COVER SHEET
for
SEC FORM 17-A

SEC Registration Number

P W 2

Company Name

A SORIANO CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.ph	819-0251	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,363	Third Wednesday of April	12/31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	nancievillaflor1029@gmail.com	819-0251	N/A

Contact Person's Address

7TH FLOOR PACIFIC STAR BLDG., MAKATI AVE., CORNER GIL PUYAT AVE. EXTENSION, MAKATI CITY

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2014**

2. SEC Identification Number **PW – 02** 3. BIR Tax Identification No. **000-103-216-000**

4. Exact name of issuer as specified in its charter **A. SORIANO CORPORATION**

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

6. (SEC Use Only)
   Industry Classification Code:

7. **7/F Pacific Star Building, Makati Ave., cor Gil Puyat Avenue, Makati City** **1209**
   Address of principal office Postal Code

8. **(632) 819-0251 to 60**
   Issuer's telephone number, including area code

9. **Not applicable**
   Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stock, ₱1 par value	**2,500,000,000**
Long-term commercial paper	**none**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [X] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange **Common stock, ₱1 par value**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 there under or Section 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that 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 [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

Aggregate market value as of February 28, 2015 - ₱ **8,818,905,413.40**

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

NOT APPLICABLE

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

Portion of the Company’s 2014 Annual Report to Stockholders is incorporated by reference into Part II of this report.

(b) Any information statement filed pursuant to SRC Rule 20;

Definitive Information Statement filed pursuant to SRC Rule 20.

(c) Any prospectus filed pursuant to SRC Rule 8.1.

Not applicable

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1.	**Business**

A. Soriano Corporation (“Anscor”) was incorporated on February 13, 1930.

Anscor is a Philippine holding company with diverse investments. Anscor’s major investments are in Phelps Dodge Philippines Energy Products Corporation (“PDP Energy”) which manufactures wire and cable products and Seven Seas Resorts and Leisure, Inc., owner of Amanpulo Resort. It has investments in US-based nurse and physical therapists staffing company and steel modular engineering and constructions. It has other investments in companies engaged in a wide range of activities in the Philippines including aviation, nurse deployment, business process outsourcing and real estate. As a holding company, the principal sources of income for Anscor are: the share in net earnings of the companies in which it has investments, management fees, interest income, dividends and gains from the sale of investments mainly the trading gain on marketable securities and bonds.

As of 31st December 2014, the Company’s consolidated total assets stood at ₱21.3 billion. For the year ended 31st December 2014, consolidated revenues of the Company amounted to about ₱4.2 billion.

In 2014, taking most promising opportunities, Anscor raised its stake in Phelps Dodge International Philippines, Inc. (PDIPI) by acquiring the 60% stake of General Cable Corporation, making PDIPI a 100%-owned subsidiary of Anscor.

Through Prople, the business-solutions provider, Anscor also acquired K&A, a US-based accounting firm, to help expand the company’s BPOservices business.

Growing the businesses is vital to Anscor’s long-term success. The company keeps a tight watch on the existing portfolio of businesses and new opportunities as they emerge.

In 2014, Anscor was able to increase revenue, manage expenses, and improve business margins and profitability of most of its operating units.

A. Soriano Corporation has the following direct/indirect subsidiaries/associates as of December 31, 2014:

Company	Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
IQ Healthcare Investments Limited	100%	Manpower Services	British Virgin Island
Cirrus Medical Staffing, Inc.	94%	Manpower Services	USA
Cirrus Holdings USA, LLC	94%	Manpower Services	USA
Cirrus Allied, LLC (formerly MDI Medicals, LLC)	94%	Manpower Services	USA
NurseTogether, LLC	94%	Online Community	USA
AG&P International Holdings, Ltd. *	27%	Holding Company	British Virgin Island
Anscor Property Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Goldenhall Corporation	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Summerside Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Cirrus Global, Inc.	93%	Manpower Services	Philippines
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	Houston, Texas, United States
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines

Company	Ownership	Business	Jurisdiction
AFC Agribusiness Corporation	81%	Agricultural Land Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
Enderun Colleges, Inc.	20%	Culinary School	Philippines
Prople Limited, Inc.	20%	Business Processing & Outsourcing	British Virgin Island
Prople, Inc.	20%	Business Processing & Outsourcing	Philippines
KSA Realty Corporation	11%	Realty	Philippines
Direct WithHotels	15%	Online Reservation	Philippines

* Its associate is engaged in modular steel fabrication.

Investments

Phelps Dodge Philippines Energy Products Corporation (PDP Energy)

PDP Energy is the leading domestic integrated manufacturer of quality wires and cables.

Phelps Dodge International Philipines, Inc. (PDIPI), the parent company of PDP Energy, was incorporated in 1955 and commenced production in 1957. Its product line is composed principally of copper-based wires and cables including building wires, telecommunication cables, power cables, automotive wires and magnet wires. The principal shareholders of PDIPI are Anscor and formerly General Cable Company (GCC), the 2nd largest wire and cable manufacturing firm in the world. PDP Energy has a technical assistance contract with GCC and a management contract with Anscor covering marketing, administration and finance. The management contract provides, among others, for payment of annual management fees amounting to P7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fee (VAT exclusive). The technical assistance agreement previously transacted with GCC provided annual payment amounting to a certain percentage of audited income before tax and management and technical assistance fee (VAT exclusive). The strategy of PDP Energy is to focus on the production of higher value-added wire and cable products. All the manufacturing operation of PDIPI effective September 1998, was lodged under PDP Energy.

On December 19, 2014, PDP Energy entered into a technical assistance and support agreement with GCC. The agreement provides that GCC shall make available to PDP Energy technical assistance and support services which include, among others the availability of technical and qualified resource persons with expertise in materials, technologies and manufacturing processes to be made available to PDP Energy through periodic consultation meetings with PDP Energy personnel and technical visits to PDP Energy.

On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GC) wherein GC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GC) which provides, among others, the exclusive distributor, reseller and representative for the sale of GC products to customers within the Philippines.

The principal products and percentage of contribution to sales are as follows:

Product Line	2014
Building wires	75%
Autowires	9%
Communication/Special	11%
Power Cables	5%

PDP Energy's clients include telecommunication companies, contractors, building developers, power companies, government corporations and other industrial companies.

At present, PDP Energy's major suppliers of copper rods are Kembla, Metallurgie and CL Metals; suppliers of Aluminum are Mitsui & Co. Ltd. and Kanematsu; suppliers of chemicals are Matsuyama, Mitsui and Electro Marketing; suppliers of jelly are Phelps Dodge International Corp. and BP Chemical.

The Philippine wire and cable industry is comprised of both imported and domestically manufactured products. The leading four manufacturers in terms of sales are Phelps Dodge, American Wire and Cable Co., Inc., Columbia Wire and Cable Corp. and Philflex Cable Corp.

In 2009, the wholly-owned subsidiary, PEZA-registered PD Energy International Corporation (PDEIC), began exporting to Australia and India.

New products – fire rated cables, medium voltage cables, aluminum building wires and all aluminum alloys conductors – have been developed and introduced to domestic and export markets.

Pursuing its customer service, manufacturing process and cost reduction programs, the company secured ISO 9001/14001/18001 certification for Quality, Environment, and Health and Safety for PDEIC from Certification International (UK). PDP also continued promoting new products and solutions, notably special cables for export, medium and high voltage cables up to 230 KV, low smoke halogen-free cables, and aluminum cables. It leveraged its medium voltage (MV) cable manufacturing facility to offer shorter delivery time of MV 35 KV cables to power utilities, and widened sales coverage to new provincial dealers and customers. It also advanced consumer education and safety awareness through the Philippine Electrical Wires Manufacturers Association's campaign against counterfeit wires.

Moving forward, PDIPI will strengthen its delivery of customer requirements with its current mix of products, business solutions and services. Its continuing access to leading technology, new product offerings and research through a new technical agreement with General Cable should strengthen the Company's ability to carry out its growth plans.

On December 22, 2014, Anscor acquired, for ₱3.0 billion, General Cable's 60% stake in PDIPI, increasing Anscor's ownership to 100%.

Seven Seas Resorts and Leisure, Inc. (SSRLI; owner of Amanpulo Resort)

Seven Seas Resorts and Leisure, Inc. was incorporated on August 28, 1990 for the primary purpose of planning, developing, operating and promoting Pamalican Island as a world class resort named Amanpulo. The Resort started commercial operations on January 1, 1994.

SSRLI owns a 40-room resort in Pamalican Island, Cuyo Palawan and operates originally two luxurious villas until 2007, each villa comprising four (4) rooms. Seven Seas is a joint venture among Anscor, Palawan Holdings, Inc. and Aboitiz & Co. In 2008, it sold seven (7) villas and as of December 31, 2014, manages a total of 10 villas comprising of 40 villa rooms for rental.

As a resort operator, principal products/services offered are as follows:

Products/Services	Markets	Contribution to revenues
Rooms	Local & international	54%
Food and Beverage	-do-	21%
Others (including villa management and handling fees)	-do-	25%

The resort's services are offered through the worldwide Amanresort marketing group based in Singapore, accredited travel agents, reservation sources/systems and direct selling.

Amanpulo is in competition with all other small 5 star resort companies in other destinations that are generally better known than the Philippines, such as Indonesia, Thailand and Malaysia.

Seven Seas entered into several agreements with Silverlink Group of Companies for the development, operation and promotion of Amanpulo. The term of the agreement is for 5 years, subject to renewal upon mutual agreement of both parties. The original contract expired in December 1998, renewed last December 2003 and December 2008. The last five years of the first 20-year agreements expired on June 30, 2013. These agreements are as follows: (1) Operating and Management Agreement, (2) Marketing Services Contract and (3) License Contract.

Amanpulo's new spa complex, which opened in late 2010, is now fully operational, with facilities for hairdressing, gym and pilates, plunge pools and massage treatments.

On June 24, 2013, the parties entered into a new Operating and Management Agreement (OMA), effective on the same date, in which the Company will pay a basic fee amounting to four percent (4%) of gross revenue and an incentive fee of ten percent (10%) based on the gross operating profit collectively known as “Management Fee”. In addition to the management fees discussed, the Company shall also reimburse the Amanresorts Management, B.V. (AMBV) for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

On June 24, 2013, the parties entered into a new marketing services agreement with the same terms and conditions except for a lower marketing fee rate which decreased from three percent (3%) to one percent (1%) of gross revenue.

On July 1, 2011, SSRLI transferred in the name of PRI all resort operation-related contracts entered into with related parties and with third parties, including its long-term loans with a bank.

On October 3, 2012, PRI entered into operating lease agreement with SSRLI covering all rights and interests in resort-related assets which include land, land improvements and building for a period beginning July 1, 2011.

As of December 31, 2013, all contracts with related parties that are related to resort operations were transferred to PRI except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is non-transferrable.

In 2014, Seven Seas completed paving the runway and the construction of seawall on the eastern side of the island; plugging the east reef hole; and expanding the laundry and housekeeping stations. The company also extended and completely renovated the kitchen of the beach club. We are pleased with the informal and formal feedback from both repeat and first time guests on the casita renovation and the redesigned interiors.

During the year, the builders turned over to Amanpulo, two of the five villas under construction for private owners. Completion of the remaining three villas will be in the first quarter of 2015. The two remaining available villas were sold with a completion date by middle of 2016.

This will bring our total room inventory to 103, comprised of the original 40 casitas and 63 rooms of the 16 villas.

Amanpulo’s capital investments continue to focus on improving the guest experience and efficiencies, lowering cost and shifting to more environmentally-friendly technologies. The Resort’s electric golf carts run on solar power. Studies on reef protection and regeneration are among on-going environmental initiatives.

Amanpulo received several tourism awards in 2014, among them that of being the ‘Leading Resort in the Philippines’ from the World Travel Awards. The Resort was also nominated for the “World’s Leading Private Island Resort” and “Asia’s Leading Villa Resort”.

Cirrus Medical Staffing, Inc. (US-based nurse and physical therapist staffing business)

In January 2008, Anscor acquired all of the outstanding equity interests in North Carolina-based Cirrus Medical Staffing, LLC and its travel nursing affiliate Cirrus Holdings USA, LLC, which places registered nurses on contracts of twelve weeks or longer.

Cirrus has forged a preferred vendor relationship with the U.S.'s largest home health company. It also won the U.S. Commerce Association's 2009 Best Local Business Awards (staffing category) in both Charlotte, North Carolina and Atlanta, Georgia. Initiatives have been introduced to tap other new segments, improve lead generation and recruitment procedures and strengthen the therapy staffing business.

Demand for temporary health-care staff in the United States strengthened throughout 2014, driven by an increase in hospital admissions as the Affordable Health Act begun to take effect. The increase in patient volumes helped drive 4 strong demand in most areas of healthcare staffing.

Regulatory changes in Medicare reimbursement, and the continued consolidation of rehabilitation facilities and agencies, resulted in the continued decline in Travel Therapy.

2015 has started well and Cirrus expects that the increased demand and the productivity improvement that have been in place will continue to bear fruit.

Cirrus Global, Inc. (CGI; formerly International Quality Manpower Services, Inc., IQMAN)

Cirrus Global Inc. was registered and incorporated on May 14, 1999 primarily to engage in the business of recruitment of overseas workers. CGI takes placements of Filipino nurses in the United States of America (US). It is currently deploying nurses for an American hospital in Abu Dhabi and physical therapists in US.

CGI is a 93%-owned subsidiary of Sutton Place Holdings, Inc. (Sutton). Its ultimate parent company is A. Soriano Corporation.

In November 2004, Cirrus Global acquired 100% ownership interest in IQ Healthcare Professional Connection, L.L.C. (IQHPC), a limited liability corporation organized under the law of the state of Texas, United States of America.

The Company is subject to regulations by the US State Department with respect to the immigration of nurses to the US. These governmental regulations significantly influence the Company and its subsidiary's operating environment and may adversely affect the Company's ability to deploy nurses in the US. The Company manages its exposure to such risks by actively monitoring legal and regulatory pronouncements issued by the US State Department.

The Company's operations have been restricted due to the delayed processing of EB-3 immigrant visas for nurses destined for employment in the US.

Sutton Place Holdings, Inc.

The Company was registered with the SEC on May 22, 1997, primarily to purchase, subscribe for or otherwise acquire and own, hold, use, manage, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description.

Sutton's 93% holding of Cirrus Global represents Anscor's interest in nurse recruitment in Manila for deployment of nurses and physical therapists in various client hospitals in the USA.

KSA Realty Corporation (KSA)

KSA was registered with the SEC on August 3, 1990. Anscor exchanged its old building located at Paseo de Roxas, Makati in 1990 for an 11.42 percent stake in KSA Realty Corporation, which developed The Enterprise Center (TEC), a two tower, grade A office building located at the corner of Ayala Avenue and Paseo de Roxas in Makati. The Enterprise Center starting January 1999 was offered for office space rental. TEC is registered with PEZA as an information technology building.

In July 2009, following the Securities and Exchange Commission's approval of a decrease in its authorized capital stock, KSA retired 2.4 million preferred shares.

KSA successfully renewed more than 90% of expiring leases and most of its remaining vacant spaces were taken on by new and existing tenants. The building's occupancy rate remained at 98% and average rental yield increased by 8% to ₱921 per sq.m. at the end of 2014.

To confirm the confidence that the tenants have shown by renewing their tenancy and to remain current with the competition, KSA took on an upgrading project with a budget of ₱400.0 million. This endeavor will update the common areas of this15-year old building, upgrade its facilities and maintain its reputation as one of the premiere office buildings in the metropolis.

KSA declared and paid cash dividends of ₱800.0 million, of which ₱91.4 million accrued to Anscor.

Enderun Colleges, Inc.

On October 15, 2008, Anscor acquired a 20% equity stake, or 16,216,217 new shares, in Enderun Colleges, Inc.

Established in 2005 by a group of business leaders, including senior executives from Hyatt Corporation in the U.S., Enderun offers a full range of bachelor's degree and non-degree courses in hospitality management, culinary arts and business.

Its main college campus in McKinley Hills, Taguig, offers 4-year bachelor's degrees in International Hospitality Management, with majors in hotel administration and culinary arts and business management. It also offers short courses and certificate programs in baking, pastry and culinary foundation, customized hospitality and language classes.

Enderun’s mission is to train hospitality leaders and entrepreneurs who can compete and excel in the global marketplace. To this end, it combines high-level classroom instruction with real-world internships, and offers students the opportunity to earn international credentials.

In April 2012, Enderun signed an agreement with Thunderbird School of Global Management of Arizona, USA, making its College of Business the first partner of Thunderbird Online in the Philippines. Thunderbird ranked number 1 in international business in Bloomberg Businessweek’s listing of Best B-Schools for 2012.

Investments have been made to upgrade campus facilities. Capital expenditures in 2013 amounted to ₱150.0 million. The company finished construction of its banquet tent facility and two-storey Athletic Building, which contains a full-sized gymnasium and a new library.

Enderun’s student population has grown to over 1,100 full-time college and certificate students, spread almost evenly across the school’s three main degree offerings in Hospitality Management, Business Administration and Entrepreneurship.

Enderun continues to bolster its reputation in the market for higher education, particularly in hospitality and business management. Enderun has established itself as the top-quality institution in hotel administration and the culinary arts, as evidenced by its expanding student population and its growing base of industry partners.

The College’s career-focus business program and hands-on entrepreneurship program are attracting top faculty members, and a growing population of highly-motivated students. The College recently established a hotel management and consultancy arm, Enderun Hospitality Management (EHM). Through EHM, the company now manages five hotel properties and provides consultancy services to two other hotels in the Philippines.

Prople Limited

On 22 November 2013, Prople acquired 100% of the non-audit business of US-based Kellogg and Andelson Accountancy Corporation (K&A). Founded in 1939, K&A is a well- established accounting firm that provides tax, general accounting and consulting services to thousands of small-to-medium-sized companies in California and the Midwest. It operates out of five locations in Los Angeles, Woodland Hills, San Diego, Kansas City and Chennai (India).

Following its acquisition of K&A, Prople now employs 373 people serving over 5,500 clients from operations located in six cities worldwide. Moving forward, its K&A partnership gives Prople heavier weight, reach and capability, and positions it to capture market opportunities in the high-growth business segments of finance and accounting, human resources and information services globally. Cross-selling and the shift of some of the US-based work to Manila assures Prople of continued growth in 2015.

AGP International Holdings Ltd.

Anscor made new investment in December 2011, placing $5.0 million in AG&P, Southeast Asia's leading modular fabricator of refinery and petrochemical plants, power plants, liquid natural gas facilities, mining processing, offshore platforms, and other infrastructure.

On June 29, 2013, Anscor through its subsidiary signed a definitive agreement with AG&P for the subscription to 83.9 million series C, voting preferred shares in AG&P. Series B and Series C preferred shares are convertible at the option of the holder, into class A common shares. The subscription increases Anscor's holdings to 27%.

AG&P has 110 years of experience serving clients like British Petroleum, Shell, Total and leading engineering procurement construction companies in the world's key energy and mining regions. Its prowess in modular engineering and construction has earned it a respected brand name and track record in multiple large-scale and long-term projects. It possesses ISO 9001:2008 certification, expects to receive its and OSHAS 18001:2007 certification in April 2012 and a safety record of 16 million man-hours without lost time. Its in-house training facility can turn out 1,000 skilled workers annually, whose strength is high productivity in a low-cost environment.

In August 2012, AG&P and ALE, a leading marine engineering and heavy lift company, were awarded a major two-year contract to develop, own (on a 50/50 basis), operate and maintain a proprietary Module Offloading Facility Transition Pontoon (MOFTP) for initial deployment near Darwin, Australia. The MOFTP's technological innovations overcome tidal limitations and supply-chain bottlenecks. Engineering work has begun and the pontoon should be completed by end-2013.

In September 2012, AG&P and Fluor Corporation agreed to form a long term, committed joint venture, which will serve Fluor's global modularization needs. AG&P will provide Fluor with a sub-area of land within an existing AG&P yard in Batangas that AG&P will operate. President Aquino hailed the joint venture, called AG&P-Fluor, as a major step in developing the Philippines into an industrial hub.

In October 2012, AG&P won a US$152 million contract to modularize 26 local electrical rooms (LER) and local instrumentation rooms (LIR) that will be the electrical backbone of a consortium project to provide liquid natural gas from Australia to Japan and other countries. Fabrication for the three-year project, to start in 2013, will demonstrate AG&P's capability to develop mission-ready modules, outfitted with electrical and instrumentation systems installed and tested prior to shipment from Batangas to Northern Australia.

The focus for 2015 will be on progressing the Ichthys project to completion, finishing the first modules for Yamal LNG Project, achieving greater operational efficiencies and building a healthy sales pipeline.

Predictive Edge Technologies, LLC

In October 2011, Anscor invested $3.0 million in Predictive Edge Media Holdings, LLC (PEMH), which is building a portfolio of early stage technology companies focused on applying its proprietary artificial intelligence product to clinical drug trials, financial market performance, politics and social media.

In the first quarter of 2012, Anscor's holdings in Predictive Edge Media Holdings, LLC (PEMH) were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company.

Predictive Edge Technologies is Anscor's US-based, early-stage technology company. Its mission is to provide products and services that make practical and effective use of its patented behavioral science. This technology is based on psychological principles and state-of-the-art mathematics, that allow the company to measure and quantify emotions associated with all digital content.

The company is focused on four customer-segments: federal, consumer, pharmaceutical and political. It has made considerable progress in strengthening demand for its services in each segment. A new sales staff and more aggressive marketing have helped expand the company's client base.

Currently, the company has eight patents awarded.

Its subsidiary, Behavior Matrix LLC, is a world class emotional and behaviour analytics platform that gives companies and organizations a unique way to understand their respective audiences. Through the use of advanced mathematics, analytical algorithms and big data harvesting, Behaviour Matrix provides clients with insights to guide their business intelligence and marketing strategies.

DirectWithHotels

Anscor International, Inc. owned 15% of the shares of DirectWithHotels. The company is engaged in online reservations for hotels, and specializes in launching, marketing and maximizing the performance of partner hotels' websites. Its target market is small and medium-sized chains and independent hotels in Asia Pacific, Africa, North America and Latin America.

A. Soriano Air Corporation (ASAC)

ASAC was incorporated on March 28, 1985 to engage in the general business of a common and/or private carrier. Effective January 1, 1995, the Company ceased its operations and transferred its license as operator of a common and/or private carrier to Island Aviation, Inc. (IAI), formerly A. Soriano Aviation Inc. (ASAI).

In May 2003, ASAC took over the hangar lease and the ground handling and avionics-related services that were previously performed by ASAI. Subsequently, ASAC resumed its commercial operations.

Pamalican Island Holdings, Inc. (PIHI)

The Company was registered with the Securities and Exchange Commission on May 18, 1995 and has started commercial operations on June 2, 1995. Its primary purpose is to acquire, purchase, sell or dispose of airplanes, flying machines, or freight, or as common carriers on regularly established routes; to maintain a service station for the repair, overhauling and testing of said machines and dirigible balloons of any and all types whatsoever; to deal in parts and supplies for said machines; and, to carry for hire passengers, and to maintain supply depots for airplane and flying machines service generally.

On January 20, 1999, the Company temporarily stops its air charter operation and subsequently change the nature of its business to holding company.

