the result of change in the levels of equity indices and the value of individual stock. The equity price risk exposure arises from the Group's investment in stocks. Equity investment of the Group is categorized as AFS investments.

The Group measures the sensitivity to its equity securities by using Philippine Stock Exchange index fluctuations and its effect to respective share prices.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

The basic sensitivity analysis assumes that the stock's standard deviation on its historical yield for the past one year provides the basis for reasonably possible change in prices of the stock investment. The Group establishes the relative range of stock investment yields based on historical standard deviation for one year.

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rate relates to quoted debt instruments.

The Group regularly monitors the market interest rate movements to assess exposure impact.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, of the Group's equity as at March 31, 2014 and June 30, 2013 are as follows:

	Changes in interest rates (in basis points)	Sensitivity to equity
March 31, 2014	**+154**	**(₱6,222)**
	-154	**6,222**
June 30, 2013	**+155**	**(₱2,730)**
	-155	**2,730**

The impact on the Group's equity is caused by the changes in the market value of quoted debt due to interest rate movements.

Capital Management
The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources and considering changes in economic conditions and the risk characteristics of the Group's activities.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at March 31, 2014 and June 30, 2013.

As at March 31, 2014 and June 30, 2013, the Group considers the following accounts as capital:

	March 31, 2014	June 30, 2013
Capital stock	**₱2,066,357**	₱2,066,357
Additional paid-in capital	**829,904**	829,904
	₱2,896,261	₱2,896,261

The Group is not subject to externally imposed capital requirements.

26. **Financial Instruments**

The carrying values and fair values of the Group's financial assets and financial liabilities as at March 31, 2014 and June 30, 2013 are set out below:

	Carrying Amounts		Fair Values	
	March 31, 2014	June 30, 2013	**March 31, 2014**	June 30, 2013
Financial assets:				
Loans and Receivables				
Cash and cash equivalents	**317,815**	663,821	**317,815**	663,821
Receivables				
Trade debtors	**34,538**	66,027	**34,538**	66,027
Insurance receivables	**730,119**	770,341	**730,119**	770,341
Others	**29,931**	36,924	**29,931**	36,924
Amounts owed by related parties	**22**	24	**22**	24
	1,112,426	1,537,137	**1,112,426**	1,537,137
AFS Investments				
Listed equity securities	**1,035,129**	1,007,720	**1,035,129**	1,007,720
Quoted debt securities	**402,695**	175,428	**402,695**	175,428
Unquoted debt securities	**3,671**	5,700	**3,671**	5,700
Nonlisted equity securities	**23,271**	31,282	**23,271**	31,282
	1,464,767	1,220,130	**1,464,767**	1,220,130
HTM Investments	-	2,000	-	2,000
	2,577,193	2,759,267	**2,577,193**	2,759,267
Financial liabilities:				
Other financial liabilities:				
Accounts payable and accrued expenses	**749,579**	1,034,155	**749,579**	1,034,155
Subscription payable	**481,675**	481,675	**481,675**	481,675
Amounts owed to related parties	**0**	2,673	**0**	2,673
Rental and other deposit	**208,646**	199,159	**208,646**	198,471
	1,439,900	1,717,662	**1,439,900**	1,716,974

<u>Fair Values of Financial Instruments</u>
The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents
The carrying amount of cash and cash equivalents approximates its fair value due to the short-term maturity of this financial instrument
Receivables, Accounts Payable and Accrued Expenses and Amounts owed by/to Related Parties
The carrying amounts receivables, accounts payable and accrued expenses and amounts owed by/to related parties approximate their fair values due to their short-term nature.

Rental and Other Deposits
Rental and other deposits estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of loans.

AFS Investments
AFS equity financial assets that are listed are based on their bid prices as at March 31, 2014 and June 30, 2013. AFS debt financial assets that are quoted are based on market prices. Unquoted debt and nonlisted AFS financial assets are based on latest available transaction price at the end of the reporting period.

HTM Investments
HTM investments are based on quoted price.

Fair Value Hierarchy
The Group 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 that have significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 - Techniques that use inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets measured at fair value

March 31, 2014

	Level 1	Level 2	Level 3	Total
AFS Investments:				
Listed equity securities	**₱1,035,129**	**₱ -**	**₱ -**	**₱1,035,129**
Quoted debt securities	**402,695**	**-**	**-**	**402,695**
Unquoted debt securities	**-**	**3,671**	**-**	**3,671**
Nonlisted equity securities	**-**	**23,271**	**-**	**23,271**
	₱1,437,824	**₱26,942**	**₱-**	**₱1,464,766**

June 30, 2013

	Level 1	Level 2	Level 3	Total
AFS investments:				
Listed equity securities	₱1,007,720	₱–	₱–	₱1,007,720
Quoted debt securities	175,428	–	–	175,428
Unquoted debt securities	–	5,700	–	5,700
Nonlisted equity securities	–	31,282	–	31,282
	₱1,183,148	₱36,982	₱–	₱1,220,130

As at March 31, 2014, there are no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As at March 31, 2014

	AMOUNT
Current	₱24,632
1 to 30 days	2,180
31 to 60 days	1,320
61 to 90 days	2,267
Over 90 days	93,796
Total receivable-trade	**124,195**
Advances to Employees	8,659
Insurance receivable	738,482
Others	64,160
Total non-trade receivable	**811,301**
Total receivable	**935,496**
Allowance for doubtful accounts	**(140,907)**
	₱794,589