On June 8, 2001, the SEC approved the amended articles of incorporation of the Company. Amendments to the First Article to change the name of the Corporation from Island Aviation, Inc. to Pamalican Island Holdings, Inc. and the Second Article to change the primary purpose of the Corporation – to acquire by purchase, lease, donation or otherwise, and to own, use, sell, mortgage, exchange, lease and hold for investment or otherwise, properties of all kinds, and improve, manage or otherwise dispose of buildings and houses, apartments, and other structures of whatever kind together with their appurtenances.

Island Aviation, Inc. (IAI; formerly A. Soriano Aviation, Inc., ASAI)

IAI is the PIHI's wholly owned charter airline operation registered with the SEC on January 7, 1987. In May 2003, ASAI was renamed IAI, it resumed its air service operations while other activities such as aircraft hangarage, ground handling and avionics-related services were transferred to A. Soriano Air Corporation (ASAC).

IAI is now the exclusive air service provider of PRI/Amanpulo Resort and operates three (3) Dornier planes both for Amanpulo and outside charter requirements.

Anscor Consolidated Corporation

The Company was registered with the SEC on April 8, 1995 primarily to invest the Company's fund in other corporations or businesses and to enter into, make, perform and carry out contracts of every kind and for any lawful purpose pertaining to the business of the Company, or any manner incident thereto, as principal agent or otherwise, with any person, firm, association or corporation.

This Company used to hold the Anscor Group stake in ICTSI which was sold last May 2006. It now owns 1,257,900,646 shares of Anscor as of December 31, 2014.

Anscor Property Holdings, Inc. (APHI)

APHI is a wholly owned Subsidiary of Anscor. The Company was registered with the SEC on January 7, 1986 primarily to engage in the management and development of real estate.

Pursuant to Section 76 and 77 of the Corporation Code of the Philippines, the Board of Directors and the stockholders of the Company, Anscorland, Inc. (ALI) and Anscor Insurance Brokers, Inc. (AIBI) (collectively referred to as "Constituent Corporation") at joint meeting held on April 15, 2008 approved the Plan of Merger between the Constituent Corporation under certain terms and conditions.

Since the Constituent Corporation are under common control, the company used the pooling of interest method to account for this transaction.

On December 23, 2008, the SEC approved the Plan of Merger.

Other Information

Except as discussed above, disclosures of the following information are not applicable for the registrant and its subsidiaries:

Business Development

- Bankruptcy, receivership or similar proceedings
- Material reclassification, merger, consolidation or purchase or sale of a significant amount of asset

Business of the Issuer

- Distribution methods of the products or services
- Status of any publicly-announced new product and services
- Competition
- Transaction with and/or related parties (except those disclosed in the notes to financial statements)
- Patents, trademarks, copyrights, licenses, franchises, royalty, etc.
- Need for any government approval of principal products and services
- Effect of existing or probable governmental regulations on the business
- The amount spent on development activities and its percentage to revenues during each of the last three years.

Anscor and its subsidiaries are not aware of any major risks involved in their businesses.

Employees

The Company and the Group as of December 31, 2014, has 22 and 879 employees, respectively. Breakdowns are as follows:

	Parent	Subsidiaries	Group
Management	10	71	81
Rank and file	12	786	798
TOTAL	**22**	**857**	**879**

- The Company and the Group were not subjected to any employees' strike in the past three years nor were there any threatening strike for the ensuing year.

- Employees of the Group are not subject to Collective Bargaining Agreement (CBA).

- The Group provides various employee benefits including health care and retirement benefits and has enjoyed good labor relations in the past.

Item 2. Properties

Anscor owns and maintains its office at 7/F, Pacific Star Building in Makati City with approximately 2,000 square meters. It also owns the following:

Shipping Centre Bldg., Intramuros, Manila	1 office condo unit/509 sq. meters

Information regarding properties of major subsidiaries and affiliates are:

- PDP Energy plants are situated on an 18.4 hectare property owned by Phelps Dodge's wholly owned subsidiary, Minuet Realty Corporation in the Luisita Industrial Park in San Miguel, Tarlac.

  Seven Seas owns a 40-room resort in Pamalican Island, called Amanpulo. This covers about 75 hectares of land, with 40 room casitas of about 65 sq. meter each and back of house facilities to service its power and water and staff house requirements. Additional 40 villa rooms are available for rent under the management agreement executed by PRI and the villa owners as of December 31, 2014.

- APHI has interests in land covering an area of approximately 830.12 hectares in Berong, Palawan, 24.1 hectares in San Vicente, Palawan and parcels of land with a total area of 40.41 hectares in Cebu. Also, APHI owns a lot at the Cebu Business Park, about 1.27 hectare properties in Puerto Princesa and 1 townhouse unit in Alpha Village, Capitol Hills, Quezon City.

Other Information

- The registrant is not involved in lease contracts requiring it to pay substantial amount of rental fees.
- There were no commitments for major capital expenditures or acquisitions of properties in the next twelve months.

Item 3. Legal Proceedings

There are no material pending Legal Proceedings to which Anscor or any of its subsidiaries or affiliates is a party except:

a) ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As of December 31, 2014, the refund process has remained pending.

   With no quick resolution in sight and in view of the change in the MIAA administration, the Company is planning to enter into a new lease contract with the MIAA, with the Company as the lessor and IAI as sublessor. The Company has accumulated provisions for losses amounting to ₱1.93 million as of December 31, 2014 and 2013.

b) ASAC is a defendant in labor law suits and claims. As of December 31, 2014 and 2013, management has recognized provisions for losses amounting to ₱3.79 million that may be incurred from these lawsuits.

Except for the matter discussed above, the Company does not believe such litigation will have a significant impact on the financial results, operations or prospects of the Company or the Group.

For the last five years and as of 28 February 2015, Management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

Item 4. Submission of Matters to a Vote of Security Holders

There were no items/matters submitted during the fourth quarter of 2014 to a vote of security holders through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

PRINCIPAL MARKET - Philippine Stock Exchange

Latest Market Price – February 28, 2015

Previous Close –	₱ 7.10
High	7.10
Low	7.10
Close	7.10

The following are the high and low sales prices of the shares of the Company for each quarter within the last two fiscal years:

2014	**High**	**Low**
First Quarter	6.90	6.30
Second Quarter	7.30	6.65
Third Quarter	7.37	6.91
Fourth Quarter	7.39	6.62

2013	**High**	**Low**
First Quarter	7.10	5.18
Second Quarter	7.09	6.30
Third Quarter	7.30	6.38
Fourth Quarter	7.12	6.45

Source: Monthly PSE Report

Shareholdings Information

The total number of stockholders/accounts as of February 28, 2014 is 11,357 holding 2,500,000,000 shares of common stock.

The top 20 stockholders as of February 28, 2015 are as follows:

Stockholder Name		Number of Common Shares	% of Ownership
1.	Anscor Consolidated Corporation	902,172,303	36.087%
2.	PCD Nominee Corp. (Non-Filipino)	518,337,249	20.733%
3.	PCD Nominee Corp. (Filipino) *	508,283,587	20.331%
4.	A-Z Asia Limited Philippines, Inc.	176,646,329	7.066%
5.	Universal Robina Corporation	64,605,739	2.584%
6.	Andres Soriano III	50,490,265	2.020%
7.	Phil. International Life Insurance Co.	30,000,000	1.200%
8.	C & E Property Holdings, Inc.	28,011,922	1.120%
9.	Edmen Property Holdings, Inc.	27,511,925	1.100%
10.	MCMS Property Holdings, Inc	26,513,928	1.061%
11.	Express Holdings, Inc.	23,210,457	0.928%
12.	Phil. International Life Insurance Co.	19,002,875	0.760%
13.	EJS Holdings, Inc.	15,518,782	0.621%
14.	DAO Investment & Management Corp.	8,628,406	0.345%
15.	Philippines Remnants Co., Inc.	7,554,760	0.302%
16.	Balangingi Shipping Corporation	2,767,187	0.112%
17.	Leonardo T. Siguion Reyna	2,000,000	0.080%
18.	Jocelyn C. Lee	2,000,000	0.080%
19.	Lennie C. Lee	2,000,000	0.080%
20.	Yap Securities, Inc.	1,361,011	0.054%
	Total	**2,414,616,725**	**96.667%**

The above shareholdings do not materially affect the holdings of the 5% beneficial owners, each director and nominee and all the directors and officers as a group.

* Included 355,648,343 shares that are beneficially owned by Anscor Consolidated Corporation.

Dividends

In 2014, the Board of Directors declared the following cash dividend:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	₱ 0.25	20-Nov-14	05-Dec-14	07-Jan-15

The cash dividend declared by the Board in 2013 was:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	₱ 0.25	01-Oct-13	31-Oct-13	27-Nov-13

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration. As of December 31, 2014, the Company has sufficient retained earnings available for dividend declaration.

The undistributed earnings of subsidiaries and associates amounting to ₱3.1 billion, ₱2.0 billion and ₱1.6 billion as of December 31, 2014, 2013 and 2012, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries and associates.

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

Consolidated Financial Information
(In Million Pesos Except Per Share Data)

YEAR	NET INCOME	EQUITY ATTRIBUTABLE TO HOLDINGS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	EARNINGS PER *SHARE	BOOK VALUE PER **SHARE
2014	**2,041.1**	**14,835.2**	**1,254.0**	**1.63**	**11.94**
2013	1,358.0	13,637.9	1,261.0	1.08	10.82
2012	1,467.9	12,211.7	1,374.3	1.07	9.71
2011	993.4	11,293.3	1,350.7	0.74	8.69
2010	1,975.4	10,776.1	1,351.6	1.46	8.28

YEAR	GROSS REVENUES	TOTAL ASSETS	INVESTMENT PORTFOLIO
2014	**4,258.4**	**21,319.5**	**14,559.6**
2013	3,525.1	17,326.5	14,721.3
2012	3,716.5	13,949.9	11,551.6
2011	2,807.8	12,550.1	10,519.4
2010	3,501.9	11,430.3	8,742.5

* Ratio of net income to weighted average number of shares outstanding during the year.

** Ratio of equity attributable to equity holdings of the parent to outstanding number of shares as of end-December.

Below are the key performance indicators of the Company:

Over the last three years, consolidated revenues and net income from operations are as follows (in thousand pesos):

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Services	**₱1,966,140**	₱1,812,137	₱1,918,797
Dividend income	**260,862**	237,966	231,959
Equity in net earnings of associates	**147,141**	228,946	155,328
Interest income	**96,439**	95,592	93,513
Management fee	**78,344**	58,926	55,777
Sale of villa lots	**–**	82,033	–
Others	**882**	10,468	21,049
	2,549,808	2,526,069	2,476,422
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments	**1,661,986**	1,101,884	1,169,315
Investment in associates	**56,059**	**–**	**–**
Property and equipment and investment property	**–**	–	3,510
Gain (loss) on increase (decrease) in market values of FVPL investments	**(9,487)**	(102,835)	67,242
	1,708,558	999,048	1,240,068
TOTAL	**4,258,366**	3,525,117	3,716,490
INCOME BEFORE INCOME TAX	**2,064,102**	1,362,896	1,524,629
PROVISION FOR INCOME TAX	**29,360**	16,114	34,986
NET INCOME	**₱2,034,742**	₱1,346,782	₱1,489,643
Attributable to:			
Equity holdings of the Parent	**₱2,041,142**	₱1,358,036	₱1,467,919
Noncontrolling interests	**(6,400)**	(11,254)	21,723
	₱2,034,742	₱1,346,782	₱1,489,643
Earnings Per Share			
Basic/diluted, for net income attributable to equity holdings of the Parent	**₱1.63**	₱1.08	₱1.07

Significant financial indicators of the Group are the following:

	12/31/2014	12/31/2013	12/31/2012
Book Value Per Share (Note 1)	**11.94**	10.82	9.71
Current Ratio (Note 2)	**1.28**	1.96	1.79
Interest Rate Coverage Ratio (Note 3)	**34.64**	40.08	84.56
Debt to Equity Ratio (Note 4)	**0.41**	0.24	0.11
Asset to Equity Ratio (Note 5)	**1.44**	1.27	1.14
Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**47.9%**	38.5%	39.5%
Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**13.8%**	10.0%	12.0%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

PDP Energy and PDIPI

In Million Pesos

	12/31/2014	12/31/2013	12/31/2012
1. Net sales	**6,552**	5,587	6,376
2. Gross profit	**1,123**	955	843
3. Net income	**536**	434	389

Cirrus Group

1. Submission to lock ratio (operating statistic to evaluate recruitment)
2. Nurse/therapist retention ratio (Operating statistic to evaluate retention of nurse and therapist in the pool for staffing business.)

In Thousand Pesos

	12/31/2014	12/31/2013	12/31/2012
3. Service income	**1,251,141**	1,201,024	1,145,739
4. Cost of services rendered	**1,018,339**	998,335	955,089
5. Income (loss) before interest, taxes, depreciation and amortization	**59,701**	(3,670)	12,518

Seven Seas Group

In Thousand Pesos

	12/31/2014	12/31/2013	12/31/2012
1. Occupancy rate	**34.4%**	43.1%	46.7%
2. Hotel revenue	**480,065**	445,279	545,195
3. Gross operating profit (GOP)	**56,951**	58,880	174,706
4. GOP ratio	**11.9%**	13.2%	32.0%
5. Net income (loss) after tax	**(32,294)**	(16,440)	50,375

Occupancy rate is based on actual room nights sold over room nights on a 12-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

Financial Performance Year 2014

Anscor generated a consolidated net income of ₱2.04 billion, 50% higher than last year's net profit of ₱1.36 billion. This was largely the result of higher consolidated revenues of ₱4.26 billion, representing a 21% increase from the ₱3.53 billion of 2013.

Anscor's financial assets saw gains from the sale of marketable securities amounting to ₱1.67 billion, 52% better than last year's ₱1.10 billion. The sale of these securities occurred mostly in the 4th quarter of the year to fund the purchase of 60% of PDIPI.

Core investments in traded shares—which include Aboitiz Power Corporation, Aboitiz Equity Ventures, International Container Terminal Services, Inc., iPeople and other marketable equity holdings, contributed dividend income of ₱260.9 million, higher than the ₱238.0 million of 2013. Interest income of ₱96.4 million was slightly better than the previous year.

The decline in the market value of investments carried at fair value through profit and loss was ₱9.5 million. This amount recovered from a loss of ₱102.8 million in 2013 with the improved market prices of equity funds and bonds managed by a third party.

With the slight loss in value of the peso against the US dollar and the euro in 2014, the peso value of Anscor's foreign currency-denominated investments improved. This gain was offset by the group's dollar denominated loans, resulting in a consolidated foreign exchange loss of ₱10.0 million against a gain of ₱32.7 million in 2013.

Anscor's operating investments contributed ₱147.1 million in equity earnings, 36% below last year's ₱228.9 million.

The favorable performances of PDIPI and Cirrus Medical Staffing, Inc. were offset by a share in the losses of AG&P and Seven Seas Resorts and Leisure, Inc.

On November 20, 2014, the Company declared cash dividends of ₱0.25 per share to stockholders of record as of December 5, 2014, which were paid on January 7, 2015.

As a result of the acquisition of 60% of PDIPI (as earlier mentioned) existing accounting standards required the company to revalue Anscor's original 40% holding in PDIPI, which led to gain on remeasurement of previously held interest ₱700 million. Anscor took this opportunity to provide valuation allowances to some of our investments for conservatism.

As of December 31, 2014, the Company's book value per share stood at ₱11.94 versus ₱10.82 in 2013.

Investments – Group Operations

(In Million Peso)	**2014**	2013
Phelps Dodge Philippines Energy Products Corporation (Note 1)		
Revenues	6,552	5,726
Net Income	536	432
Total Assets	3,327	2,824
Equity	2,905	2,307
Cirrus Medical Staffing, Inc. and Subsidiaries		
Revenues	1,251	1,208
Net Income (Loss)	32	(9)
Total Assets	883	853
Equity	759	731
Seven Seas Resorts and Leisure, Inc.		
Revenues	480	445
Net Loss	(32)	(16)
Total Assets	1,655	1,372
Equity	766	800
Revenues - Other Affiliates		
KSA Realty Corporation	900	827
Prople Limited	538	168
Enderun Colleges, Inc.	457	406
Island Aviation, Inc.	168	161
Cirrus Global, Inc. (consolidated; formerly IQMAN)	39	27

Available figures as of March 4, 2015.
Note 1: Inclusive of PD Energy International Corporation's financial information.

Phelps Dodge Philippines, Inc. (PDP)

Sales and net income hit all-time highs in another good year for PDIPI. Revenues rose across all business sectors: commercial, industrial, manufacturing and energy with PDIPI's net sales revenue reaching ₱6.6 billion, a 14% increase over 2013 levels. Net income grew 23% to ₱535.5 million.

New product lines continue to drive the company's growth. Access to high-quality high-voltage lines, and a reputation for reliable engineering services, enabled PDIPI to secure several large and important orders. The company's ability to offer a variety of standard and new product lines and new business solutions has made Phelps Dodge become a leader in the country's wire-and-cable industry.

Supported by a network of capable dealers, Phelps Dodge expanded its customer base. Continuous market research and sharing of information made the partnership between PDIPI and its dealers highly effective.

The improved net income, despite lower average copper prices during the year, was the result of continual operating improvements and productivity gains.

Seven Seas Resorts and Leisure, Inc. (Owners of Amanpulo)

With the memory of the catastrophic typhoon Yolanda receding, Amanpulo is starting to attract foreign tourists again. The Resort reported an 8% increase in revenue, from ₱445.3 million in 2013 to ₱480.1 million in 2014. Occupancy rates reached 34.4% with average room rates rising from US$1,057 to US$1,168. Room revenue also benefited from the depreciation of the peso by an average of 10.5%.

The combined share of villa revenue and fees from villa operations increased 19.9% due to better villa occupancy and villa rates. The second batch of the Resort's renovated casitas was completed in the last semester of 2014. The Resort was closed in the month of June for major renovation and replacement of the roofs of all casitas, the beach club and the main clubhouse.

Gross operating profit amounted to ₱57.0 million, at par with that of last year, tempered by higher depreciation and management fees. Last year's net loss of ₱16.4 million increased to ₱32.3 million in 2014. Management fees to Aman rose to ₱36.5 million in 2014 from ₱19.6 million in 2013.

Cirrus Medical Staffing, Inc.

For 2014, the company reported ₱1.2 billion in consolidated revenue, a 6% increase over that of 2013. Sales growth was underpinned by growth in Travel Nursing, Cirrus' largest segment, and the International and Direct-Hire divisions.

Consolidated operating income was ₱51.9 million, compared to an operating loss of ₱13.6 million in 2013. Improved profitability was driven by a 10% increase in gross margin and a reduction in overhead expenses.

KSA Realty Corporation

In 2012 and 2013, KSA Realty Corporation experienced strong performances in its leasing operations with rising occupancy rates and rental yields.

While Management remained positive that the building would be able to maintain its momentum, 2014 started with quite a challenge. The terms of almost a quarter of the building's leasable spaces were due to expire and competing office supply continued to rise in the Makati Central Business District and Fort Global City.

2014 was a good year for KSA with a gross rental income reaching over ₱900 million. Net income rose to a high of ₱690 million.

Enderun Colleges, Inc.

For its fiscal year June 1, 2013 to May 31, 2014 Enderun Colleges posted a consolidated net income of ₱64.2 million on revenues of ₱456.6 million. The company also tracks its financial performance by reporting its adjusted EBITDA (operating income plus depreciation expenses and non-cash rental accruals). Enderun's adjusted EBITDA for fiscal year 2013-2014 was ₱120.4 million, 26% higher than that of the previous year.

As of May 31, 2014, the company's cash position stood at ₱91.8 million and the College is debt-free. During the year, it paid cash dividends of ₱59.94 million of which ₱12.45 million accrued to Anscor.

There is a steady growth in Enderun's continuing education unit, Enderun Extension. Its revenues rose 10.9% year-on-year to ₱64.5 million. The school's Food & Beverage unit has also grown significantly: its revenues rising 41.5% to ₱77.4 million from ₱54.7 million in 2013.

Prople Limited

Consolidated full-year revenues for Prople Limited grew three times from ₱168 million in 2013 to ₱538 million in 2014. This was a direct result of Prople's acquisition on November 26, 2013 of 100% of the non-audit business of US-based Kellogg and Andelson Accountancy Corporation (K&A).
Prople's profit performance improved with consolidated operational EBITDA reaching ₱64.8 million and net income of ₱15.9 million, excluding the one-time closing costs associated with the acquisition.

Predictive Edge Technologies

Its subsidiary, Behavior Matrix achieved a year-over-year growth in sales of over 200% with sales of $1,953,705 up from $641,500 in the prior year.

Financial Condition

There was no significant change in the Company's Balance Sheet as of December 31, 2014 versus December 31, 2013.

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2014 and 2013:

Cash and Cash Equivalents
The increase in cash and cash equivalents can be attributed to consolidation of PDIPI putting in additional cash of about ₱661.0 million to the Group.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements).

Fair Value Through Profit and Loss (FVPL) Investments
The increase in the account can be attributed to the net addition for the period of about ₱125.3 million. The market value of foreign denominated investment in bonds, stocks and funds decreased by ₱9.5 million vs. December 31, 2013 values.

Receivables
The increase in receivables was mainly due to consolidation of PDIPI balances as of December 31, 2014.

Inventories
Inventories increased by ₱817.5 million; one of the reasons was the consolidation of PDIPI inventories. Also, minimal purchases were made in 2014 for spare parts and supplies needed by the aviation and resort subsidiaries.

Prepayments
Increase in this account can be attributed mainly to prepaid expenses related to resort operation.

Available for Sale (AFS) Investments
Change in the account can be attributed mainly to the net additions that were mostly in bonds, equity funds and traded equities amounting to ₱554.2 billion. There was a decrease of about ₱445.1 million in market value of AFS investments. Foreign exchange loss from translation of foreign currency-denominated AFS investments amounted to ₱7.8 million.

Valuation allowances on the AFS on its quoted and unquoted equity investments amounted to ₱259.9 million.

Investments and Advances
By consolidating PDIPI, investments and advances decreased by ₱1.2 billion, the recorded value of the 40% holdings of Anscor in PDP Group held as investment in associate as of December 19, 2014. Equity in net earnings of associates for the period amounts to ₱147.1 million and unrealized foreign exchange gain related to foreign equity investment amounted to ₱14.6 million.

Valuation allowances related to long-term investments amounted to ₱440.4 million.

Goodwill

The provisional goodwill that arises from the acquisition of PDIPI amounted to ₱1.4 billion. Goodwill from US-based staffing business increased by ₱4.5 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net

The consolidation of PDIPI increases the property and equipment by ₱543.9 million. As required by the new accounting standard for business combination, the net assets of PDIPI were valued at ₱3.4 billion, resulting in an upward adjustment in fair value attributable to property and equipment amounting to ₱707.6 million.

Depreciation charged to operations amounted to ₱132.9 million while additions to property and equipment amounted to ₱196.9 million, mainly attributable to special capital expenditures of the resort subsidiary.

Investment Properties

Change in the account was mainly due to consolidation of newly acquired real estate holding subsidiary, AFC Agribusiness Corporation.

Other Noncurrent Assets

Change in the account balance can be attributed to the increase in villa development cost incurred by Seven Seas.

Notes Payable

The increase in the account can be attributed mainly to short loan obtained by the Parent Company amounting to ₱1.5 billion, proceeds of which were used to purchase the 60% of PDIPI from General Cable.

Accounts Payable and Accrued Expenses

The change in the account was mainly due to consolidation of PDIPI balances as of December 31, 2014.

Dividends Payable

Increase in dividend payable was due to accrual of dividend which was declared in November 20, 2014 and paid on January 7, 2015.

Customer's Deposits for Property Development

The increase in the account was due to additional deposits made by villa buyers.

Income Tax Payable

Movement in the account was attributable to higher tax provision of the Group for 2014.

Long-term Debt (current and noncurrent)

The increase in the account can be attributed mainly to the converted short-term loan to long-term loan by the aviation subsidiary and unrealized foreign exchange loss upon translation of dollar denominated loan of the Parent Company.

Deferred Income Tax Liability

Change in the account was mainly due to deferred tax effect of the fair value adjustment on property, plant and equipment of PDIPI amounted to ₱212.3 million (30% of ₱707.6 million).

Cumulative Translation Adjustment

This account included translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC.

Unrealized Valuation Gains on AFS Investments (equity portion)

The decrease in market values of AFS investments from December 31, 2013 to December 31, 2014 amounted ₱437.1 million, net of deferred income taxes. When the AFS assets are sold, the gain was realized and reflected in the consolidated statements of income and removed from the unrealized valuation gains.

Remeasurement on Retirement Benefits

Change in this account pertains to actuarial gain due to higher actual vs. projected rate of return on plan assets.

Others

There were no commitments for major capital expenditures in 2014.

Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

The discussions below were based on the consolidated results of the Company and its subsidiaries for the year ended December 31, 2014 as compared to consolidated results for the year ended December 31, 2013:

Revenues

This year's consolidated gross revenues of ₱4.3 billion was 22.3% higher than last year's revenue of ₱3.5 billion. Anscor posted higher investment gain due to higher number of traded shares sold in the stock market during the period. Also, the Group posted revenue from services and dividend income amounting to ₱2.0 billion and ₱260.9 million, respectively, higher than the revenue reported in 2013.

Cost of Services Rendered

Increase in cost of services rendered was mainly attributable to higher cost of services of the resort and nurse staffing business.

Operating Expenses

Increase can be attributed to the higher operating expenses of the Parent Company, resort and nurse staffing business, mainly caused by higher revenues.

Interest Expense
The Group reported higher charges mainly due to the Parent Company's long-term loan. 2014 included four (4) quarters of interest expense of the Parent Company while 2013 only had two (2) quarters of charges.

Foreign Exchange Gain (Loss)
Due to the appreciation of dollar and euro vis-à-vis peso, the Parent Company reported higher foreign exchange loss on its dollar denominated loan partially offset by foreign exchange gain on its foreign currency denominated investment in financial assets.

Provision for Income Tax - net
The provision for income tax current is slightly due to the Parent Company minimum corporate income tax and higher income tax reported of the resort subsidiary. Also, there was a significant increase in deferred tax liability recognized by Cirrus Group.

Other Income (Charges)
Other income in 2014 includes recovery of allowances for impairment losses by the Parent Company and insurance claim for business interruption loss by the resort subsidiary.

Noncontrolling Interests (statements of income)
Decrease in minority interest was mainly due to share of minority shareholders on higher losses reported by the resort subsidiary and Cirrus Global, Inc. for the year 2014.

<u>Results of Operation</u>
Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012 (as reported in 2013 SEC 17-A)

Revenues
This year's consolidated gross revenues of ₱3.5 billion was 5.1% lower than last year's revenue of ₱3.7 billion. Anscor posted lower investment gain (₱1.2 billion to ₱1.0 billion) due to reduced number of equities sold in the stock market. Also, there is significant decline in market values of FVPL investments from gain of ₱67.2 million to a loss of ₱102.8 million. Amanpulo Resort reported a decline in service revenues due to business interruption brought by Typhoon Yolanda. The operation was temporarily suspended on November 8, 2013 and resumed only on December 15, 2013. However, Anscor posted equity in net earnings and dividend income amounting to ₱228.9 million and ₱238.0 million, respectively, higher than revenues for the same period in 2013. Seven Seas' net gain on sale of villa lots amounting to ₱62.2 million also contributed to this year's revenues and Cirrus Group reported improved service revenues.

Cost of Services Rendered
Increase in cost of services rendered was mainly attributable to higher cost of the resort subsidiary, particularly air transfer costs while nurse staffing business' cost of services increased due to higher revenues.

Operating Expenses
Increase can be attributed to the higher operating expenses of the Parent Company, resort and nurse staffing business.

Valuation Allowances
The Parent Company setup a provision for decline in market value of some AFS investments based on their significant decrease or prolonged decline in values.

Foreign Exchange Gain
Due to the appreciation of dollar and euro vis-à-vis peso, the Parent Company reported higher foreign exchange gain on its foreign currency denominated investment in financial assets.

Interest Expense
The Group reported higher charges for interest expense resulting from increased loan to fund the AG&P and Prople investments by the Parent Company.

Provision for Income Tax - net
The provision for income tax current is slightly higher due to the parent company's minimum corporate income tax. However, this was offset by increase in deferred tax assets recognized by the parent company mainly from decline in value of FVPL investments.

Noncontrolling Interests (statements of income)
Decrease in minority interest was mainly due to share of minority shareholders on losses reported by the Resort Group, Cirrus Medical Staffing and Cirrus Global, Inc. for the year 2013.

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011 (as reported in 2012 SEC 17-A)

Revenues
This year's consolidated gross revenues of ₱3.7 billion was 32% higher than last year's revenue of ₱2.8 billion. The Resort and Cirrus group reported improved service revenues for the whole year of 2012. Also, Anscor posted equity in net earnings and dividend income amounting to ₱155.3 million and ₱232.0 million, respectively, higher than the revenue for the period in 2011. The investment gain was significantly higher compared to the gain reported last year due to increased volume of trade securities sold in stock market.

Cost of Services Rendered
Increase in cost of services rendered was mainly attributable to higher cost of services of the resort and nurse staffing business as a result of their improved service revenues.

Operating Expenses
Increase can be attributed to the higher operating expenses of the resorts and nurse staffing business.

Valuation Allowances
The Parent Company setup a provision for decline in market value of some AFS investments based on reduced values as of December 31, 2012.

Foreign Exchange Loss
Due to the appreciation of peso vis-à-vis US dollar and euro, the peso value of foreign currency-denominated investments of the Group decreased which resulted to foreign exchange loss.

Interest Expense
The Group reported higher charges for interest expense resulting from additional loans obtained by the Parent Company.

Provision for Income Tax - net
This account increased mainly due to the higher income tax provision of the resort and aviation subsidiaries.

Noncontrolling Interests (statements of income)
Increase in minority interest was mainly due to share of minority shareholders on higher income of the resort and aviation subsidiaries; Cirrus Global, Inc. and minimal income of Cirrus Medical Staffing for the year 2012 as against a net loss in 2011.

Cash Flows
Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on IFRIC Interpretation which were adopted as of January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no significant impact on the Group's consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement -Novation of Derivatives and* Continuation *of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group since the Group has no novation of derivatives.

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

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

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

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

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

The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

- PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB 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 consolidated financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions Amendments*
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group since it has no defined benefit plans with contributions from employees or third parties.

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

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

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

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

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

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

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

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments:* Disclosures – *Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the* Amendments *to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

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

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

Other Financial Information

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

- There are no off-balance sheet transactions, arrangements, obligations including contingent obligations, and other relationships of the Company with unconsolidated entities or other persons created during the year.

- There were no commitments for major capital expenditures in 2014 and onwards.

- The management has no knowledge of known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenue or income from continuing operations.

- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.

- There is no other change in composition of the registrant no restructuring.

- There is no other material event subsequent to the reporting period that has not been reflected in the financial statements.

Item 7. Financial Statements

1. The financial statements were presented using the classified balance sheet format in accordance with the Philippine Financial Reporting Standards (PFRS).

2. The financial statements were prepared in accordance with the disclosures required by SRC Rule 68 as amended (2011) and PFRS.

3. The consolidated financial statements include disclosures with regards to new accounting standards that the Company and its subsidiaries adopted.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SyCip Gorres Velayo & Co. (SGV) has been the Company’s independent auditors since its establishment in 1946. They will again be nominated for reappointment and presented for approval by the stockholders during the stockholders’ meeting as external auditors for the ensuing fiscal year.

A representative of SGV is expected to be present at the Annual Meeting to respond to appropriate questions from the stockholders and to make a statement if so desired.

The Company has no disagreements with its independent auditors on Accounting and Financial Disclosure and changes in Accounting and Financial Disclosures are included in the attached Notes to Financial Statements, if applicable.

In compliance with SRC Rule 68 paragraph 3(b) (iv) (Rotation of External Auditors), the SGV audit partner, as of December 2014, is Ms. Julie Christine C. Ong-Mateo who is on her first year of audit engagement.

The Company paid to its external auditors the following fees in the past two years:

Year	Audit Fees
2014	**₱1,100,000**
2013	1,100,000

The audit fees were evaluated and approved by the Audit Committee based on the scope of work of external auditors and the complexity of accounting and audit issues identified. There are no other fees paid to the external auditors for other assurance and related services.

No tax consultancy fees were paid by the Company to SGV for the years 2014 and 2013.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Directors

The Board of Directors of the Company has ultimate responsibility for the administrative affairs of the Company. The business address of all of the Directors is the registered office of the Company. The Board meets approximately once every quarter or about four times a year. A majority of the Board shall constitute a quorum for the holding of a Board meeting. The decision of a majority of the quorum present shall be sufficient to pass a Board resolution.

The Directors and their respective positions with the Company are listed below.

Name	Position	Term of Office	Period Served as Director
Andres Soriano III	Chairman and Chief Executive Officer; President and Chief Operating Officer	1 year	32 years
Eduardo J. Soriano	Vice Chairman – Treasurer	1 year	34 years
Ernest K. Cuyegkeng	Director	1 year	6 years
John L. Gokongwei, Jr.	Director	1 year	34 years
Oscar J. Hilado	Director	1 year	16 years
Jose C. Ibazeta	Director	1 year	27 years
Roberto R. Romulo	Director	1 year	16 years

Executive Committee and Management

The management structure of the Company consists of an Executive Committee that reports directly to the Board of Directors. The members of the Executive Committee and their respective positions with the Company are listed below.

Mr. Andres Soriano III	Chairman
Mr. Eduardo J. Soriano	Vice Chairman
Mr. Ernest K. Cuyegkeng	Member
Mr. Oscar J. Hilado	Member
Mr. Jose C. Ibazeta	Member

The following are the members of the Audit Committee and Compensation Committee:

Audit Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Eduardo J. Soriano	Member
Mr. Jose C. Ibazeta	Member

Compensation Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Andres Soriano III	Member
Mr. Eduardo J. Soriano	Member

Selected biographical information on the Company's directors and other principal officers is set out below.

Directors

ANDRES SORIANO III, age 63, American, Director of the Company since 19 May 1982; Chairman and Chief Executive of the Company (1983 to present); Chairman and President of Anscor Consolidated Corporation (1987 to present); Chairman of The Andres Soriano Foundation, Inc. (1985 to present), Director of Anscor Property Holdings, Inc. (1998 to present), and A. Soriano Air Corporation (2003 to present); Chairman of Phelps Dodge International Philippines, Inc. (1983 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), Seven Seas Resorts and Leisure, Inc. (1998 to present) and Pamalican Resort, Inc. (May 2011 to present); Director of Cirrus Medical Staffing, Inc. (2007 to present), International Container Terminal Services, Inc. (ICTSI) (July 1992 to present), ICTSI, Ltd. (2001 to present), International Container Terminal Holdings, Inc. (1999 to present), Manila Peninsula Hotel, Inc. (1986 to present). Mr. Soriano was formerly President and Chief Operating Officer of San Miguel Corporation and was subsequently Chairman and Chief Executive Officer of San Miguel Corporation. He was Chairman of Coca-Cola (Philippines), Coca-Cola Amatil (Australia) and Nestle (Philippines). He was a Director of SPI Technologies and eTelecare Global Solutions, Inc. until 2006. He was also a Member of the G.E. Asian Advisory and the Wharton East Asia Executive Board. He holds a Bachelor of Science Degree in Economics, Major in Finance and International Business, Wharton School of Finance and Commerce, University of Pennsylvania, (1972).

EDUARDO J. SORIANO, age 60, Filipino, Director of the Company since 21 May 1980; Vice Chairman-Treasurer of the Company (1990 to present); Chairman of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present); Chairman and President of Anscor Property Holdings, Inc. (1985 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

ERNEST K. CUYEGKENG, age 68, Filipino, Director of the Company since 22 April 2009; Executive Vice President and Chief Financial Officer of the Company (1990 to present); President and Director of Anscor Property Holdings, Inc. (1990 to present), Phelps Dodge Philippines Energy Products Corporation (1999 to present), A. Soriano Air Corporation (2003 to present), and Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present); Director of Seven Seas Resorts and Leisure, Inc. (2008 to present), KSA Realty Corporation (2001 to present), T-O Insurance (2008 to present), and Sumifru, Singapore (2003 to present); Chairman and Director of Artha Land (2007 to present); Trustee of The Andres Soriano Foundation, Inc. (1990 to present); Member of the Management Association of Philippines, Makati Business Club and Financial Executive Institute of the Philippines (FINEX); Graduate of De La Salle University, B.A. Economics and B.S. Business Administration, (1968). Masters Degree in Business Administration, Columbia Graduate School of Business, New York, (1970).

JOHN L. GOKONGWEI, JR., age 88, Filipino, Director of the Company since 21 May 1980; Director and Chairman Emeritus of JG Summit Holdings, Inc.; Chairman and CEO of JG Summit Holdings, Inc. (from 1990 to 2001); Chairman and Chief Executive Officer of Robinsons Retail Holdings, Inc.; Director of Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., JG Summit Petrochemical Corporation, JG Summit Olefins Corporation, Oriental Petroleum and Minerals Corporation; Director of Manila Electric Company (March 31, 2014 to present); Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and Singapore Land Limited; Graduate of De La Salle University, Masters Degree in Business Administration, (1977) Advance Management Program, Harvard University, (1972-1973).

OSCAR J. HILADO, age 77, Filipino, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Trans Asia Power Generation Corporation (1996 to present); Chairman of Trans Asia Oil & Energy Development Corporation (April 2008 to present); Director of Manila Cordage Corporation (1986 to present); Independent Director of Seven Seas Resorts & Leisure, Inc., and Pamalican Resort, Inc. (May 2011 to present), Independent Director of First Philippine Holdings Corporation (November 1996 to present), Philex Mining Corporation (December 2009 to present); Digital Telecommunications Philippines, Inc. (DIGITEL) (May 2013 to present), and Smart Communications, Inc. (May 2013 to present); Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce (1958), Masters Degree in Business Administration, Harvard Graduate School of Business, (1962). Mr. Hilado also serves as Chairman of the Audit Committee of the Company.

JOSE C. IBAZETA, age 72, Filipino, Director of the Company from 1981 to 1998, 2004 to present; Director of International Container Terminal Services, Inc. (January 1988 to present), Anscor Consolidated Corporation (1980 to present), Anscor Property Holdings, Inc. (1982 to present), A. Soriano Air Corporation (1988 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), AG&P International Holdings, Ltd. (December 2014 to present), ICTSI Ltd, and ICTHI. President of Seven Seas Resorts & Leisure, Inc. (2008 to present) and Pamalican Resort, Inc. (May 2011 to present); Member, Finance Committee of Ateneo de Manila University (1997 to present); Board of Trustees of Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (February 2007 to March 2010) and Acting Secretary of Energy (April-June 2010); Graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), Masters Degree in Business Administration, University of San Francisco, (1968), MBA in Banking and Finance, New York University (1972).

ROBERTO R. ROMULO, age 76, Filipino, an independent Director of the Company since 13 April 1998; Chairman of AIG Philippines Insurance, Inc. (formerly Charitis Philippines Insurance, Inc.) (June 2000 to present), PETNET, Inc. (February 2006 to present), MediLink Network, Inc. (September 1999 to present), Nationwide Development Corporation (NADECOR), Carlos P. Romulo Foundation for Peace and Development, Foundation for Information Technology Education and Development (FIT-ED) (1996 to present), Philippine Foundation for Global Concerns, Inc. (PFGC) (1996 to present), Zuellig Family Foundation (June 2008 to present), Romulo Asia Pacific Advisory, Inc. (December 1997 to present) and Asia-Europe Foundation of the Philippines; Advisory Board Member of Philippine Long Distance Telephone Co. (PLDT) (March 2001 to present) and Independent Director of Equicom Savings Bank (January 2008 to present), Robinson Retail Holdings, Inc. (2013 to present) and Maxicare Healthcare Corporation (2014 to present); 25-year career at IBM Corporation holding CEO positions in the Philippines, Thailand, Burma and Bangladesh; Graduate of Georgetown University, (A.B.) and Ateneo de Manila University (LLB); Former Ambassador to Belgium, Luxembourg and the European Commission and Secretary of Foreign Affairs.

The following are not nominees but incumbent officers of the Company:

WILLIAM H. OTTIGER, age 47, Swiss, Senior Vice President and Corporate Development Officer of the Company; President and CEO of Cirrus Medical Staffing; Chairman and Director of AG&P International, Executive Committee Member of Enderun Colleges, Inc.; Director of Cirrus Global, Inc., AG&P Manila and Prople, Inc.; Formerly spent 9 years with San Miguel Brewing Group and 3 years with UBS Investment Bank; Graduate of Washington & Lee University, B.A. History, (1990). London Business School, Masters of Business Administration, (2001).

NARCISA M. VILLAFLOR, age 52, Filipino, Vice President and Comptroller of the Company since 19 April 2000; Treasurer of Seven Seas Resorts and Leisure, Inc., Pamalican Resort, Inc., The Andres Soriano Foundation, Inc., Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.), A. Soriano Air Corporation, Pamalican Island Holdings, Inc., and Sutton Place Holdings, Inc.; Director of Anscor Consolidated Corporation, Cirrus Global, Inc.; Trustee of The Andres Soriano Foundation, Inc.. Joined SGV (January 1985 to November 1989) and joined Anscor in December 1989; Graduate of University of the Philippines, Bachelor of Science in Business Administration and Accountancy (1984). Attended AIM Management Program (November 1996).

LORENZO D. LASCO, age 52, Filipino, Vice President (joined the group in 1997); General Manager of Anscor Property Holdings, Inc., the real estate arm of Anscor; Director of AFC Agribusiness Corp.; Project Manager at Seven Seas Resorts and Leisure, Inc. (Amanpulo); used to be connected with Ayala Land, Inc. (ALI) for nine years; Graduate of the Asian Institute of Management, Masters in Business Administration (1989).

LORNA PATAJO-KAPUNAN, age 62, Filipino, Corporate Secretary of A. Soriano Corporation (1998 to present); Senior Partner of Kapunan Garcia & Castillo Law Offices; Corporate Secretary, Roxas Holdings, Inc. (1995 to 2014), Central Azucarera de Don Pedro (February 1995), Central Azucarera de la Carlota (March 1996), Beverage Industry Association of the Philippines (February 1991 to present), Seven Seas Resorts & Leisure, Inc. (November 1990 to present), Pamalican Island Holdings, Inc. (1995 to present), iAcademy (2002 to 2011), Uni-President Phils., Inc. (2002 to present), Huntly Corporation (February 1992 to present), Palomino Resources, Inc. and Malate Pensionne, Inc. (2001 to 2014), Cuisine Exchange, Inc. and Culinary Innovators, Inc. (2001 to 2014), Jose M. Velero Corporation (2001 to 2014), Creative Concoctions, Inc. (2001 to 2014), Hotel Concepts, Inc. (September 2001 to present), Creative Hotel Concepts, Inc. (September 2001 to 2014), Culinary Events, Inc. (2001 to 2014), AH Distribution Corporation, Hotel & Resorts Trench, Inc. (2002 to 2014), It's About Taste (I'ATE), Inc. (2002 to 2014), Kitchen Alley, Inc. (2001 to 2014), Les Maitres Gourmands, Inc. (July 2001 to 2014); Traditional Financial Services Philippines, Inc. (2008 to present); Avaya Philippines, Inc. (2006 to present), Elixir Gaming Technologies Philippines, Inc. (2007-2008), Elixir Group Philippines, Inc. (2006-2008); Director of AMAX Holdings Limited (2008 to 2014), Corporate Secretary, Blessed Mary Mother of the Poor Foundation, Inc.(2014), Montemar Beach Club, Inc. (2013 to present), Philcomsat Communications Satellite Corporation (Philcomsat) (2013 to present), UNLAD Foundation (2015); Graduate of University of the Philippines College of Law, (1978); Seminar Courses: Japan Institute of Invention and Innovation (JIII) Tokyo (1997); National Institute on Humanitarian Law, San Remo Italy (September 2005); Summer Course International Humanitarian Law, Magdalene College, Cambridge University, London UK (July 2010).

JOSHUA L. CASTRO, age 40, Filipino, Assistant Vice President (April 2013 to present) and Assistant Corporate Secretary (2006 to present) of the Company; Assistant Corporate Secretary of Seven Seas Resorts and Leisure, Inc. (2006 to present) and Island Aviation, Inc. (2006 to present); Corporate Secretary of Phelps Dodge Philippines Energy Products Corporation (2006 to present), A. Soriano Air Corporation (2006 to present), Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2006 to present), Anscor Property Holdings, Inc. (2006 to present), and The Andres Soriano Foundation, Inc. (2006 to present). Tax Lawyer, SyCip Gorres Velayo & Co. (1999 to 2005); Graduate of San Beda College of Law (1999).

Additional Information

There is no person who is not an executive and is expected by the registrant to make a significant contribution to the business.

Except for Andres Soriano III and Eduardo J. Soriano who are brothers, the directors, executive officers or persons nominated or chosen by the registrant to become directors or executive officers have no family relationship up to the 4th civil degree either by consanguinity or affinity.

For the last five years and as of 28 February 2015, Management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

The Company does not own any other equity securities beneficially owned by its directors and other nominees.

Item 10. Executive Compensation

As approved in 2004, Directors are paid a per diem of ₱20,000.00 per meeting attended and are given directors bonus representing no more than 1% of previous year's net income. Similarly, annual bonus, of no more than 3% of the preceding year's net income as well as salary increase of Executive Officers are approved by the Compensation Committee and Board of Directors.

The total compensation paid to the top five (5) Officers of the Company and the rest of the Directors for the last two years and the ensuing year are as follows:

Name	Principal Position	Compensation		
		2013 Actual	2014 Actual	2015 (Estimate)
Andres Soriano III	Chairman & Chief Executive			
Eduardo J. Soriano	Vice Chairman & Treasurer			
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer			
Narcisa M. Villaflor	Vice President & Comptroller			
Joshua L. Castro	Assistant Vice President & Assistant Corporate Secretary			
Salaries		₱ 51,528,374	₱ 53,496,185	₱ 53,800,000
Benefits		1,172,189	1,446,769	1,500,000
Bonus		23,800,000	37,750,000	58,300,000
Sub-Total Top Executive		₱ 76,500,563	₱ 92,692,954	₱ 113,600,000
Other Directors		10,701,562	13,468,929	19,020,000
Total		₱ 87,202,125	₱ 106,161,883	₱ 132,620,000

There are no other arrangements, including consulting contracts, to which any director was compensated, directly or indirectly except for the consultancy agreement between the Company and Mr. Jose C. Ibazeta, involving about ₱6.5 million fees for one year.

All the executive officers are not subject of any employment contract. Neither are there any compensatory plans or arrangements with respect to the named executive officers that will result from their resignation, retirement or any other termination or from change in control in the Company or change in the named executive officers' responsibilities following a change in control.

There are no warrants or options granted to the Directors, Chief Executive Officer, and other named Executive Officers.

Item 11.	Security Ownership of Certain Beneficial Owners and Management

Except as indicated below, no person holds 5% or more of the common stock of the Company under a voting trust or similar agreement.

As of February 28, 2015, the following are the Security Ownership of Certain Record and Beneficial Owners of the Company:

a. Security Ownership of Certain Record (R) and Beneficial Owners (B)

Title of Class	Name/Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	Number of Shares	Percentage Held
Common	Anscor Consolidated Corporation 7th Flr. Pacific Star Bldg., Makati Avenue Makati City (Subsidiary)	Anscor Consolidated Corporation (Subsidiary)	Filipino	1,257,820,646 *	50.313%
Common	PCD Nominee Corp. (Non-Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Non-Filipino) (Depository Account)	Non-Filipino	467,871,984	18.714%
Common	A-Z Asia Limited Philippines, Inc. Barrio Mabacan Calauan, Laguna (Stockholder)	A-Z Asia Limited Philippines, Inc. (Stockholder)	Filipino	176,646,329	7.066%
Common	PCD Nominee Corp. (Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Filipino) (Depository Account)	Filipino	146,135,244	5.845%
TOTAL				**2,048,474,203**	**81.934%**

* Includes 355,648,343 shares lodged with PCD Nominee Corp. (Filipino)

Anscor Consolidated Corporation is wholly owned by A. Soriano Corporation, the registrant Company, represented by Mr. Ernest K. Cuyegkeng as Treasurer.

PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. (“PCD”), is the registered owner of the shares in the books of the Company’s transfer agent in the Philippines. The beneficial owners of such shares are PCD’s participants, who hold the shares on their behalf or in behalf of their clients of which Maybank ATR Kim Eng Securities, Inc., represented by Nilaida Enriquez, is the sole owner of more than 5%, specifically 33.176%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

A-Z Asia Limited Philippines, Inc. is a holding company incorporated in the Philippines on 25 April 2003 represented by Mr. Raul Balaquiao as its Corporate Secretary.

Other than the above, there are no Stockholders owning more than 5% of the Company‘s outstanding shares of stock.

The Company is not aware of any material pending legal proceedings to which the Company or any of its subsidiaries is a party.

b. Security Ownership of Certain Beneficial Owners and Management

As of February 28, 2015, the following are the security ownership of the Directors and Officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and Nature Of Beneficial Ownership		Citizenship	Percentage
Common	Andres Soriano III	50,490,265	Direct/Indirect	American	2.020%
Common	Eduardo J. Soriano	19,169,614	Direct/Indirect	Filipino	0.767%
Common	Oscar J. Hilado	6,020,000	Direct/Indirect	Filipino	0.241%
Common	John L. Gokongwei, Jr.	330,442	Direct/Indirect	Filipino	0.013%
Common	Jose C. Ibazeta	32,951	Direct	Filipino	0.001%
Common	Ernest K. Cuyegkeng	20,000	Direct	Filipino	0.001%
Common	Roberto R. Romulo	20,000	Direct	Filipino	0.001%
Total		76,083,272			3.044%

William H. Ottiger, Narcisa M. Villaflor, Lorenzo D. Lasco, Atty. Lorna Patajo-Kapunan and Atty. Joshua L. Castro do not own shares of the Company.

c. Voting Trust Agreement

The Company does not have any voting trust agreement with any stockholders.

d. Changes in Control

No change in control of the Company occurred since the beginning of the last fiscal year. Management is not aware of any arrangement which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

There are no Management transaction during the year or proposed transaction to which the Company was or is to be a party, in which any of its Directors, nominees for election as Directors, Executive Officers, security holders owning more than 5% of the outstanding shares of the Company, or any member of the immediate family of any of the forgoing persons, have or is to have material interest.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Goverance

Please refer to attached Annual Corporate Governance Report (ACGR).

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Exhibit	(1)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	NA
Exhibit	(2)	Instruments Defining the Rights of Security Holders, Including Indentures	BY-LAWS
Exhibit	(3)	Voting Trust Agreement	NA
Exhibit	(4)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	INFORMATION STATEMENT ANNUAL REPORT & FORM 17-Q
Exhibit	(5)	Letter re: Change in Certified Public Accountant	NA
Exhibit	(6)	Letter re: Change in Accounting Principles	NA
Exhibit	(7)	Report Furnished to Security Holders	ANNUAL REPORT & FORM 17-Q
Exhibit	(8)	Subsidiaries of the Registrant	LIST OF SUBSIDIARIES FINANCIAL STATEMENTS OF SIGNIFICANT FOREIGN SUBSIDIARIES
Exhibit	(9)	Published Report Regarding Matters Submitted to Vote of Security Holders	NA
Exhibit	(10)	Consents of Experts and Independent Counsel	NA
Exhibit	(11)	Power of Attorney	NA
Exhibit	(12)	Additional Exhibits	Annual Corporate Governance Report (ACGR)

(b) SEC Form 17-C

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on February 25, 2015.

Andres Soriano III Chairman, President and Chief Executive Officer	Date	**Ernest K. Cuyegkeng** Executive Vice President - Chief Financial Officer	Date
Narcisa M. Villaflor Vice President-Comptroller	Date	**Salome M. Buhion** Accounting Manager	Date
Atty. Lorna Kapunan Corporate Secretary	Date		

SUBSCRIBED AND SWORN to before me this 25th day of February 2015, affiants exhibited to me the following:

NAMES	PASSPORT NO. GOV'T ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE
Andres Soriano III	506368805	01-14-2015	U.S.A
Ernest K. Cuyegkeng	EC3327271	01-31-2015	Manila
Narcisa M. Villaflor	EC0629149	03-21-2014	Manila
Salome M. Buhion	EC2120654	09-17-2014	DFA NCR Northeast
Atty. Lorna Kapunan	EB4713590	02-17-2012	Manila

MA. CHRISTINE FEL P. DE VERA
Appointment No. M-521
Notary Public for Makati City
Under December 31, 2015
Penthouse, Liberty Center,
104 H.V. Dela Costa Street, Makati City
Roll of Attorneys No. 62659
PTR No. 4754659/Makati City/01-06-2015
IBP No. 479423/Laguna/01-05-2015

Doc. No. 139;
Page No. 29;
Book No. VI;
Series of 2015.

A. SORIANO CORPORATION
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

A. SORIANO CORPORATION
INDEX TO EXHIBITS

Instruments Defining the Rights of Security Holders, Including Indentures	BY-LAWS
Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders Report Furnished to Security Holders	INFORMATION STATEMENT ANNUAL REPORT & FORM 17-Q
Subsidiaries of the Registrant	LIST OF SUBSIDIARIES FINANCIAL STATEMENTS OF SIGNIFICANT FOREIGN SUBSIDIARIES

April 23, 2014	SEC 17-C Item No. 4 – Registrations, Removal or Election of Registrant's Directors and officers Item No. 9 – Other Event Appointment of External Auditor Amending Article FOURTH of Articles of Incorporation Approval of the Stock Option Plan
November 20, 2014	SEC 17-C Item No. 9 – Other Event Declaration and Approval of Cash Dividends
December 22, 2014	SEC 17-C Item No. 9 – Other Event Purchase of 60% Stake of General Cable in Phelps Dodge International Philippines, Inc.

A. SORIANO CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2013, 2012 and 2011, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ANDRES SORIANO III	**ERNEST K. CUYEGKENG**
Chairman, President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

Signed this 25th day of February 2015

REPUBLIC OF THE PHILIPPIENS)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 25th day of February 2015, affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE ISSUED
Andres Soriano III	506368805	Jan. 14 2015 to Jan 13, 2025/ U.S.
Ernest K. Cuyegkeng	EB4390925	Jan. 31, 2015 to Jan. 30, 2020/Manila

Doc. No. 141;
Page No. 30;
Book No. VI;
Series of 2015.

MA. CHRISTINE FEL P. DE VERA
Appointment No. M-521
Notary Public for Makati City
Under December 31, 2015
Penthouse, Liberty Center,
104 H.V. Dela Costa Street, Makati City
Roll of Attorneys No. 62659
PTR No. 4754659/Makati City/01-06-2015
IBP No. 479423/Laguna/01-05-2015

A. SORIANO CORPORATION, 7TH FLOOR, PACIFIC STAR BUILDING, MAKATI AVENUE COR. GIL J. PUYAT AVENUE, 1209 MAKATI CITY
P.O. BOX 1304 MAKATI CENTRAL POST OFFICE, 1252 MAKATI CITY, PHILIPPINES • TEL: 819-0251 to 70 • E-MAIL: asoriano@globe.com.ph

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
A. Soriano Corporation
7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue Extension
Makati City

We have audited the accompanying consolidated financial statements of A. Soriano Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of A. Soriano Corporation and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-1 (Group A),
February 2, 2012, valid until March 31, 2015
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751308, January 5, 2015, Makati City

February 18, 2015

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 7)	**₱1,401,033,659**	₱743,892,509
Fair value through profit or loss (FVPL) investments (Note 8)	**595,681,712**	479,879,789
Receivables (Notes 6 and 9)	**1,692,829,023**	439,038,918
Inventories (Notes 6 and 10)	**900,214,435**	82,690,608
Available-for-sale (AFS) investments - current (Note 11)	**24,691,343**	48,949,783
Prepayments	**78,043,758**	41,644,515
Other current assets (Note 29)	**85,110,374**	85,115,844
Total Current Assets	**4,777,604,304**	1,921,211,966
Noncurrent Assets		
AFS investments - net of current portion (Note 11)	**10,067,299,976**	10,299,579,269
Investments and advances (Note 12)	**1,541,990,755**	3,078,289,972
Goodwill (Note 6)	**2,069,329,539**	612,333,405
Property and equipment (Notes 6, 13 and 18)	**2,345,505,386**	1,031,160,231
Investment properties (Notes 6, 14 and 29)	**260,569,744**	206,769,100
Retirement plan asset (Notes 6 and 23)	**65,533,724**	53,846,435
Other noncurrent assets (Notes 6, 15 and 29)	**191,624,130**	123,326,239
Total Noncurrent Assets	**16,541,853,254**	15,405,304,651
TOTAL ASSETS	**₱21,319,457,558**	₱17,326,516,617
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Note 16)	**₱1,529,461,840**	₱125,095,466
Accounts payable and accrued expenses (Notes 6, 17 and 29)	**1,014,496,149**	400,910,183
Dividends payable (Note 19)	**519,664,033**	264,014,626
Customer's deposits for property development (Note 12)	**381,844,350**	156,858,000
Income tax payable	**66,199,040**	2,055,860
Current portion of long-term debt (Notes 6 and 18)	**237,502,643**	31,337,632
Total Current Liabilities	**3,749,168,055**	980,271,767

(Forward)

	December 31	
	2014	2013
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 6 and 18)	**₱1,934,135,533**	₱2,109,426,619
Deferred revenues (Note 29)	**29,715,303**	28,448,316
Deferred income tax liabilities - net (Notes 6 and 24)	**282,941,998**	108,876,698
Retirement benefits payable (Notes 6 and 23)	**9,054,911**	10,965,263
Other noncurrent liabilities (Notes 6, 15 and 29)	**105,002,529**	80,623,353
Total Noncurrent Liabilities	**2,360,850,274**	2,338,340,249
Total Liabilities	**6,110,018,329**	3,318,612,016
Equity Attributable to Equity Holdings of the Parent (Note 19)		
Capital stock - ₱1 par value	**2,500,000,000**	2,500,000,000
Additional paid-in capital	**1,605,613,566**	1,605,613,566
Equity reserve on acquisition of noncontrolling interest (Note 3)	**(26,356,543)**	(26,356,543)
Cumulative translation adjustment	**10,702,438**	(20,417,578)
Unrealized valuation gains on AFS investments (Note 11)	**3,238,819,432**	3,675,941,998
Remeasurement on retirement benefits (Note 23)	**40,843,333**	35,720,041
Retained earnings:		
Appropriated (Note 19)	**4,600,000,000**	3,000,000,000
Unappropriated (Note 19)	**5,029,204,349**	4,898,587,228
Cost of shares held by a subsidiary (1,257,900,646 shares and 1,238,997,391 shares in 2014 and 2013, respectively) (Note 19)	**(2,163,648,770)**	(2,031,222,641)
	14,835,177,805	13,637,866,071
Noncontrolling Interests (Note 3)	**374,261,424**	370,038,530
Total Equity	**15,209,439,229**	14,007,904,601
TOTAL LIABILITIES AND EQUITY	**₱21,319,457,558**	₱17,326,516,617

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Services (Note 29)	**₱1,966,139,955**	₱1,812,136,972	₱1,918,796,648
Dividend income (Note 11)	**260,862,079**	237,966,271	231,958,775
Equity in net earnings of associates (Note 12)	**147,141,103**	228,945,588	155,327,752
Interest income (Notes 7, 8, 11 and 22)	**96,438,999**	95,592,251	93,512,782
Management fee (Notes 9, 26 and 29)	**78,344,162**	58,926,242	55,776,625
Sale of villa lots (Note 14)	**–**	82,033,482	–
Others	**881,793**	10,468,291	21,049,349
	2,549,808,091	2,526,069,097	2,476,421,931
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments (Note 11)	**1,661,985,514**	1,101,883,509	1,169,315,456
Investment in associates (Note 12)	**56,059,176**	–	–
Property and equipment and investment property (Notes 13 and 14)	**–**	–	3,510,150
Gain (loss) on increase (decrease) in market values of FVPL investments (Note 8)	**(9,487,014)**	(102,835,133)	67,242,449
	1,708,557,676	999,048,376	1,240,068,055
TOTAL	**4,258,365,767**	3,525,117,473	3,716,489,986
Costs of services rendered (Note 20)	**(1,361,515,068)**	(1,330,261,339)	(1,288,064,254)
Cost of villa lots sold (Note 14)	**–**	(19,860,844)	–
Operating expenses (Note 20)	**(864,121,022)**	(761,493,193)	(721,118,746)
Interest expense (Note 22)	**(61,361,043)**	(34,877,538)	(18,246,049)
Foreign exchange gain (loss) - net	**(9,962,427)**	32,696,008	(78,729,221)
Other income (charges) - net (Notes 22 and 29)	**102,695,296**	48,424,613	(85,702,775)
	(2,194,264,264)	(2,162,221,519)	(2,191,861,045)
INCOME BEFORE INCOME TAX	**2,064,101,503**	1,362,895,954	1,524,628,941
PROVISION FOR INCOME TAX (Note 24)	**29,359,944**	16,113,987	34,986,166
NET INCOME	**₱2,034,741,559**	₱1,346,781,967	₱1,489,642,775
Attributable to:			
Equity holdings of the Parent	**₱2,041,141,959**	₱1,358,036,019	₱1,467,919,427
Noncontrolling interests	**(6,400,400)**	(11,254,052)	21,723,348
	₱2,034,741,559	₱1,346,781,967	₱1,489,642,775
Earnings Per Share			
Basic/diluted, for net income attributable to equity holdings of the Parent (Note 25)	**₱1.63**	₱1.08	₱1.07

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**₱2,034,741,559**	₱1,346,781,967	₱1,489,642,775
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains on AFS investments (Note 11)	**1,349,350,540**	1,468,825,443	2,171,495,685
Income tax effect	**(15,918,015)**	(18,177,103)	(29,799,220)
	1,333,432,525	1,450,648,340	2,141,696,465
Realized gains on sale of AFS investments, net of impairment losses, recognized in the consolidated statements of income (Note 11)	**(1,794,468,827)**	(1,237,321,771)	(1,182,576,855)
Income tax effect	**23,913,736**	3,815,782	3,694,349
	(1,770,555,091)	(1,233,505,989)	(1,178,882,506)
	(437,122,566)	217,142,351	962,813,959
Cumulative translation adjustment	**31,120,016**	135,752,012	(85,537,035)
	(406,002,550)	352,894,363	877,276,924
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (Note 23)	**6,403,863**	15,440,233	35,549,095
Income tax effect	**(1,921,158)**	(4,747,470)	(10,765,305)
	4,482,705	10,692,763	24,783,790
OTHER COMPREHENSIVE INCOME (LOSS)	**(401,519,845)**	363,587,126	902,060,714
TOTAL COMPREHENSIVE INCOME	**₱1,633,221,714**	₱1,710,369,093	₱2,391,703,489
Attributable to:			
Equity holdings of the Parent	**₱1,640,262,701**	₱1,721,447,737	₱2,369,849,415
Noncontrolling interests	**(7,040,987)**	(11,078,644)	21,854,074
	₱1,633,221,714	₱1,710,369,093	₱2,391,703,489

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Equity Attributable to Equity Holdings of the Parent (Note 19)											
							Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on AFS Investments (Note 11)	Cumulative Actuarial Gains (Note 23)	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2011	**₱2,500,000,000**	**₱1,574,103,911**	**(₱26,356,543)**	**(₱70,632,555)**	**₱2,495,985,688**	**₱549,622**	**₱2,100,000,000**	**₱4,556,260,395**	**(₱1,836,655,862)**	**₱11,293,254,656**	**₱320,691,429**	**₱11,613,946,085**
Total comprehensive income (loss) for the year	–	–	–	(85,537,035)	962,813,959	24,653,064	–	1,467,919,427	–	2,369,849,415	21,854,074	2,391,703,489
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱1,231.7 million (Note 19)	–	–	–	–	–	–	–	(1,268,302,961)	–	(1,268,302,961)	–	(1,268,302,961)
Shares repurchased during the year (Note 19)	–	–	–	–	–	–	–	–	(183,068,737)	(183,068,737)	–	(183,068,737)
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–	–	–	–	–	(516,333)	(516,333)
BALANCES AT DECEMBER 31, 2012	**2,500,000,000**	**1,574,103,911**	**(26,356,543)**	**(156,169,590)**	**3,458,799,647**	**25,202,686**	**2,100,000,000**	**4,755,876,861**	**(2,019,724,599)**	**12,211,732,373**	**342,029,170**	**12,553,761,543**
Total comprehensive income (loss) for the year	–	–	–	135,752,012	217,142,351	10,517,355	–	1,358,036,019	–	1,721,447,737	(11,078,644)	1,710,369,093
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱309.8 million (Note 19)	–	–	–	–	–	–	–	(315,325,652)	–	(315,325,652)	–	(315,325,652)
Shares repurchased during the year (Note 19)	–	–	–	–	–	–	–	–	(21,419,406)	(21,419,406)	–	(21,419,406)
Treasury shares reissued during the year	–	31,509,655	–	–	–	–	–	–	9,921,364	41,431,019	–	41,431,019
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–	–	–	–	–	(1,939,021)	(1,939,021)
Additional investment in a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	–	41,027,025	41,027,025
Appropriation during the year (Note 19)	–	–	–	–	–		900,000,000	(900,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2013	**2,500,000,000**	**1,605,613,566**	**(26,356,543)**	**(20,417,578)**	**3,675,941,998**	**35,720,041**	**3,000,000,000**	**4,898,587,228**	**(2,031,222,641)**	**13,637,866,071**	**370,038,530**	**14,007,904,601**
Total comprehensive income (loss) for the year	–	–	–	31,120,016	(437,122,566)	5,123,292	–	2,041,141,959	–	1,640,262,701	(7,040,987)	1,633,221,714
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	–	–	–	–	–	(310,524,838)	–	(310,524,838)	–	(310,524,838)
Shares repurchased during the year (Note 19)	–	–	–	–	–	–	–	–	(132,426,129.00)	(132,426,129)	–	(132,426,129)
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–	–	–	–	–	11,263,881	11,263,881
Appropriation during the year (Note 19)	–	–	–	–	–	–	1,600,000,000	(1,600,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2014	**₱2,500,000,000**	**₱1,605,613,566**	**(₱26,356,543)**	**₱10,702,438**	**₱3,238,819,432**	**₱40,843,333**	**₱4,600,000,000**	**₱5,029,204,349**	**₱2,163,648,770**	**₱14,835,177,805**	**₱374,261,424**	**₱15,209,439,229**

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,064,101,503**	₱1,362,895,954	₱1,524,628,941
Adjustments for:			
Loss (gain) on sale of:			
AFS investments (Note 11)	**(1,661,985,514)**	(1,101,883,509)	(1,169,315,456)
Investment in associates	**(56,059,176)**	–	–
Property and equipment (Note 13)	**28,151**	–	(3,510,150)
Gain on remeasurement of previously held interest (Note 22)	**(699,011,094)**	–	–
Valuation allowances - net (Note 22)	**683,780,320**	73,678,356	70,521,700
Dividend income (Note 11)	**(260,862,079)**	(237,966,271)	(231,958,775)
Equity in net earnings of associates (Note 12)	**(147,141,103)**	(228,945,588)	(155,327,752)
Depreciation and amortization (Note 13)	**132,907,136**	127,561,862	117,903,279
Interest income (Note 22)	**(96,438,999)**	(95,592,251)	(93,512,782)
Interest expense (Note 22)	**61,361,043**	34,877,538	18,246,049
Unrealized foreign exchange losses - net	**32,420,744**	106,014,593	46,324,451
Retirement benefit costs (Note 23)	**11,722,183**	11,474,829	15,384,331
Loss (gain) on decrease (increase) in market values of FVPL investments (Note 8)	**9,487,014**	102,835,133	(67,242,449)
Operating income before working capital changes	**74,310,129**	154,950,646	72,141,387
Decrease (increase) in:			
FVPL investments	**(124,275,601)**	(54,078,824)	399,344,115
Receivables	**(17,241,769)**	(97,790,402)	(28,626,949)
Inventories	**(39,327,133)**	4,186,191	(5,173,511)
Prepayments and other current assets	**(39,349,178)**	(42,734,568)	12,778,054
Increase (decrease) in:			
Accounts payable and accrued expenses	**282,359,937**	32,152,326	21,326,851
Customer's deposit for property development	**224,986,350**	156,858,000	–
Deferred revenues	**1,266,987**	(1,226,729)	(50,467,544)
Net cash provided by operations	**362,729,722**	152,316,640	421,322,403
Dividends received	**356,062,079**	307,566,271	276,758,775
Interest received	**98,046,778**	97,227,033	96,986,204
Interest paid	**(61,361,043)**	(34,877,538)	(18,246,049)
Retirement benefit contribution (Note 23)	**(13,923,949)**	(15,695,633)	(42,909,632)
Income taxes paid	**(12,094,161)**	(23,226,651)	(24,564,933)
Net cash flows from operating activities	**729,459,426**	483,310,122	709,346,768

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
AFS investments (Note 11)	**₱5,650,606,104**	₱5,181,601,386	₱5,973,486,059
Investment in associates	**56,059,176**	–	–
Property and equipment (Note 13)	**–**	–	8,503,759
Additions to:			
AFS investments (Note 11)	**(4,435,277,618)**	(5,131,238,087)	(5,269,523,768)
Property and equipment (Note 13)	**(196,878,710)**	(283,486,670)	(90,791,210)
Acquisition of subsidiaries, net of cash acquired (Note 6)	**(2,369,366,713)**	–	–
Advances to affiliates (Note 12)	**5,914,823**	(1,886,405)	–
Acquisition of an associate (Note 12)	**–**	(1,737,200,000)	–
Net cash flows from (used in) investing activities	**(1,288,942,938)**	(1,972,209,776)	621,674,840
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable (Note 16)	**1,529,461,840**	176,133,976	432,787,492
Payments of:			
Notes payable (Note 16)	**(78,139,466)**	(389,625,547)	(187,395,000)
Long-term debt (Note 18)	**(30,419,980)**	(24,254,167)	(26,574,114)
Dividends (Note 19)	**(54,875,431)**	(420,473,090)	(1,045,784,954)
Company shares purchased by a subsidiary (Note 19)	**(132,426,129)**	(21,419,406)	(183,068,737)
Increase (decrease) in noncontrolling interests	**504,714**	39,263,412	(542,303)
Proceeds from long–term debt (Note 18)	**–**	1,973,976,357	30,000,000
Proceeds from sale of treasury stock (Note 19)	**–**	41,431,019	–
Net cash flows from (used) in financing activities	**1,234,105,548**	1,375,032,554	(980,577,616)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**674,622,036**	(113,867,100)	350,443,992
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(17,480,886)**	(12,793,005)	(22,318,060)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**743,892,509**	870,552,614	542,426,682
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱1,401,033,659**	₱743,892,509	₱870,552,614

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses. On July 17, 1979, the SEC approved the Company's amended articles of incorporation extending the term of its existence for another fifty years up to February 12, 2030. The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded. The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issue by the Board of Directors (BOD) on February 18, 2015.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for securities at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Group's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

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

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 Interpretations based on IFRIC Interpretation which were adopted as of January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies

to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments*)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no significant impact on the Group's consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement* - *Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group since the Group has no novation of derivatives.

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

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* consistent with the requirements of IFRIC 21 in prior years.

  <u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
  In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group's financial statements.

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

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

The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

- PFRS 9, *Financial Instruments - Classification and Measurement (2010 version)*
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement.* PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB 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 consolidated financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group since it has no defined benefit plans with contributions from employees or third parties.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group's consolidated financial statements. They include:

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments,* if early adopted). The Group shall consider this amendment for future business combinations.

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

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

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

<u>Annual Improvements to PFRSs (2011-2013 cycle)</u>
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group's consolidated financial statements. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and *PAS 41, Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

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

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

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

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- *PFRS 9, Financial Instruments - Hedge Accounting* and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

  The Group is currently assessing the impact of this standard.

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

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at December 31:

		Percentage of Ownership		
	Nature of Business	**2014**	2013	2012
A. Soriano Air Corporation (Note 29)	Services/Rental	**100**	100	100
Pamalican Island Holdings, Inc. (PIHI)	Holding	**62**	62	62
Island Aviation, Inc. (IAI, Notes 18 and 29)	Air Transport	**62**	62	62
Anscor Consolidated Corporation (Anscorcon)	Holding	**100**	100	100
Anscor International, Inc. (AI, Note 12)	Holding	**100**	100	100
IQ Healthcare Investments Limited (IQHIL, Note 12)	Manpower Services	**100**	100	100
Cirrus Medical Staffing, Inc. (Cirrus, Notes 6 and 12)	Manpower Services	**94**	94	94
Cirrus Holdings USA, LLC (Cirrus LLC, Note 6)	Manpower Services	**94**	94	94
Cirrus Allied, LLC (Cirrus Allied, Note 6)	Manpower Services	**94**	94	94
NurseTogether, LLC (NT) (Note 6)	Online Community Management	**94**	94	94
Anscor Property Holdings, Inc. (APHI, Note 14)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	**100**	100	100
Goldenhall Corp.	Real Estate Holding	**100**	100	100
Lakeroad Corp.	Real Estate Holding	**100**	100	100
Mainroad Corp.	Real Estate Holding	**100**	100	100
Makatwiran Holdings, Inc. (Makatwiran)	Real Estate Holding	**100**	100	100
Makisig Holdings, Inc. (Makisig)	Real Estate Holding	**100**	100	100
Malikhain Holdings, Inc. (Malikhain)	Real Estate Holding	**100**	100	100
Mountainridge Corp.	Real Estate Holding	**100**	100	100
Rollingview Corp.	Real Estate Holding	**100**	100	100
Summerside Corp.	Real Estate Holding	**100**	100	100
Timbercrest Corp.	Real Estate Holding	**100**	100	100

	Nature of Business	Percentage of Ownership 2014	2013	2012
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 6, 12 and 29)	Holding	**100**	–	–
Minuet Realty Corporation (Minuet)	Landholding	**100**	–	–
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 6, 12 and 29)	Wire Manufacturing	**100**	–	–
PD Energy International Corporation (PDEIC)	Wire Manufacturing	**100**	–	–
Sutton Place Holdings, Inc. (Sutton)	Holding	**100**	100	100
Cirrus Global, Inc. (CGI, Note 29)	Manpower Services	**93**	93	93
IQ Healthcare Professional Connection, LLC (IQHPC, Notes 15 and 29)	Manpower Services	**93**	93	93
AFC Agribusiness Corporation (ACC) (Note 12)	Real Estate Holding	**81**	–	–
Seven Seas Resorts and Leisure, Inc. (SSRLI, Note 12)	Villa Project Development	**62**	62	62
Pamalican Resort, Inc. (PRI, Note 12)	Resort Operations	**62**	62	62

Except for AI, IQHIL, Cirrus and its subsidiaries and IQHPC, the above companies are all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while Cirrus and its subsidiaries and IQHPC are based in the United States of America (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company’s equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheet.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

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

The following are the Group's associates:

		Percentage of Ownership		
	Nature of Business	**2014**	2013	2012
Vicinetum Holdings, Inc. (VHI, Note 12)	Holding	**32**	32	32
AGP International Holdings Ltd. (AGPI, Note 12)***	Holding	**27**	27	-
NewCo., Inc. (Newco, Note 12)*	Real Estate	–	45	45
AFC Agribusiness Corporation	Real Estate	–	45	45
Anscor-Casto Travel Corporation*	Travel Agency	–	44	44
Phelps Dodge International Philippines, Inc.				
(PDIPI, Notes 12 and 29)**	Holding	–	40	40
Minuet Realty Corporation (Minuet)	Landholding	–	60	60
Phelps Dodge Philippines Energy Products	Corporation			
(PDP Energy, Notes 12 and 29)**	Wire Manufacturing	–	40	40
PD Energy International Corporation (PDEIC)	Wire Manufacturing	–	40	40

* *Sold in 2014 (see Note 12)*
** *Became subsidiaries as of December 31, 2014 (see Note 6)*
*** *Its associate is engaged in modular steel fabrication.*

In 2013, Minuet was excluded in the consolidated financial statements as special voting requirements adopted by its shareholders manifested that the Company's 60% holdings in Minuet is not sufficient to carry major business decisions. With the acquisition of PDIPI as discussed in Note 6, Minuet became a wholly-owned subsidiary of the Company and is included in the consolidated financial statements as of December 31, 2014.

On June 28, 2013, AI converted its Convertible Bridge Notes from AGPI to Series B voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI for the subscription to series C voting preferred shares. The subscription increases its holdings to 27%, making AGPI an associate of the Group.

Except for AGPI, the above companies are all based in the Philippines. The principal business location of AGPI is in the British Virgin Islands.

Business Combinations and Goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of income.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Foreign Currency Translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences 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 closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to AFS equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement
The Group measures financial assets (such as FVPL and AFS investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

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

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

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

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

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

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

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

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

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

<u>Financial Instruments</u>

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

As of December 31, 2014 and 2013, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL
The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of December 31, 2014 and 2013.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in "Gain (loss) on increase (decrease) in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of December 31, 2014 and 2013, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives amounting to ₱595.7 million and ₱479.9 million, respectively. No financial liability at FVPL is outstanding as of December 31, 2014 and 2013.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to employees and other receivables.

(c) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as "Gain on sale of AFS investments". Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized as such in the consolidated statement of income when the right of payment has been established.

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within twelve months after the reporting period.

As of December 31, 2014 and 2013, the Group's AFS investments include investment in equity securities and bond and convertible notes.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of December 31, 2014 and 2013, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of December 31, 2014 and 2013, there were no financial instruments classified as HTM.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
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 or removed from the consolidated balance sheet where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities
A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

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

Impairment of Financial Assets
The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost
For loans and receivables 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.

For individually significant financial assets, 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 the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective evidence of impairment exists for 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 for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. 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 reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to “Recoveries (valuation allowances) - net” account under “Other income (charges) - net” in the consolidated statement of income.

AFS investments
In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. The losses arising from impairment of such investments are recognized as “Recoveries (valuation allowances) - net” account under “Other income (charges) - net” in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income.

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

Day 1 Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only 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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of goods
Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on villa development project
Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method. Under this method, revenue is recognized only when the villa clusters have been constructed, turned over to, and accepted by the buyer.

Rendering of services
Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses

Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Construction costs

Construction costs are recognized by reference to the stage of completion of the construction activity as of reporting date. Since the Group subcontracted the work to third parties, the construction costs equal the construction revenue.

Cost of goods sold

The cost of goods sold is recognized as expense when the related goods are sold using the average costing method.

The cost of real estate sold includes the acquisition cost of the land and total development costs upon completion. Cost of lots sold is determined based on average method while cost of villa is accounted for using specific identification.

Costs of services rendered

All direct nurse costs incurred in deployment of nurses are deferred and included in “Other noncurrent assets” in the consolidated balance sheets, until the nurses’ arrival and employment in the U.S. hospitals. Upon the nurses’ arrival and employment in the U.S. hospitals, deferred costs are reversed to “Costs of services rendered”.

Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses

All selling and general and administrative expenses are expensed as incurred.

Other Comprehensive Income

Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

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

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises 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. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

** or lease term, whichever is shorter*

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

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes 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. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed:

Category	Number of Years
Land improvements	25
Buildings	20 - 30
Condominium units	20

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

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

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Customer's Deposit for Property Development
Customer's deposit for property development is recorded at cost. The deposit is an advance payment by a villa buyer which is required to start and complete the villa development. Upon sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities
Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock
Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital
Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary
The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

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

The Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits
The Group has a non-contributory 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.

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

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

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

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 tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of December 31, 2014, 2013 and 2012.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period
Post year-end events that provide additional information about the Group’s position at the end of 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.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in 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.

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 amounts recognized in the consolidated financial statements.

Determination of functional currency
The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments
The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition 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 balance sheets (see Note 28).

Operating lease commitments - the Group as Lessee
The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating lease commitments - the Group as Lessor
The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, 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.

Impairment losses on loans and receivables

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

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For 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. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received. Allowance for doubtful accounts as of December 31, 2014 and 2013 amounted to ₱606.3 million and ₱625.3 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱1,692.8 million and ₱443.5 million as of December 31, 2014 and 2013, respectively (see Notes 9 and 12).

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data (see Note 28).

Unquoted equity investments amounted to ₱892.6 million and ₱969.3 million as of December 31, 2014 and 2013, respectively (see Note 11).

Impairment of AFS equity investments

The Group recognizes impairment losses on AFS equity investments 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. In 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).

In 2014, impairment loss was recognized totaling ₱161.4 million on its equity instruments (nil in 2013). AFS equity investments amounted to ₱8,917.5 million and ₱9,504.7 million as of December 31, 2014 and 2013, respectively (see Note 11).

Impairment of AFS debt investments
For AFS debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment. In 2014, impairment loss was recognized totaling ₱98.5 million. No impairment was noted in 2013. The carrying value of AFS debt investments amounted to ₱1,174.5 million and ₱843.9 million as of December 31, 2014 and 2013, respectively (see Note 11).

Estimation of allowance for inventory and impairment losses
The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. 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 inventory and impairment losses would increase recorded expenses and decrease current assets.

As of December 31, 2014 and 2013, allowance for inventory losses and obsolescence amounted to ₱60.8 million and ₱5.7 million, respectively. The carrying amount of the inventories amounted to ₱900.2 million and ₱82.7 million as of December 31, 2014 and 2013, respectively (see Note 10).

Estimation of useful lives of the Group's property and equipment
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of December 31, 2014 and 2013, the carrying value of property and equipment amounted to ₱2,345.5 million and ₱1,031.2 million, respectively (see Note 13).

Investments carried at equity method
Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In 2014, an impairment loss which amounted to ₱440.4 million was recognized due to losses incurred by the investee and the revenue and earnings trend are relatively lower as compared with budget. As of December 31, 2014 and 2013, allowance for decline in value of investments amounted to ₱462.5 million and ₱27.3 million, respectively. The carrying amounts of the investments amounted to ₱1,542.0 million and ₱3,073.8 million as of December 31, 2014 and 2013, respectively (see Note 12).

Impairment of non-financial assets
(a) Property and equipment and investment properties

The Group assesses impairment on assets 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.

As of December 31, 2014 and 2013, the carrying value of property and equipment and investment properties amounted to ₱2,606.1 million and ₱1,237.9 million, respectively (see Notes 13 and 14).

There is no impairment loss on property and equipment and investment properties as of and for each of the three years in the period ended December 31, 2014 (see Notes 13 and 14).

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the “value-in-use” of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱100.0 million since December 31, 2009 on its investment in Cirrus.

As of December 31, 2014 and 2013, the carrying value of goodwill, excluding provisional goodwill of ₱1,452.5 million, amounted to ₱612.3 million (see Note 6).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management 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 profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As of December 31, 2014 and 2013, the Group recognized deferred income tax assets amounting to ₱64.8 million and ₱13.6 million, respectively (see Note 24).

Determination of pension and other retirement benefits
The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Retirement plan asset as of December 31, 2014 and 2013 amounted to ₱65.5 million and ₱53.8 million, respectively. Retirement benefits payable as of December 31, 2014 and 2013 amounted to ₱9.1 million and ₱11.0 million, respectively. Further details are provided in Note 23.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 23.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in the preceding notes and in Note 30.

Determination of absence of significant influence over Enderun
The Company determined that it has no significant influence over Enderun. Management assessed that it does not exercise significant influence over the financial and operating policy decisions of the investee. Accordingly, Enderun is considered an AFS investment (see Note 11).

Determining whether an acquisition represents a business combination or an asset purchase
Determining whether the acquisition meets the definition of a business combination requires judgment to be applied on a case by case basis. The Company acquired AAC, a subsidiary. At the time of acquisition, the Company considers whether the acquisition represents an acquisition represents an acquisition of a business or an asset acquisition. At acquisition date, the subsidiary owns a parcel of land which is idle and as such, the acquisition is accounted for as an asset acquisition (see Note 12).

Purchase price allocation in business combinations and goodwill
The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated statement of financial position or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The Company's acquisitions of certain subsidiaries have resulted in recognition of goodwill. In 2014, the acquisition of PDIPI and its subsidiary, PDP Energy, has resulted in recognition of goodwill which amounted to ₱1,452.5 million based on provisional purchase price allocation (see Note 6). The total carrying value of goodwill amounted to ₱2,069.3 million and ₱612.3 million as of December 31, 2014 and 2013, respectively.

5. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered. Prior to 2008, the Group has no geographical segments (except for IQHPC's operations) as majority of the companies within the Group were incorporated and are operating within the Philippines. The Group has no inter-segment sales and transfers. The amounts disclosed were determined consistent with the measurement basis under PFRS.

Holding company segment pertains to the operations of the Company.

Nurse/Physical Therapist (PT) staffing companies segment pertains to the subsidiaries providing healthcare and allied services operating in the United States.

Resort operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others (see Note 3).

Amounts for the investments in associates comprise the Group's equity in net earnings of the associates.

Other operations include wire manufacturing, air transportation, hangarage, real estate holding and management, and recruitment services.

The following tables present the financial information of the business segments as of and for the years ended December 31, 2014, 2013 and 2012 (in thousands).

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company (Note 6)	Holding Company (Parent)	Resort Operations (Note 6)	*Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2014								
Revenues, excluding interest income	**₱1,250,017**	**₱760,785**	**₱494,071**	**₱545,505**	**₱–**	**₱3,050,378**	**(₱597,009)**	**₱2,453,369**
Interest income	**9,349**	**80,214**	**3,353**	**3,523**	**–**	**96,439**	**–**	**96,439**
Investment gains	**–**	**1,708,776**	**–**	**(218)**	**–**	**1,708,558**	**–**	**1,708,558**
Interest expense	**1,981**	**53,840**	**1,912**	**3,628**	**–**	**61,361**	**–**	**61,361**
Income tax expense (benefit)	**19,511**	**(3,777)**	**6,754**	**6,872**	**–**	**29,360**	**–**	**29,360**
Net income (loss)	**30,352**	**1,602,622**	**(27,280)**	**326,979**	**147,141**	**2,079,814**	**(45,072)**	**2,034,742**
Total assets	**3,631,986**	**18,534,609**	**1,646,336**	**4,019,918**	**–**	**27,832,849**	**(6,513,391)**	**21,319,458**
Investments and advances	**2,012,400**	**7,743,783**	**–**	**35,827**	**–**	**9,792,010**	**(8,250,019)**	**1,541,991**
Property and equipment	**4,275**	**32,974**	**860,177**	**616,574**	**–**	**1,514,000**	**831,505**	**2,345,505**
Total liabilities	**3,452,932**	**4,356,736**	**881,577**	**764,866**	**–**	**9,456,111**	**(3,346,093)**	**6,110,018**
Depreciation and amortization	**7,101**	**2,235**	**92,390**	**31,181**	**–**	**132,907**	**–**	**132,907**
Impairment loss	**2,599**	**700,348**	**352**	**5,034**	**–**	**708,333**	**–**	**708,333**
Cash flows from (used in):								
Operating activities	**42,297**	**568,772**	**218,641**	**18,432**	**–**	**848,142**	**(118,683)**	**729,459**
Investing activities	**(1,269)**	**(2,041,432)**	**(151,145)**	**(38,976)**	**–**	**(2,232,822)**	**943,879**	**(1,288,943)**
Financing activities	**40,425**	**1,445,125**	**5,106**	**(12,397)**	**–**	**1,478,259**	**(244,153)**	**1,234,106**

**Included in "Other Operations" are the balance sheet accounts pertaining to wire manufacturing business. Details in thousand pesos follow:*
Total assets - ₱3,326,645
Property and equipment - ₱543,922
Total liabilities - ₱421,764

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company (Note 6)	Holding Company (Parent)	Resort Operations (Note 6)	Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2013								
Revenues, excluding interest income	₱1,201,024	₱696,067	₱527,783	₱533,183	₱–	₱2,958,057	(₱527,580)	₱2,430,477
Interest income	227	88,867	3,737	2,761	–	95,592	–	95,592
Investment gains	–	1,000,607	–	(1,559)	–	999,048	–	999,048
Interest expense	1,448	27,422	1,744	4,264	–	34,878	–	34,878
Income tax expense	(4,514)	(4,553)	20,192	4,989	–	16,114	–	16,114
Net income (loss)	6,909	1,534,524	(21,302)	307,254	228,946	2,056,331	(709,549)	1,346,782
Total assets	3,505,636	16,049,801	1,376,518	962,796	–	21,894,751	(4,568,234)	17,326,517
Investments and advances	1,997,775	5,146,562	51,850	23,477	–	7,219,664	(4,141,374)	3,078,290
Property and equipment	6,854	39,628	791,162	69,611	–	907,255	123,905	1,031,160
Total liabilities	3,358,962	2,416,691	582,645	219,370	–	6,577,668	(3,259,056)	3,318,612
Depreciation and amortization	7,001	5,684	87,003	27,874	–	127,562	–	127,562
Other non–cash expenses	–	71,357	–	2,321	–	73,678	–	73,678
Cash flows from (used in):								
Operating activities	34,278	463,909	194,594	551,565	–	1,244,346	(761,036)	483,310
Investing activities	(16,346)	(1,712,414)	(222,407)	54,390	–	(1,896,777)	(75,433)	(1,972,210)
Financing activities	(2,884)	974,853	(104,542)	49,327	–	916,754	458,278	1,375,032

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Company (Note 6)	Holding Company (Parent)	Resort Operations (Note 6)	Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2012								
Revenues, excluding interest income	₱1,145,739	₱1,381,293	₱545,195	₱610,414	₱–	₱3,682,641	(₱1,299,732)	₱2,382,909
Interest income	–	86,708	3,726	3,079	–	93,513	–	93,513
Investment gains	–	1,239,370	–	698	–	1,240,068	–	1,240,068
Interest expense	1,386	8,058	3,449	5,353	–	18,246	–	18,246
Income tax expense	7,379	3,664	16,000	7,943	–	34,986	–	34,986
Net income (loss)	(7,219)	2,360,578	50,141	208,445	155,328	2,767,273	(1,277,630)	1,489,643
Total assets	1,322,602	13,273,011	1,231,103	296,452	–	16,123,168	(2,173,263)	13,949,905
Investments and advances	–	3,093,516	–	–	–	3,093,516	(2,174,233)	919,283
Property and equipment	6,002	36,294	614,062	94,399	–	750,757	123,906	874,663
Total liabilities	1,193,600	793,912	524,018	41,465	–	2,552,995	(1,156,851)	1,396,144
Depreciation and amortization	3,487	5,660	72,697	36,059	–	117,903	–	117,903
Other non–cash expenses	–	65,287	–	5,235	–	70,522	–	70,522
Cash flows from (used in):								
Operating activities	(37,578)	1,683,830	98,417	14,100	–	1,758,769	(1,049,422)	709,347
Investing activities	(10,392)	673,331	(74,859)	(13,769)	–	574,311	47,364	621,675
Financing activities	40,717	(2,027,482)	32,620	(4,319)	–	(1,958,464)	977,886	(980,578)

6. Business Combinations

a. Step-acquisition

On December 19, 2014, the Company acquired 60% shares and voting interest in PDIPI, and its subsidiary, PDP Energy (collectively referred to as “PDP Group”). As a result, the Company’s equity interest in PDP Group increased from 40% to 100%, obtaining control of PDP Group. The primary reason for the additional investment is that the Company believes in the continuing success of PDP Group and in its ability to give an attractive rate of return.

The previous carrying values and provisional fair values of identifiable assets and liabilities of PDP Group at the date of acquisition were (in millions):

	Previous Carrying Values	Provisional Fair Values Recognized on Acquisition
Cash and cash equivalents	₱661.0	₱661.0
Receivables	1,241.5	1,241.5
Inventories	778.2	778.2
Property, plant and equipment	543.9	1,251.5
Other assets	102.7	102.7
Total assets	3,327.3	4,034.9
Accounts payable and accrued expenses	(358.5)	(358.5)
Other payables	(63.9)	(63.9)
Deferred income tax liability	–	(212.3)
Total identifiable net assets acquired	2,904.9	3,400.2
Provisional goodwill arising from the acquisition		1,452.5
Total consideration		₱4,852.7

Cash paid (presented as investing activities)	₱2,995.7
Fair value of previously held interest	1,857.0
Total consideration	₱4,852.7

The fair values of trade receivables amounted to ₱1,241.5 million. The gross amount of trade receivables is ₱1,307.5 million, of which ₱66.0 million is expected to be uncollectible.

The deferred tax liability mainly comprises the tax effect of the excess of fair value over cost of property, plant and equipment.

The provisional goodwill which amounted to ₱1,452.5 million comprises the trademark, which is not separately recognized. Goodwill is allocated entirely to the PDP Energy, the cash generating unit. None of the provisional goodwill recognized is expected to be deductible for income tax purposes.

There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets*.

Acquisition-related costs of ₱6.5 million have been charged to operations in 2014.

Since the change in ownership occurred towards the end of the year, for purposes of consolidation, the Company treated PDP Group as a consolidated subsidiary at the end of the year. As such, no revenue nor profit of PDP Group is included in the consolidated statement of comprehensive income in 2014. Had PDP Group been consolidated from January 1, 2014, the consolidated statement of income would show an increase in pro-forma revenue of ₱6,552.4 million and increase in net income of ₱535.5 million in 2014.

The Company recognized a gain of ₱699.0 million as a result of measuring at fair value its 40% equity interest in PDP Group held before the business combination. The gain is included in "Other income (charges) - net" account in the 2014 consolidated statement of income (see Note 22).

b. Goodwill represents the excess of acquisition cost of the following subsidiaries over the Parent's share in the fair value of their net assets. The carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) follows (in millions):

	2014	2013
PDP (see Note 6a)	**₱1,452.5**	₱–
Cirrus	**517.5**	513.0
SSRLI	**99.3**	99.3
	₱2,069.3	₱612.3

The goodwill allocated to Cirrus of ₱577.9 million, before exchange differences amounting to ₱45.4 million and ₱40.9 million as of December 31, 2014 and 2013, respectively, and valuation allowance amounting to ₱105.8 million as of December 31, 2014 and 2013, comprises the value of the acquired companies' customer and staff base and existing market share in the healthcare staffing industry. There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets*. The goodwill from Cirrus increased by ₱4.5 million and ₱46.6 million in 2014 and 2013, respectively, due to foreign exchange differences.

c. Impairment Testing of Goodwill

i. Cirrus

The recoverable amount of the investments in Cirrus has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The key assumptions used to determine the recoverable amount as of December 31, 2014 and 2013 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections is 12% in 2014 and 2013.

Terminal value
Management has used the most recent healthcare staffing transaction price earnings multiple in determining the terminal value.

Growth rate
Cirrus assumed a growth rate of 9% to 10% in 2014 and 2013. Management has used the average industry growth rate for the forecast.

Sensitivity to changes in assumptions
A reduction to 7% in the revenue growth rate in 2014, assuming all other assumptions remain constant, would result in further impairment. In 2013, no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

As to other key assumptions, management believes that no reasonably possible change in these key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

ii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The key assumptions used to determine the recoverable amount as of December 31, 2014 and 2013 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections is 10% in 2014 and 2013.

Growth rate
Growth rate assumptions for the five year cash flow projections in 2014 and 2013 are supported by the different initiatives of SSRLI. The Company used 5% growth rate in revenue in its cash flow projection in both years.

Terminal value
Cash flows beyond the five-year period in 2014 and 2013 are based on earnings before interest and taxes, depreciation and amortization multiples of entities deemed similar to SSRLI.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

7. Cash and Cash Equivalents

	2014	2013
Cash on hand and with banks	**₱1,341,444,528**	₱516,432,925
Short-term investments	**59,589,131**	227,459,584
	₱1,401,033,659	₱743,892,509

Cash with banks earn interest at the respective bank deposit rates ranging from 0.25% to 1.25% and 0.13% to 0.35% in 2014 and 2013, respectively (see Note 22). Short-term investments with interest rates ranging from 0.30% to 2.00% in 2014 and 2013 are made for varying periods of up to three months depending on the immediate cash requirements of the Group.

8. Fair Value Through Profit or Loss (FVPL) Investments

	2014	2013
Bonds	**₱560,889,748**	₱410,431,087
Funds and equities	**8,621,964**	53,378,702
Others	**26,170,000**	16,070,000
	₱595,681,712	₱479,879,789

This account consists of investments that are designated as FVPL and held-for-trading investments. Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g. call and put options) that significantly modify the security's cash flow. These investments are classified under bonds and others. Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 5.25% to 13.13% in 2014, 4.88% to 13.13% in 2013 and 2.50% to 11.50% in 2012.

Net gains (losses) on increase (decrease) in market value of FVPL investments as of December 31 are as follows (in millions):

	Unrealized valuation gains (losses) in market values as of December 31		**Gain (loss) on increase (decrease) in market value of FVPL investments**
	2014	2013	**in 2014**
Bonds	**(₱22.7)**	(₱16.3)	**(₱6.4)**
Funds and equities	**0.3**	(2.3)	**2.6**
Others	**1.2**	1.1	**0.1**
Total	**(21.2)**	(17.5)	**(3.7)**
Add realized loss on sale of FVPL investments			**(5.8)**
Net loss on decrease in market value of FVPL investments			**(₱9.5)**

	Unrealized valuation gains (losses) in market values as of December 31		Gain (loss) on increase (decrease) in market value of FVPL Investments
	2013	2012	in 2013
Bonds	(₱16.3)	₱19.4	(₱35.7)
Funds and equities	(2.3)	2.6	(4.9)
Others	1.1	0.2	0.9
Total	(17.5)	22.2	(39.7)
Add realized gain on sale of FVPL investments			(63.1)
Net gain on increase in market value of FVPL investments			(₱102.8)

	Unrealized valuation gains (losses) in market values as of December 31		Gain (loss) on increase (decrease) in market value of FVPL investments
	2012	2011	in 2012
		(In Millions)	
Bonds	₱19.4	(₱20.8)	₱40.2
Funds and equities	2.6	(5.1)	7.7
Others	0.2	1.4	(1.2)
Total	22.2	(24.5)	46.7
Add realized loss on sale of FVPL investments			20.5
Net loss on decrease in market value of FVPL investments			₱67.2

In 2014, 2013 and 2012, the Group entered into non-deliverable currency forward contracts to manage foreign currency risk. These contracts were all settled during the year and resulted to a realized gain of ₱0.9 million in 2014, realized loss of ₱80.1 million in 2013 and realized gain of ₱22.9 million in 2012. There were no outstanding forward transaction as of December 31, 2014 and 2013.

9. Receivables

	2014	2013
Trade (Note 26)	**₱1,548,437,227**	₱294,275,140
Notes receivable	**40,000,000**	60,803,463
Interest receivable	**19,585,300**	23,878,602
Tax credits/refunds	**68,174,021**	50,032,391
Advances to employees	**10,170,075**	5,061,723
Receivables from villa owners	**10,872,107**	5,744,725
Advances to suppliers	**290,733**	16,560,398
Others	**36,826,515**	18,644,194
	1,734,355,978	475,000,636
Less allowance for doubtful accounts	**41,526,955**	35,961,718
	₱1,692,829,023	₱439,038,918

Trade receivables are non-interest bearing and are normally settled on 30 days' term.

In 2013, the Company has notes receivables from Maybank ATR Kim Eng which amounted to ₱40.0 million as of December 31, 2014 and 2013 for the latter's working capital requirements. The loan is unsecured, interest-bearing and currently due demandable.

Notes receivable from Tayabas Geothermal Power Corp. (Tayabas Power) amounting to ₱20.8 million noninterest-bearing and is guaranteed in full by SKI Construction Group, Inc., parent company of Tayabas Power, and any obligation of guarantor not paid when due will bear interest of 12% per annum. In January 2011, these were collected.

Interest receivable pertains to accrued interest income from cash and cash equivalents, FVPL and AFS investments in debt instruments.

Advances to suppliers include total cost of fuel tanks and pipelines to be recovered from a supplier over the supply contract period agreed upon by the parties.

Other receivables represent accruals of revenue from client hospitals of a subsidiary.

Movement in the allowance for doubtful trade and other receivable accounts are as follows:

	2014		
	Trade	**Others**	**Total**
At January 1	**₱34,128,560**	**₱1,833,158**	**₱35,961,718**
Provision for the year (Note 22)	**6,174,132**	**–**	**6,174,132**
Write-off	**(608,895)**	**–**	**(608,873)**
At December 31	**₱39,693,797**	**₱1,833,158**	**₱41,526,955**

	2013		
	Trade	Others	Total
At January 1	₱31,722,447	₱1,833,158	₱33,555,605
Provision for the year (Note 22)	5,018,782	–	5,018,782
Recoveries (Note 22)	(2,612,669)	–	(2,612,669)
At December 31	₱34,128,560	₱1,833,158	₱35,961,718

10. **Inventories**

	2014	2013
At cost:		
Food and beverage	**₱13,019,981**	₱15,866,037
Spare parts and supplies	**6,141,835**	–
Reel inventory	**4,458,476**	–
Materials in transit	**759,453**	–
Aircraft parts in transit	**–**	849,822
Others	**12,371,119**	–
	36,750,864	16,715,859
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of ₱13.5 million in 2014	**361,740,556**	–
Raw materials - net of allowance for inventory obsolescence of ₱7.6 million in 2014	**195,131,872**	–
Operating supplies - net of allowance for inventory obsolescence of ₱36.0 million in 2014 and ₱3.4 million in 2013	**125,317,916**	41,207,864
Work in process - net of allowance for inventory obsolescence of ₱7.1 million in 2014	**109,840,108**	–
Construction-related materials - net of allowance for inventory obsolescence of ₱1.2 million in 2014 and ₱0.9 million in 2013	**51,209,276**	3,552,531
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱2.2 million in 2014 and ₱1.1 million in 2013	**20,223,843**	20,930,265
Residential units held for sale - net of allowance for impairment losses of ₱0.3 million in 2014 and 2013	**–**	284,089
	863,463,571	65,974,749
	₱900,214,435	₱82,690,608

Provision for inventory losses recognized in 2014 and 2013 amounted to ₱1.5 million and ₱0.5 million, respectively (see Note 22).

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as of December 31, 2014 and 2013.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Phase 2 Villa Development Project (the Project). These are held for use in other construction projects and villa operations.

11. Available for Sale (AFS) Investments

	2014	2013
Quoted equity shares	**₱7,542,719,341**	₱7,915,173,765
Bonds and convertible note	**1,174,457,942**	843,878,978
Unquoted equity shares	**892,643,443**	969,301,199
Funds and equities	**311,119,241**	442,936,860
Proprietary shares	**171,051,352**	177,238,250
	10,091,991,319	10,348,529,052
Less current portion of AFS bonds	**24,691,343**	48,949,783
	₱10,067,299,976	₱10,299,579,269

Quoted equity shares consist of marketable equity securities that are listed and traded on the Philippine Stock Exchange (PSE). The fair market values of these listed shares are based on their quoted market prices as of December 31, 2014 and 2013 which are assessed to be the exit prices.

AFS investments in bonds represent foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 4.22% to 9.88% in 2014, 3.88% to 9.75% in 2013 and 3.38% to 13.13% in 2012. Maturity dates range from March 15, 2014 to January 13, 2037 in 2014, January 18, 2013 to October 24, 2037 in 2013.

In 2014, 2013 and 2012, gain on sale of AFS investments amounted to ₱1,662.0 million, ₱1,101.9 million and ₱1,169.3 million, respectively.

The Group's AFS unquoted equity investments, bonds, and convertible note include the following:

a. Prople, Inc. and Prople Limited

   In December 2007, the Company entered into a subscription agreement with Prople, Inc. (Prople; formerly Gralce Holdings, Inc.) for the acquisition of 6,665 shares of stock of the latter (equivalent to 20% of the outstanding shares).

   Prople is a domestic corporation that owns Prople BPO, Inc. (formerly, Summersault, Inc.), Prople KPO, Inc. and Prople Content, Inc., jointly called the Prople Group. The Prople Group is into business process outsourcing, specializing in finance and accounting, human resource administration and industry-focused transaction processing services.

In 2011, the Company made additional investment in Prople amounting to ₱4.4 million. The additional investment enabled the Company to maintain its 20% equity share in Prople. As of December 31, 2012, the total cost of the investment in Prople amounted to ₱42.2 million. Investment in Prople is accounted for as AFS investments because management believes that the Company does not have the ability to exercise significant influence on Prople. Furthermore, the Company does not have any involvement in the operations of Prople. The investment is measured at cost less impairment rather than at fair value as the shares of stock of Prople are not publicly-traded, such that there is no reliable basis of fair value.

In 2013, the Company sold all its investment in Prople to Prople Limited, a corporation incorporated and existing under the laws of Hong Kong, for ₱24.7 million. In 2013, Prople Limited acquired 100% of the non-audit business of U.S.-based Kellogg and Andelson Accountancy Corporation (K&A). Founded in 1939, K&A is a well-established accounting firm that provides tax, general accounting and consulting services to thousands of small-to-medium sized company in California and the Midwest.

In November 2013, AI invested $4.0 million (₱175.9 million) convertible notes in Prople Limited. These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first 3 years and if not converted on the 3rd anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five year US Dollar Republic of the Philippine (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

b. Enderun College, Inc. (Enderun)

In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor’s degree and non-degree courses in the fields of hotel administration, culinary arts and business administration. The total cost of the investment in Enderun amounting to ₱286.2 million approximates its fair value as of December 31, 2013. Investment in Enderun is classified as AFS investments because the Company does not exercise significant influence and its holding in Enderun is not sufficient to carry major business decisions (see Note 4).

The carrying value of the investment in Enderun amounted to ₱286.2 million as of December 31, 2014 and 2013.

c. Alphion Corporation (Alphion)

In March 2009, AI invested US$900,000 (₱43.7 million) for 387,297 Series E Preference shares of Alphion convertible into 645,485 shares of common stock. Alphion is a fiber optic network company based in New Jersey, with sales, marketing, procurement and R&D offices in India. Alphion develops, manufactures and markets high-speed fiber optic access and switching systems that enable “triple play” services, or voice, video, and data transmission in a single line. In 2011, AI invested US$1.0 million (₱42.6 million) for 713,158 Series G preference shares convertible into the same number of common stock and 140,817 Series G warrants convertible into the same number of common stock. As of December 31, 2014 and 2013, the total investment in Alphion amounted to ₱78.0 million which is fully provided with allowance.

d. Predictive Edge Technologies, LLC (Predictive)

In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constitute 10% of the total Series A preferred units outstanding. In the first quarter of 2012, the Company's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics, that allow it to measure and quantify emotions associated with digital content.

As of December 31, 2014 and 2013, the net carrying value of AI's investment in Predictive amounted to ₱22.0 million and ₱116.0 million, respectively. In 2014, AI provided impairment loss of ₱140.0 million.

e. Leopard Cambodia Investments (BVI) Ltd. (Leopard)

In 2012, AI purchased 525 shares of Leopard. Leopard is a limited company established in the British Virgin Islands (BVI). The objective is to achieve capital appreciation through investments primarily in businesses with significant operations in Cambodia and in real estate located in Cambodia.

f. KSA Realty Corporation (KSA)

The Group has a 11% stake in KSA, the owner of The Enterprise Center, an office building. The Group received cash dividends from KSA amounting to ₱91.4 million in 2014, ₱40.0 million in 2013 and ₱28.6 million in 2012.

The Company recognized ₱28.3 million and ₱382.0 million gain on fair value adjustment in its investment in KSA in 2014 and 2013, respectively. As of December 31, 2014 and 2013, the Company's investment in KSA amounted to ₱417.2 million and ₱388.9 million, respectively.

g. ATR KIM ENG Capital

On October 21, 2013, the Company entered into a Memorandum of Agreement with Maybank ATR KimEng Capital Partners, Inc. and other parties to incorporate an entity that shall serve as the holding company of the parties for their investments in a stand-alone trust company. In 2013, the Company invested ₱18.75 million in 15,000,000 common shares and ₱18.75 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares of the new entity. These investments give the Company a total of 12.5% interest in the new entity. As of December 31, 2014 and 2013, the cost of the Company's investment amounted to ₱37.5 million.

h. SKI Construction Group, Inc. (SKI)

On January 10, 2014, the Company entered into a loan and investment agreement with SKI, Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power), and San Juan Geothermal Power, Inc. (San Juan Power) to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Reneweable Energy Service Contract (GRESC). Under this agreement, the Company committed to fund $4 million (₱172 million) through zero-coupon notes for exploration phase of the three sites. In 2014, total amount drawn down amounted to ₱116.4 million.

The Company may choose to convert each Note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company will not convert the note with in the agreed time frame, these notes will be changed into a medium term note with a coupon to be repaid as soon as possible.

Below is the rollforward of the unrealized valuation gains (losses) on AFS investments recognized in equity:

	2014	2013
Beginning balance	**₱3,675,941,998**	₱3,458,799,647
Gain recognized directly in equity - net of tax	**1,333,432,525**	1,450,648,340
Amount removed from equity and recognized in profit and loss - net of tax	**(1,770,555,091)**	(1,233,505,989)
Ending balance	**₱3,238,819,432**	₱3,675,941,998

In 2014, 2013 and 2012, the Group recognized impairment losses on its quoted and unquoted AFS debt and equity investments amounting to ₱260.3 million, ₱71.2 million and ₱156.1 million, respectively (see Note 22).

12. Investments and Advances

	2014	2013
Investments at equity - net	**₱1,541,990,755**	₱3,073,832,835
Advances - net of allowance for doubtful accounts of ₱564.8 million in 2014 and ₱589.3 million in 2013 (Note 26)	**–**	4,457,137
	₱1,541,990,755	₱3,078,289,972

Investments at equity consist of:

	2014	2013
Acquisition cost:		
Common shares	**₱186,538,207**	₱314,905,622
Preferred shares	**1,997,775,000**	1,997,775,000
Total	**2,184,313,207**	2,312,680,622
Accumulated equity in net earnings:		
Balances at beginning of year	**788,411,955**	629,066,367
Equity in net earnings for the year	**147,141,103**	228,945,588
Dividends received	**(95,200,000)**	(69,600,000)
Step acquisition of an associate (Note 6)	**(1,034,819,534)**	–
Balances at end of year	**(194,466,476)**	788,411,955
Valuation allowance (Note 22)	**(462,480,976)**	(27,259,742)
Effect of foreign exchange differences	**14,625,000**	–
	₱1,541,990,755	₱3,073,832,835

The significant transactions involving the Group's investments in associates for 2014 and 2013 follow:

PDIPI and Subsidiaries

a. PDP Energy established PDEIC, a PEZA-registered company engaged in manufacturing wires, mainly for export.

b. Cash dividends received by the Company amounted to ₱95.2 million at ₱40.3 per share in 2014, ₱69.6 million at ₱29.5 per share in 2013 and ₱44.8 million at ₱19.0 per share in 2012.

As discussed in Note 6, PDP Group became subsidiaries of the Company towards the end of the 2014. Prior to that, PDP Group is accounted for as an associate. The summarized financial information of the significant associates (PDP Energy and PDEIC) follows (in millions):

	As of December 31, 2013
Balance Sheets:	
Current assets	₱2,175
Noncurrent assets	627
Current liabilities	443
Equity	2,359
Proportion of the Group's ownership interest	40%
Carrying amount of the investment	944

	2014	2013
Statements of Comprehensive Income:		
Net sales	**₱6,552**	₱5,587
Gross profit	**1,123**	955
Income from continuing operations, before tax	**728**	596
Net income	**536**	434
Other comprehensive income	**–**	–
Total comprehensive income	**536**	434
Proportion of the Group's ownership interest	**40%**	40%
Group's share in the total comprehensive income	**214**	174

The associate has no contingent liabilities or capital commitments as of December 31, 2013.

AGP International Holdings Ltd. (AGPI)

In December 2011, AI entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note. The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a British Virgin Islands business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P). AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, Al converted the US$5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI for the subscription to 83.9 million Series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increases AI's holdings to 26.86% giving the Group significant influence over AGPI.

The principal place of business of AGPI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola British Virgin Island.

The total cost of the investment in AGPI amounted to ₱2.0 billion and is presented under investment in associate as of December 31, 2013 (see Note 11). In 2014, the Group recognized an allowance for probable losses on the investment which amounted to ₱440.4 million. As of December 31, 2014 and 2013, the carrying value of the investment amounted to ₱1,542.0 million and ₱1,566.0 million, respectively.

Significant details of the balance sheet as of December 31, 2014 and 2013 and statement of comprehensive income for the year ended December 31, 2014 and for the six months-period July 1 to December 31, 2013 of AGPI are enumerated below as of December 31 (in millions):

	2014	2013
Balance Sheets:		
Current assets	**₱2,727.8**	₱716.0
Noncurrent assets	**9,581.2**	6,841.0
Current liabilities	**6,831.8**	2,730.0
Noncurrent liabilities	**3,240.3**	2,273.0
Equity	**2,236.9**	2,554.0
Proportion of the Group's ownership interest	**27%**	27%
Group's share in the net assets	**599.5**	684.5
Excess of cost over book value	**1,368.3**	1,368.3
Valuation allowance	**(440.4)**	–
Foreign exchange difference	**14.6**	–
Carrying amount of the investment	**1,542.0**	2,052.8

	2014	2013
Statements of Comprehensive Income:		
Revenue	**₱9,589.4**	₱3,358.05
Income (loss) from continuing operations, before tax	**(171.2)**	285.9
Net income (loss)	**(250.4)**	206.3
Other comprehensive income (loss)	**–**	–
Total comprehensive income	**(250.4)**	206.3
Proportion of the Groups ownership interest	**27%**	27%
Group's share in the total comprehensive income	**(67.1)**	55.3

The associate has no contingent liabilities or capital commitments as of December 31, 2014 and 2013.

Anscor-Casto Travel Corporation
In 2014, the Company sold its 44% interest in Anscor-Casto Travel Corporation for ₱9.5 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

Newco
In 2014, the Company sold its 45% interest in Newco for ₱46.6 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

AAC
In July 2014, the company acquired 81% interest in AAC, a real estate entity incorporated in the Philippines, for ₱43 million. AAC's asset significantly consists of a parcel of land which is idle and not used in business. As such, the Company accounted for this transaction as an asset purchase.

SSRLI and PRI
On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation on PEZA-covered registered activities under the Registration Agreement.

a. On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is $5.89 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million.

c. On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as an Ecozone Tourism Enterprise. SSRLI also transferred in the name of PRI all resort-operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank (see Note 18).

d. On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for period of 20 years beginning July 1, 2011.

   As of December 31, 2013, all contracts with related parties that are related to resort operations were transferred to PRI except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is non-transferrable.

   On February 20, 2013, the BOD and stockholders authorized the increase in PRI's authorized capital stock from ₱1.0 million, divided into 10,000 common shares with par value of ₱100 per share, to ₱200.0 million, divided into 1,500,000 preferred shares and 500,000 common shares, both with par value of ₱100 per share. On August 28, 2013, SEC approved the increase in the authorized capital stock. On the same date, SSRLI has subscribed to 850,000 preferred shares.

On October 10, 2013, SSRLI subscribed to additional 150,000 preferred shares of PRI at an issue price of ₱666.67 and assigned its outstanding receivable amounting to ₱100 million as payment for such subscription. The excess of the assigned receivables of ₱85.0 million over the par value of shares subscribed of ₱15.0 million was recorded as additional paid in capital.

In December 2013, the remaining 53,366,400 Class A preferred shares and 35,577,600 Class B preferred shares of SSRLI were subscribed at ₱1.22 per share for a total amount of ₱108.8 million by its existing stockholders via conversion of the SSRLI's shareholders' advances into preferred stock equity based on their proportionate shareholdings in SSRLI. The excess of the consideration received over par value amounting to ₱19.9 million was recorded as additional paid in capital.

e. On November 8, 2013, the Amanpulo Resort sustained property damages brought by Typhoon Yolanda. Because of these damages, its operations was temporarily suspended and resumed only on December 15, 2013. In 2013, the Company applied for insurance claims for property damages, business interruption and cost of debris clearing.

   In August and September 2014 the Company received from its insurance a total amount of ₱46.23 million for business interruption (see Note 22).

f. SSRLI entered into a memorandum of agreement with the buyers of villa who made a total deposit of ₱381.8 million and ₱156.9 million as of December 31, 2014 and 2013, respectively. This is presented as "Customer's deposits for property development" in the consolidated balance sheets.

Material Partly-Owned Subsidiaries (SSRLI and PRI)
Set out below are the summarized financial information of entities that has non-controlling interest that is material to the Group. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Significant details of the balance sheets and statements of comprehensive income of SSRLI and PRI are enumerated below as of December 31 (in millions):

	2014	2013
Balance Sheets:		
Current assets	**₱699.0**	₱437.9
Noncurrent assets	**956.1**	934.1
Current liabilities	**734.7**	387.9
Noncurrent liabilities	**154.8**	184.4
Equity	**765.7**	799.7
Attributable to NCI	**288.7**	301.5

	2014	2013
Statements of Comprehensive Income (loss):		
Revenue	**₱480.1**	₱445.3
Income (loss) from continuing operations, before tax	**(26.4)**	3.6
Net loss	**(32.3)**	(16.4)
Other comprehensive income (loss)	**(1.7)**	0.4
Total comprehensive loss	**(34.0)**	(16.1)
Allocated loss to NCI during the year	**(12.8)**	(6.06)

	2014	2013
Statements of Cash Flows		
Cash flows from operations	**₱243.6**	₱186.8
Cash flows used in investing activities	**(151.2)**	(214.6)
Cash flows from (used in) financing activities	**(19.8)**	104.5
Dividends paid to NCI	**–**	–

13. Property and Equipment

	2014					
	Land, Buildings and Improvements	**Flight, Ground,` Machinery and Other Equipment**	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
January 1	**₱1,224,349,307**	**₱426,330,273**	**₱255,713,613**	**₱133,815,042**	**₱109,584,012**	**₱2,149,792,247**
Additions	**194,950**	**24,429,466**	**43,796,227**	**701,961**	**127,756,106**	**196,878,710**
Reclassification	**236,085,101**	**–**	**–**	**–**	**(236,085,101)**	**–**
Retirement/disposals	**(88,406,044)**	**(18,863,294)**	**(12,622,177)**	**–**	**–**	**(119,891,515)**
Foreign exchange adjustment	**19,301**	**–**	**126,360**	**–**	**–**	**145,661**
Property and equipment of acquired subsidiary (Note 6)	**915,277,296**	**275,597,088**	**8,331,163**	**12,629,566**	**39,686,642**	**1,251,521,755**
December 31	**2,287,519,911**	**707,493,533**	**295,345,186**	**147,146,569**	**40,941,659**	**3,478,446,858**
Accumulated Depreciation and Amortization						
January 1	**532,699,503**	**289,337,826**	**204,208,266**	**92,386,421**	**–**	**1,118,632,016**
Depreciation and amortization	**63,915,074**	**19,251,807**	**39,468,468**	**10,271,787**	**–**	**132,907,136**
Retirement/disposals	**(88,406,046)**	**(18,863,294)**	**(12,594,024)**	**–**	**–**	**(119,863,364)**
Foreign exchange adjustment	**(66,773)**	**–**	**1,332,465**	**(8)**	**–**	**1,265,684**
December 31	**508,141,758**	**289,726,339**	**232,415,175**	**102,658,200**	**–**	**1,132,941,472**
Net Book Value	**₱1,779,378,153**	**₱417,767,194**	**₱62,930,011**	**₱44,488,369**	**₱40,941,659**	**₱2,345,505,386**

	2013					
	Land, Buildings and Improvements	Flight Ground, Machinery and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱1,122,766,217	₱419,540,634	₱210,936,205	₱131,486,780	₱48,800,216	₱1,933,530,052
Additions	135,067,901	6,789,639	43,543,011	11,840,729	86,245,390	283,486,670
Reclassification	25,461,594	–	–	–	(25,461,594)	–
Retirement/disposals	(59,096,850)	–	–	(9,512,467)	–	(68,609,317)
Foreign exchange adjustment	150,445	–	1,234,397	–	–	1,384,842
December 31	1,224,349,307	426,330,273	255,713,613	133,815,042	109,584,012	2,149,792,247
Accumulated Depreciation and Amortization						
January 1	534,425,214	260,319,775	171,334,586	92,787,881	–	1,058,867,456
Depreciation and amortization	56,560,316	29,018,051	32,872,492	9,111,003	–	127,561,862
Retirement/disposals	(59,079,961)	–	–	(9,512,463)	–	(68,592,424)
Foreign exchange adjustment	793,934	–	1,188	–	–	795,122
December 31	532,699,503	289,337,826	204,208,266	92,386,421	–	1,118,632,016
Net Book Value	₱691,649,804	₱136,992,447	₱51,505,347	₱41,428,621	₱109,584,012	₱1,031,160,231

As of December 31, 2014 and 2013, land with improvements and structures thereon with appraised value of ₱2,218.5 million were used as collateral for the loan obtained in 2005 by a subsidiary (see Note 18). The carrying value of the related property amounted to ₱442.1 million and ₱584.7 million as of December 31, 2014 and 2013, respectively.

Depreciation charged to operations amounted to ₱132.9 million, ₱127.6 million and ₱117.9 million in 2014, 2013 and 2012, respectively.

14. **Investment Properties**

	2014	2013
January 1	**₱206,769,100**	₱216,432,223
Additions	**53,800,644**	–
Reclassifications	**–**	(6,377,579)
Disposals	**–**	(3,285,544)
December 31	**₱260,569,744**	₱206,769,100

The Group's investment properties include 144 hectares of land in Palawan, 875 hectares of land in Cebu, and 97.4 hectares in Guimaras. Based on the valuation performed by independent appraisers as of November and December 2013 and January 2014, the aggregate fair market values of these properties amounted to ₱471.3 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties and no contractual obligation to either purchase, construct or develop investment properties.

Portion of APHI's land in Palawan amounting to ₱3.5 million was seized by the Philippine Government under the Comprehensive Agrarian Reform Program or Republic Act 6657, and thus was reclassified to noncurrent assets.

In 2014, 2013 and 2012, the Group derived no income from these investment properties. The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2014, 2013 and 2012.

15. **Other Noncurrent Assets and Other Noncurrent Liabilities**

Other noncurrent assets as of December 31 include:

	2014	2013
Property development in progress	**₱98,778,684**	₱43,730,447
Fund for villa operations and capital expenditures	**45,321,429**	45,513,171
Deferred nurse cost	**13,089,154**	11,172,599
Refundable deposits	**9,828,903**	3,860,489
Deposit to supplier	**8,414,815**	12,911,989
Others	**16,191,145**	6,137,544
	₱191,624,130	₱123,326,239

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and association dues and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as “Other noncurrent liabilities” in the consolidated balance sheets (see Note 29).

Property development in progress pertains to the development costs incurred on Phase 3 and Phase 4 projects started in 2009 by SSRLI.

Other noncurrent liabilities also include ₱25.6 million and ₱23.4 million fund for future infrastructure and utility development of villas as of December 31, 2014 and 2013, respectively, which is an allocated charge to the villa owners. The fund is intended to be used for putting up new infrastructure or utilities such as power generating units, roads, potable water, and sewer and irrigation lines, electrical and auxiliary lines essential for a villa to be operable. The fund also includes the villa’s share in the future expansion of the existing back-of-house facilities (power generation, potable water production, sewage treatment plant, etc.) of PRI so that the resort’s utilities’ capacity can accommodate the additional demand that arises from the proposed new villa.

16. Notes Payable

Notes payable represent unsecured (unless otherwise stated), short-term, interest-bearing liabilities of the following companies in the Group to various local banks:

	2014	2013
Bank loans availed by:		
Anscor	**₱1,500,000,000**	₱–
Cirrus	**29,461,840**	67,381,966
IAI	**–**	57,713,500
	₱1,529,461,840	₱125,095,466

a. On December 15, 2014, Anscor obtained an unsecured, short-term loan which amounted to ₱1.5 billion from a local bank to finance the acquisition of PDP Group. The loan carried interest rate of 3.5% with a term of 6 months (see Note 18).

b. Cirrus has obtained a loan with Branch Banking and Trust Company, a foreign bank domiciled in the United States of America, with interest payable monthly at LIBOR plus 2.5%. Cirrus has to abide by certain loan covenants on eligible accounts receivable and minimum net income requirements. Loans payable outstanding as of December 31, 2014 and 2013 amounted to \$0.7 million (₱29.5 million) and \$1.5 million (₱67.4 million), respectively. As of December 31, 2014 and 2013, Cirrus has an available credit line which amounted to \$1.8 million (₱82.3 million) and \$1.0 million (₱43.6 million), respectively. As of December 31, 2014 and 2013, Cirrus is in compliance with the debt covenants.

c. IAI availed of a short-term loan from a local bank which amounted to \$1.0 million (₱43.8 million) in 2010 and bears an annual interest rate of 3-month LIBOR + 2% per annum. In June 2011, IAI availed of an additional \$0.5 million (₱21.9 million) loan. The note has a maturity of 90 days, with option to extend for another 90 days and was subsequently extended in March, June, September and December 2011. IAI paid US\$0.2 million (₱8.2 million) in December 2012. In June 2013, IAI paid \$0.2 million (₱8.5 million). In December 2013, IAI availed an additional \$0.2 million (₱8.8 million) loan. The maturity of the remaining US\$1.3 million (₱57.7 million) was extended and is payable in March 2014.

In March 2014, IAI paid $250 thousand (₱11.16 million) of the above loan and converted the remaining $1.05 million (₱46.96 million) short-term loan to long-term loan (see Note 18).

d. In 2013, the Company availed of loans from a local bank totaling to ₱100.0 million with terms of 14 to 30 days with 4.0% interest rate in 2013 and terms of 18 to 200 days subject to 4.0%-4.4% interest rate for 2012. As of December 31, 2013, the loan was fully paid. The Company's unavailed loan credit line from banks amounted to ₱500.0 million in 2014 and ₱800.0 million in 2013.

Total interest expense recognized in the consolidated statements of income amounted to ₱17.7 million in 2014 and ₱11.5 million in 2013 and 2012 (see Note 22).

17. Accounts Payable and Accrued Expenses

	2014	2013
Trade payables	**₱506,644,800**	₱132,208,923
Accrued expenses	**249,480,035**	146,913,058
Payable to contractors	**86,540,285**	48,501,411
Refundable deposits	**78,164,538**	53,885,779
Payable to villa owners	**41,161,813**	1,039,721
Payable to government agencies	**24,160,340**	8,664,605
Advances from customers	**22,483,320**	1,724,119
Other payables (Note 6)	**5,861,018**	7,972,567
	₱1,014,496,149	₱400,910,183

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Accrued expenses include unpaid operating costs of the Group.

Refundable deposits pertain to the advance payments made by resorts' guests.

Payable to contractors are amount due to suppliers for ongoing construction projects.

18. Long-term Debt

Long-term debt pertains to the following:

	2014	2013
Long-term debt availed by:		
Anscor	**₱2,012,400,000**	₱1,997,775,000
PRI	**112,282,176**	142,989,251
IAI	**46,956,000**	–
	2,171,638,176	2,140,764,251
Less current portion	**237,502,643**	31,337,632
	₱1,934,135,533	₱2,109,426,619

a. On June 24, 2013, the Company obtained a loan from a local bank amounting US$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AG&P (see Note 12). The loan is payable quarterly in seven (7) years, inclusive of a 2-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱4,121.9 million and ₱4,680.9 million as of December 31, 2014 and 2013, respectively (see Note 11). This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 200% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness.

To finance the acquisition of PDP Group, the Company secured a short-term loan with a local bank as discussed in Note 16. As a result, the Company's current ratio declined but such decline is not considered a breach of covenant. As of December 31, 2014 and 2013, the Company is in compliance with the debt covenant.

b. Loans payable of PRI amounting to US$2.0 million (₱108.0 million) and US$1.0 million (₱53.0 million) were obtained from local banks on November 29, 2005 and December 22, 2011. The $2.0 million loan, which was transferred from SSRLI through an execution of Deed of Assumption of Loan and Mortgage dated June 2, 2011, is subject to Mortgage Trust Indenture (MTI), covering the assets of SSRLI which were also transferred to PRI pursuant to the Deed of Transfer dated December 7, 2011 but reverted to SSRLI upon rescission of the Deed of Transfer on October 3, 2012. The mortgage participating certificates or "MTC" issued to creditor bank represents 12% of the appraised value of the properties that were used as collateral, with carrying value of ₱442.1 million and ₱584.7 million as of December 31, 2014 and 2013, respectively (see Note 13). Both loans have a floating interest rate per quarter equivalent to the average quarterly LIBOR plus 2% spread. The US$2.0 million loan has a maximum term of seven years, including three years grace period while the US$1.0 million loan has a maximum term of five years. Both loans are payable in 17 equal quarterly installments starting October 2012 to 2016. Current portion of loans payable is recognized amounting to ₱31.57 million and ₱31.3 million as of December 31, 2014 and 2013, respectively.

On October 3, 2012, PRI obtained a loan from its stockholder amounting to ₱30.0 million. The loan has a grace period of five years and is payable in seven equal annual installments commencing in the year 2018 up to 2024. In lieu of the interest, PRI waives the landing and take-off charges on the said stockholder's use of PRI's runway in Amanpulo. In 2013, PRI obtained an additional loan from the stockholder amounting to ₱19.0 million with the same terms from the previous loan.

c. In 2014, IAI converted the short-term loan amounting to $1.05 million (₱46.56 million) to long-term loan (see Note 16). The term of the loan is six (6) years, inclusive of one (1) year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering the assets of SSRLI.

The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

Total interest expense recognized in the consolidated statements of income amounted to ₱43.4 million, ₱23.1 million and ₱3.4 million in 2014, 2013 and 2012, respectively (see Note 22).

19. **Equity**

Equity holdings of the Parent

Capital stock consists of the following common shares:

	Number of Shares	Amount
Authorized	3,464,310,958	₱3,464,310,958
Issued	2,500,000,000	2,500,000,000

Outstanding shares, net of shares held by a subsidiary, as of December 31, 2014 and 2013 totaled 1,242,099,354 and 1,261,002,609, respectively. The Company's number of equity holders as of December 31, 2014 and 2013 is 11,363 and 11,460, respectively.

The SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.0 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2014, 2013 and 2012, the Company declared the following cash dividends:

	2014	2013	2012
Cash dividends per share	**₱0.25**	₱0.25	₱1.00
Month of declaration	**November**	October	February/October/December
Total cash dividends	**₱625 million**	₱625 million	₱2,500 million
Share of a subsidiary	**₱314.5 million**	₱309.8 million	₱1,231.7 million

As of December 31, 2014 and 2013, the Company had dividends payable amounting to ₱519.7 million and ₱264.0 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as of December 31, 2014 and 2013 due to problematic addresses of some of the Company's stockholders.

On December 6, 2011, the BOD approved the appropriation of the Company's unrestricted retained earnings amounting to ₱2.1 billion for expansion projects and investments in 2012 onwards in the areas of tourism, business process outsourcing (BPOs), manpower services, education and manufacturing. On February 21, 2013, the BOD approved the additional appropriation of the Company's unrestricted retained earnings amounting to ₱0.9 billion. The appropriated retained earnings will be used for the Company's investment program within three years on business activities gearing towards service sector, tourism and manufacturing whose operations are based within and outside the Philippines.

On September 15 and November 20, 2014, the BOD approved the appropriation of the Company's unrestricted retained earnings which amounted to ₱1,100 million and ₱500 million, respectively, for future investment programs within three years on business activities related to the service sector, tourism, manufacturing, or such other areas of activities as the Board may deem fit for the best interest of the Corporation.

The unrestricted retained earnings is restricted for the dividend declaration by the following:

- Cost of treasury shares amounting ₱2,163.6 million and ₱2,031.2 million as of December 31, 2014 and 2013, respectively.
- Balance of gross deferred income tax assets amounting ₱64.8 million and ₱13.6 million as of December 31, 2014 and 2013, respectively.
- Shares in the undistributed retained earnings of subsidiaries and associates amounting to ₱3.1 billion and ₱2.6 billion as of December 31,2014 and 2013, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary
As of December 31, 2014 and 2013, a subsidiary held 1,257,900,646 shares and 1,238,997,391 shares, respectively, of the Company. Cost of shares of the Company purchased by the subsidiary in 2014 and 2013 amounted to ₱132.4 million and ₱21.4 million, respectively.

In March and July 2013, the subsidiary reissued 6,100,000 shares with cost of ₱9.9 million for a total consideration of ₱41.4 million. The excess of consideration over cost of these shares were recognized in additional paid in capital. The total shares of the Company purchased by the subsidiary amounted to 18,903,255 and 3,300,352 in 2014 and 2013, respectively. The costs of these shares are ₱132.4 million and ₱21.4 million, respectively.

20. Cost of Services Rendered and Operating Expenses

Cost of services rendered consists of:

	2014	2013	2012
Salaries, wages and employee benefits (Note 21)	**₱821,596,656**	₱777,847,614	738,597,992
Other operating costs - resort	**73,385,305**	49,928,640	46,561,911
Recruitment services (Note 29)	**70,470,909**	86,641,772	61,261,630
Insurance	**66,864,333**	60,731,220	61,456,431
Outside services	**60,019,196**	81,430,086	60,167,009
Fuel cost	**55,147,646**	53,372,798	59,139,070
Dues and subscriptions	**40,091,648**	36,372,003	27,128,143
Housing cost	**30,794,148**	32,904,260	48,352,649
Depreciation and amortization (Note 13)	**27,154,445**	27,959,509	32,979,188
Transportation and travel	**25,025,021**	40,504,432	50,200,922
Materials and supplies - resort operations	**24,656,357**	19,512,872	24,430,154
Repairs and maintenance	**22,207,388**	26,189,570	23,461,678
Commissions	**13,154,514**	14,522,250	15,296,158
Variable nurse costs (Note 29)	**3,388,812**	6,533,706	5,985,349
Others	**27,558,690**	15,810,607	33,045,970
	₱1,361,515,068	₱1,330,261,339	1,288,064,254

Operating expenses consist of:

	2014	2013	2012
Salaries, wages and employee benefits (Note 21)	**₱276,776,685**	₱259,827,943	₱268,383,255
Depreciation and amortization (Note 13)	**105,752,691**	99,602,353	84,924,091
Utilities	**92,803,138**	77,624,748	69,128,581
Professional and directors' fees	**76,167,744**	57,166,449	49,950,583
Advertising	**58,940,372**	48,717,931	45,138,276
Taxes and licenses	**43,522,272**	29,702,051	17,012,666
Repairs and maintenance	**41,723,110**	24,518,181	27,301,224
Transportation and travel	**29,395,090**	20,765,317	23,415,490
Commissions	**22,151,535**	22,698,413	22,727,304
Security services	**14,258,848**	16,441,181	16,963,432
Insurance	**13,094,357**	11,670,093	11,820,313
Rental (Note 29)	**13,052,306**	12,185,879	12,108,519
Entertainment, amusement and recreation	**12,779,121**	10,304,915	10,351,752
Communications	**9,645,650**	8,220,006	9,644,724
Association dues	**5,867,816**	7,600,981	6,472,807
Donation and contribution	**5,480,051**	12,338,670	3,496,779
Office supplies	**4,295,975**	4,932,614	5,223,791
Computer programming	**3,303,519**	1,258,880	1,487,647
Meetings and conferences	**3,174,816**	2,884,291	3,406,502
Operating and financial charges-net	**1,327,754**	1,101,064	797,861
Shipping and delivery expenses	**977,353**	809,087	924,687
Contract maintenance	**239,196**	2,477,233	-
Others	**29,391,623**	28,644,913	30,438,462
	₱864,121,022	₱761,493,193	₱721,118,746

In 2014, 2013 and 2012, the Company paid bonus to its non-executive directors amounting to ₱6.4 million, ₱6.6 million and ₱6.8 million, respectively.

21. **Personnel Expenses**

	2014	2013	2012
Salaries and wages	**₱1,059,316,132**	₱1,005,928,575	₱975,278,317
Pension costs (Note 23)	**11,722,183**	11,474,829	15,384,331
Social security premiums, meals and other employees' benefits	**27,335,026**	20,272,153	16,318,599
	₱1,098,373,341	₱1,037,675,557	₱1,006,981,247

In 2014, 2013 and 2012, the Company declared and paid bonuses to its executive officers amounting to ₱29.3 million, ₱23.8 million and ₱33.7 million, respectively.

22. Interest Income, Interest Expense and Other Income (Charges)

Interest income consists of:

	2014	2013	2012
Debt instruments (Notes 8 and 11)	**₱75,149,914**	₱78,681,235	₱79,951,188
Cash and cash equivalents (Note 7)	**17,439,665**	16,606,664	8,587,147
Others	**3,849,420**	304,352	4,974,447
	₱96,438,999	₱95,592,251	₱93,512,782

Interest income on debt instruments is net of bond discount amortization amounting to ₱2.8 million in 2014, ₱0.6 million in 2013 and ₱0.2 million in 2012.

Interest expense consists of:

	2014	2013	2012
Long-term debt (Note 18)	**₱43,408,333**	₱23,069,785	₱3,449,465
Notes payable (Note 16)	**17,722,053**	11,494,158	11,523,547
Others	**230,657**	313,595	3,273,037
	₱61,361,043	₱34,877,538	₱18,246,049

Other income (charges) consists of:

	2014	2013	2012
Gain on remeasurement of previously held interest (Note 6)	**₱699,011,094**	₱–	₱–
Valuation allowances on:			
Investment in associate (Note 12)	**(440,407,829)**	–	–
AFS investments (Note 11)	**(259,940,637)**	(71,245,484)	(156,131,473)
Receivables (Note 9)	**(6,174,132)**	(5,018,782)	(4,477,026)
Other current and noncurrent assets (Note 10)	**(1,811,227)**	(515,316)	(380,433)
Insurance claims (Note 12)	**46,228,744**	–	–
Recovery of allowances for impairment losses (Notes 9, 10 and 11)	**24,553,505**	3,101,226	90,467,232
Others	**41,235,778**	25,253,743	(15,181,075)
	₱102,695,296	(₱48,424,613)	(₱85,702,775)

Others included ASAI's reimbursement from lessees and cost of PRI charged to villa owners.

"Recovery (valuation allowance)" and "other income (charges)" accounts were previously presented as separate line items in the 2013 and 2012 consolidated statements of comprehensive income.

23. Pension and Other Post-employment Benefit Plans

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641. The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

The Company contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Company contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group's plan assets and investments as of December 31, 2014 and 2013 consist of the following:

a. Cash and cash equivalents, which include regular savings and time deposits;

b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 2.13% to 9.13% in 2014 and 4.4531% to 8.75% in 2013 and have maturities from September 24, 2016 to October 24, 2037 in 2013 and 2012;

c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 4.38% to 8.46% in 2014, 4.375% to 8.461% in 2013 and have maturities from November 10, 2017 to January 30, 2024 in 2013 and from February 23, 2013 to November 23, 2019 in 2012; and

d. Investments in equity securities; which consist of unlisted and actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

As of December 31, 2014 and 2013, the Company's defined benefit retirement fund has investments in shares of stock of the Company with a cost of ₱30.2 million. All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total gains arising from the changes in market prices amounted to ₱13.3 million and ₱12.7 million in 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the fund's carrying value and fair value amounted to ₱409.6 million and ₱330.8 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2014	2013	2012
Retirement benefit cost:			
Current service cost	**₱13,730,445**	₱12,918,528	₱13,331,361
Net interest	**(2,008,262)**	(1,730,706)	1,427,364
Past service cost - plan amendment and others	**–**	287,007	625,606
Net benefit expense	**₱11,722,183**	₱11,474,829	₱15,384,331
Actual return on plan assets	**₱23,538,784**	₱35,316,020	₱44,206,068

Changes in net retirement plan asset are as follows:

	2014	2013	2012
Net retirement plan asset (retirement benefits payable), beginning	**₱53,846,435**	₱38,369,388	(₱18,128,318)
Current service cost	**(10,316,336)**	(9,738,438)	(9,328,437)
Net interest	**2,383,337**	2,442,611	(22,996)
	(7,932,999)	(7,295,827)	(9,351,433)
Actuarial changes arising from:			
Remeasurement of plan assets	**9,836,624**	20,320,127	31,443,541
Experience adjustments	**1,357,122**	(1,079,240)	1,431,234
Changes in financial assumptions	**657,490**	(1,709,165)	2,884,533
Changes in the effect of asset ceiling	**(2,982,175)**	(2,482,016)	(5,383,274)
	8,869,061	15,049,706	30,376,034
Contribution	**7,723,131**	7,723,168	35,473,105
Net plan assets of acquired subsidiary (Note 6)	**3,028,096**	–	–
Net retirement plan asset, end	**₱65,533,724**	₱53,846,435	₱38,369,388

Changes in net retirement benefits payable are as follows:

	2014	2013	2012
Retirement benefits payable, beginning	**(₱10,965,263)**	(₱14,846,513)	(₱21,729,567)
Current service cost	**(3,414,109)**	(3,180,090)	(4,002,924)
Past service cost	**–**	–	(512,202)
Net interest	**(375,075)**	(711,905)	(1,404,368)
	(3,789,184)	(3,891,995)	(5,919,494)

(Forward)

	2014	2013	2012
Actuarial changes arising from:			
Experience adjustments	**(₱795,535)**	(₱699,009)	₱1,434,718
Remeasurement of plan assets	**190,861**	667,478	(67,328)
Changes in financial assumptions	**(922,028)**	(167,689)	504,113
Changes in demographic assumptions	**–**	–	3,452,360
	(1,526,702)	(199,220)	5,323,863
Contribution	**6,200,818**	7,972,465	7,436,527
Benefits paid directly by the Group	**1,025,420**	–	42,158
Net retirement benefits payable, end	**(₱9,054,911)**	(₱10,965,263)	(₱14,846,513)

Computation of net retirement plan assets:

2014:

	Retirement plan asset	**Retirement liability**	**Total**
Present value of defined benefit obligation	**(₱307,945,604)**	**(₱33,824,951)**	**(₱341,770,555)**
Fair value of plan assets	**384,808,111**	**24,770,040**	**409,578,151**
Surplus (deficit)	**76,862,507**	**(9,054,911)**	**67,807,596**
Effect of the asset ceiling	**(11,328,783)**	**–**	**(11,328,783)**
Retirement plan asset (liability)	**₱65,533,724**	**(₱9,054,911)**	**₱56,478,813**

2013:

	Retirement plan asset	Retirement liability	Total
Present value of defined benefit obligation	(₱249,579,338)	(₱30,470,153)	(₱280,049,491)
Fair value of plan assets	311,291,063	19,504,890	330,795,953
Surplus (deficit)	61,711,725	(10,965,263)	50,746,462
Effect of the asset ceiling	(7,865,290)	–	(7,865,290)
Retirement plan asset (liability)	₱53,846,435	(₱10,965,263)	₱42,881,172

Changes in the present value of defined benefit obligation:

	2014	2013
Opening defined benefit obligation	**₱280,049,491**	₱250,813,630
Interest cost	**12,176,349**	13,172,342
Current service cost	**13,730,445**	12,918,528
Benefits paid from plan assets	**(4,806,179)**	(510,112)
Benefits paid directly by the Group	**(1,025,420)**	–

(Forward)

	2014	2013
Remeasurement in other comprehensive income:		
Actuarial loss - changes in financial assumptions	**₱500,618**	₱1,876,854
Actuarial loss - change in demographic assumptions	**–**	1,778,249
Actuarial gain - experience	**(1,809,482)**	–
Benefit obligation of acquired subsidiary (Note 6)	**42,954,733**	–
	₱341,770,555	₱280,049,491

Changes in the fair value of plan assets:

	2014	2013
Opening fair value of plan assets	**₱330,795,953**	₱279,719,779
Contributions	**13,923,949**	15,695,633
Interest income	**14,519,672**	14,903,048
Benefits paid from plan assets	**(4,806,179)**	(510,112)
Remeasurement gain	**9,015,670**	20,987,605
Plan assets of acquired subsidiary (Note 6)	**46,129,086**	–
	₱409,578,151	₱330,795,953

Changes in the effect of asset ceiling:

	2014	2013
Beginning balance	**₱7,865,290**	₱5,383,274
Interest on the effect of asset ceiling	**335,061**	276,162
Changes in the effect of asset ceiling	**2,982,175**	2,205,854
Effect of asset ceiling of the new subsidiary (Note 6)	**146,257**	–
	₱11,328,783	₱7,865,290

The fair value of plan assets as of December 31 are as follows:

	2014	2013
Cash and cash equivalents	**₱10,238,644**	₱51,866,204
Equity instruments:		
Holding	**59,989,694**	57,704,686
Industrial	**9,922,684**	6,197,707
Real estate	**8,652,479**	6,755,418
Financial institutions	**8,504,274**	8,113,345
Food and beverage	**6,480,020**	1,834,236
Telecommunications	**6,141,636**	3,025,910
Construction	**1,459,538**	3,741,288
Retail	**1,334,970**	2,179,250
Energy, oil and gas	**945,224**	18,838,945
Others	**5,419,532**	9,545,593
	108,850,051	117,936,378
Debt instruments:		
Government securities	**98,375,825**	67,245,423
AAA rated debt securities	**46,981,867**	9,961,820
Not rated debt securities	**42,293,351**	24,982,412
	187,651,043	102,189,655

(Forward)

	2014	2013
Unit investment trust funds	**₱97,204,156**	₱56,879,792
Others	**5,634,257**	1,923,924
	₱409,578,151	₱330,795,953

The financial instruments with quoted prices in active market amounted to ₱195.7 million and ₱127.9 million as of December 31, 2014 and 2013, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the Parent Company and PDP Group as of the end of the reporting period, assuming all other assumptions were held constant:

2014	**Increase (decrease)**	**Effect on present value of defined benefit obligation Increase (decrease)**
Discount rates	**+0.5% to 0.7%**	**(₱4,127,199)**
	-0.5 to -0.7%	**4,517,193**
Future salary increases	**+1.0% to 1.2%**	**8,151,977**
	-1.0% to -1.2%	**(7,043,507)**

2013	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	+1.0%	(₱1,953,165)
	-1.0%	2,141,311
Future salary increases	+2.0%	3,693,033
	-2.0%	(3,234,702)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the subsidiaries, except PDP Group, as of the end of the reporting period, assuming all other assumptions were held constant:

2014	**Increase (decrease)**	**Effect on present value of defined benefit obligation Increase (decrease)**
Discount rates	**+1.0% to 2.0%**	**(₱2,559,838)**
	-1.0% to 2.0%	**3,194,930**

(Forward)

2014	**Increase (decrease)**	**Effect on present value of defined benefit obligation Increase (decrease)**
Future salary increase	**+1.0% to 2.0%**	**₱1,611,867**
	-1.0% to 2.0%	**(1,454,847)**

2013	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	+1.0% to 2.0%	(₱4,145,125)
	-1.0% to 2.0%	4,830,471
Future salary increase	+1.0% to 2.0%	5,131,953
	-1.0% to 2.0%	(4,547,042)

The Group expects to make contributions amounting to ₱12.1 million to its defined benefit pension plans in 2015 (₱14.8 million in 2014).

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2014	2013
Discount rate	**4% to 6%**	4% to 6%
Future salary increases	**5% to 6%**	4% to 5%

The weighted average duration of the defined benefit obligation as of December 31, 2014 and 2013 ranges from 1.6 years to 17.8 years.

24. **Income Taxes**

The provision for income tax consists of:

	2014	2013	2012
Current	**₱12,927,935**	₱26,586,615	₱24,212,279
Deferred	**16,432,009**	(10,472,628)	10,773,887
	₱29,359,944	₱16,113,987	₱34,986,166

The components of the net deferred income tax assets (liabilities) are as follows:

	2014	2013
Fair value adjustment	**(₱249,451,521)**	(₱37,171,557)
Unrealized valuation gains on AFS investments	**(40,309,639)**	(44,099,238)
Allowance for doubtful accounts	**19,801,875**	-
Retirement plan assets	**(19,660,118)**	(16,153,931)
Allowance for inventory losses	**18,214,493**	248,702
Goodwill amortization	**(15,596,816)**	(15,483,467)
Unrealized foreign exchange gains	**(12,213,730)**	(402,370)
Unrealized foreign exchange loss	**10,766,182**	6,903,595
Market adjustment on FVPL	**6,366,630**	2,614,968
Uncollected management fee	**(6,306,567)**	(4,978,321)
Accrued expenses	**3,811,258**	-
Unamortized past service cost	**3,117,180**	2,316,950
Retirement benefits payable	**2,716,473**	1,525,668
Others	**(4,197,698)**	(4,197,697)
Net deferred tax liability	**(₱282,941,998)**	(₱108,876,698)

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not certain. These deductible temporary differences are as follows:

	2014	2013
Allowances for:		
Doubtful accounts	**₱1,032,743,947**	₱853,808,300
Impairment losses	**220,820,097**	301,972,133
Inventory losses	**6,625,786**	4,679,415
NOLCO	**318,657,950**	281,126,216
MCIT	**5,697,745**	5,988,085
Accrued pension benefits and others	**45,996,319**	47,779,261

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% in 2014, 2013 and 2012 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2014, 2013 and 2012.

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

	2014	2013	2012
Provision for income tax at statutory tax rates	**₱619,230,451**	₱408,868,786	₱457,388,682
Additions to (reductions from) income taxes resulting from:			
Gain on sale of AFS investments, marketable equity securities and other investments subjected to final tax	**(515,638,967)**	(336,528,398)	(330,046,783)

(Forward)

	2014	2013	2012
Movement in unrecognized deferred income tax assets	**₱239,693,660**	₱59,566,099	₱11,956,422
Gain on remeasurement of previously held interest	**(209,703,328)**	–	–
Dividend income not subject to income tax	**(78,258,624)**	(61,258,810)	(67,000,858)
Equity in net earnings of associates not subject to income tax	**(44,142,332)**	(68,683,677)	(46,598,326)
Interest income already subjected to final tax	**(2,427,063)**	(4,787,788)	(1,582,545)
Nondeductible expenses	**1,822,242**	481,617	1,677,283
Others	**18,783,905**	18,456,158	9,192,291
	₱29,359,944	₱16,113,987	₱34,986,166

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

<u>NOLCO</u>

The following table summarizes the NOLCO as of December 31, 2014 of the Company and its subsidiaries domiciled in the Philippines:

Period of Recognition	Availment period	Amount	Applied	Expired	Balance
2011	2012-2014	₱93,326,465	(₱908,856)	(₱92,417,609)	₱–
2012	2013-2015	66,077,438	–	–	66,077,438
2013	2014-2016	121,722,313	–	–	121,722,313
2014	2015-2017	130,858,199	–	–	130,858,199
		₱411,984,415	(₱908,856)	(₱92,417,609)	₱318,657,950

As of December 31, 2014 and 2013, a foreign subsidiary has NOLCO for federal and income tax purposes of approximately $7.6 million (₱337.4 million) and US$6.5 million (₱288.6 million), respectively. Portion of NOLCO incurred in prior year will begin to expire in 2028. No deferred income tax assets were recognized on this NOLCO as its future realizability is not certain.

<u>MCIT</u>

Period of Recognition	Availment period	Amount	Applied	Expired	Balance
2011	2012-2014	₱1,513,619	(₱270,000)	(₱1,243,619)	₱–
2012	2013-2015	2,147,145	–	–	2,147,145
2013	2014-2016	2,327,321	–	–	2,327,321
2014	2015-2017	1,223,279	–	–	1,223,279
		₱7,211,364	(₱270,000)	(₱1,243,619)	₱5,697,745

25. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

	2014	2013	2012
Net income attributable to equity holdings of the parent	**₱2,041,141,959**	₱1,358,036,019	₱1,467,919,427
Weighted average number of shares (Note 19)	**1,253,952,678**	1,261,027,565	1,374,250,079
Earnings per share	**₱1.63**	₱1.08	₱1.07

The Company does not have potentially dilutive common stock equivalents in 2014, 2013 and 2012.

26. Related Party Transactions

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

In the normal course of business and in addition to those disclosed in Notes 12 and 29, the Group grants/receives cash advances to/from its associates and affiliates.

The consolidated balance sheets include the following transactions and account balances as of December 31 with related parties:

2014	**Amount Volume**	**Outstanding Balance Receivable (Payable)**	**Terms**	**Conditions**
Associates				
Vicinetum:				
Advances (Note 12)	**₱229,517**	**₱1,084,898**	Non-interest bearing,	Unsecured, with allowance for doubtful accounts of ₱564.8 million
Stockholder				
Loan (Note 18)	**–**	**(48,976,357)**	Non-interest bearing, payable in seven equal annual installment commencing in year 2018-2024	Unsecured

2013	Amount Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Associates				
PDP Energy:				
Management fees (Notes 9 and 29)	₱58,926,242	₱18,585,729	Non-interest bearing	Unsecured, no impairment
Advances (Note 12)	–	240,651	Non-interest bearing	Unsecured, no impairment

(Forward)

2013	Amount Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Vicinetum:				
Advances (Note 12)	₱–	₱855,363	Non-interest bearing	Unsecured, with allowance for doubtful accounts of ₱564.8 million
AFC Agribusiness Corporation:				
Advances (Note 12)	–	1,500,000	Non-interest bearing	Unsecured, no impairment
Others:				
Advances (Note 12)	–	1,861,123	Non-interest bearing	Unsecured, with allowance for doubtful accounts of ₱24.5 million
Stockholder				
Loan (Note 18)	11,000,000	(48,976,357)	Non-interest bearing payable in seven equal annual installment commencing in year 2018-2024	Unsecured

Compensation of the Group's key management personnel:

	2014	2013	2012
		(In Millions)	
Short-term employee benefits (Note 21)	**₱112.0**	₱100.1	₱108.1
Post-employment benefits (Note 23)	**7.1**	6.3	6.8
Total	**₱119.1**	₱106.4	₱114.9

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

27. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of longterm strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. These meetings occur at least every quarter.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures
The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2014	2013
Cash in banks	**₱1,341,444,528**	₱516,248,672
Short-term investments	**59,589,131**	277,459,584
FVPL investments - bonds	**560,889,748**	410,431,087
AFS investments - debt instruments	**1,174,457,942**	843,878,978
	3,136,381,349	2,048,018,321
Loans and receivables:		
Trade	**1,508,743,430**	260,146,580
Notes receivable	**40,000,000**	60,803,463
Interest receivable	**19,585,300**	23,878,602
Receivable from villa owners	**10,872,107**	5,744,725
Advances to employees	**10,170,075**	5,061,723
Others	**34,993,357**	16,811,036
	1,624,364,269	372,446,129
	₱4,760,745,618	₱2,420,464,450

The Group has no collateral held as security nor credit enhancements as of December 31, 2014 and 2013, except for the notes receivable amounting to ₱20.8 million in 2013 from Tayabas Power guaranteed in full by SKI Construction Group, Inc., its parent company.

Credit quality per class of financial assets

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy. The table below shows the credit quality by class of financial asset based on the Group's credit rating system:

	Financial Assets that are Neither Past Due nor Impaired				
2014	**High Grade**	**Standard Grade**	**Substandard Grade**	**Past Due or Impaired**	**Total**
Cash in banks	**₱1,341,444,528**	**₱–**	**₱–**	**₱–**	**₱1,341,444,528**
Short-term investments	**59,589,131**	**–**	**–**	**–**	**59,589,131**
FVPL investments -					
Bonds	**9,701,915**	**551,187,833**	**–**	**–**	**560,889,748**
AFS investments -					
Debt instruments	**54,467,526**	**1,119,990,416**	**–**	**–**	**1,174,457,942**
Receivables:					
Trade	**–**	**1,000,711,761**	**–**	**547,725,466**	**1,548,437,227**
Notes receivables	**–**	**40,000,000**	**–**	**–**	**40,000,000**
Interest receivable	**–**	**19,585,300**	**–**	**–**	**19,585,300**
Receivables from villa owners	**–**	**10,872,107**	**–**	**–**	**10,872,107**
Advances to employees	**–**	**10,170,075**	**–**	**–**	**10,170,075**
Others	**–**	**34,993,357**	**–**	**1,833,158**	**36,826,515**
	₱1,465,203,100	**₱2,787,510,849**	**₱–**	**₱549,558,624**	**₱4,802,272,573**

	Financial Assets that are Neither Past Due nor Impaired				
2013	High Grade	Standard Grade	Substandard Grade	Past Due or Impaired	Total
Cash in banks	₱516,248,672	₱–	₱–	₱–	₱516,248,672
Short-term investments	227,459,584	–	–	–	227,459,584
FVPL investments -					
Bonds	13,868,554	387,741,246	–	8,821,287	410,431,087
AFS investments -					
Debt instruments	128,140,305	715,738,673	–	–	843,878,978
Receivables:					
Trade	18,585,729	219,198,845	–	56,490,566	294,275,140
Notes receivables	20,803,463	40,000,000	–	–	60,803,463
Interest receivable	–	11,953,640	–	11,924,962	23,878,602
Receivables from villa owners	–	5,744,725	–	–	5,744,725
Advances to officers	–	5,061,723	–	–	5,061,723
Others	–	1,833,158	–	16,811,036	18,644,194
	₱925,106,307	₱1,387,272,010	₱–	₱94,047,851	₱2,406,642,168

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/ issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Financial assets that are past due but not impaired

The table below shows the aging analysis of past due but not impaired loans/receivables per class that the Group held. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	Financial Assets that are Past Due but Not Impaired				
December 31, 2014	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Trade and others	**₱248,174,745**	**₱142,265,529**	**₱91,435,013**	**₱26,156,383**	**₱508,031,670**

	Financial Assets that are Past Due but Not Impaired				
December 31, 2013	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Trade and others	₱27,880,278	₱4,301,526	₱2,886,392	₱2,271,688	₱37,339,884
Interest receivable	5,560,943	6,364,019	–	–	11,924,962
	₱33,441,221	₱10,665,545	₱2,886,392	₱2,271,688	₱49,264,846

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The tables below summarize the maturity profile of the Group's financial liabilities at December 31 based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2014	**Within 6 months**	**6 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Cash in banks	**₱1,341,444,528**	**₱–**	**₱–**	**₱–**	**₱1,341,444,528**
Short-term investments	**59,589,131**	**–**	**–**	**–**	**59,589,131**
FVPL investments -					
Bonds	**–**	**9,701,915**	**–**	**551,187,833**	**560,889,748**
AFS investments -					
Bonds	**24,691,343**	**–**	**772,790,720**	**376,975,879**	**1,174,457,942**
Receivables	**1,535,882,523**	**88,481,746**	**–**	**–**	**1,624,364,269**
	₱2,961,607,525	**₱98,183,661**	**₱772,790,720**	**₱928,163,712**	**₱4,760,745,618**
Notes payable	**₱1,529,461,840**	**₱–**	**₱–**	**₱–**	**₱1,529,461,840**
Accounts payable and accrued expenses*	**990,335,808**	**–**	**–**	**–**	**990,335,808**
Long-term debt	**–**	**237,502,643**	**1,934,135,533**	**–**	**2,171,638,176**
Interest payable	**61,705,069**	**31,629,919**	**195,659,481**	**–**	**288,994,469**
Dividends payable	**519,664,033**	**–**	**–**	**–**	**519,664,033**
	₱3,101,166,750	**₱269,132,562**	**₱2,129,795,014**	**₱–**	**₱5,500,094,326**

**Excluding other payables to government amounting to ₱24.2 million.*

December 31, 2013	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Cash in banks	₱516,248,672	₱–	₱–	₱–	₱516,248,672
Short-term investments	227,459,584	–	–	–	227,459,584
FVPL investments -					
Bonds	22,689,841	387,741,246	–	–	410,431,087
AFS investments -					
Bonds	39,831,707	9,118,076	512,142,061	282,787,134	843,878,978
Receivables	181,389,440	227,018,407	–	–	408,407,847
	₱987,619,244	₱623,877,729	₱512,142,061	₱282,787,134	₱2,406,426,168

(Forward)

December 31, 2013	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Notes payable	₱125,095,466	₱–	₱–	₱–	₱125,095,466
Accounts payable and accrued expenses*	354,108,924	–	–	–	354,108,924
Long-term debt	–	31,337,632	111,651,619	1,997,775,000	2,140,764,251
Interest payable	23,573,284	25,838,400	277,656,202	5,068,916	332,136,802
Dividends payable	264,014,626	–	–	–	264,014,626
	₱766,792,300	₱57,176,032	₱389,307,821	₱2,002,843,916	₱3,216,120,069

**Excluding other payables to government amounting to ₱46.8 million.*

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, and foreign currency risk.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

Cash flow interest rate risk

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

The following tables demonstrate management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant:

2014	**Change in interest rates (in bps*)**	**Effect on income before tax - Increase (decrease)**
Floating debt instrument	**+150**	**(₱22,980,846)**
	-150	**22,980,846**

2013	Change in interest rates (in bps*)	Effect on income before tax - Increase (decrease)
Floating debt instrument	+150	(₱27,115,300)
	-150	27,115,300

**basis points*

The sensitivity analysis shows the effect on the consolidated statements of income of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and liabilities held at December 31, 2014 and 2013. There is no other impact on equity other than those affecting profit and loss.

Fair value interest rate risk
Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The tables below show the impact on income before income tax and equity of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit and loss are bonds classified as FVPL and items affecting equity account are bonds classified as AFS.

	Change in	**Increase (Decrease)**	
2014	**interest rates (in bps*)**	**Effect on income before tax**	**Effect on equity**
AFS investments	**+100**	**₱–**	**(₱28,378,092)**
	-100	**–**	**31,149,871**
FVPL investments	**+100**	**(34,582,614)**	**–**
	-100	**39,559,799**	**–**

	Change in	Increase (Decrease)	
2013	interest rates (in bps*)	Effect on income before tax	Effect on equity
AFS investments	+100	₱–	(₱19,435,471)
	-100	–	20,888,538
FVPL investments	+100	(20,646,172)	–
	-100	23,777,633	–

** basis points*

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

The tables below show the impact on income before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach.

		Increase (Decrease)	
2014	**Change in PSE price index**	**Effect on income before tax**	**Effect on equity**
AFS investments	**+28.02%**	**₱–**	**₱1,080,930,597**
	–28.02%	**–**	**(1,080,930,597)**

		Increase (Decrease)	
2013	Change in PSE price index	Effect on income before tax	Effect on equity
AFS investments	+55.33%	₱–	₱2,225,907,439
	–55.33%	–	(2,225,907,439)

The annual standard deviation of the PSE price index is approximately 12.04% and 23.88% and with 99% confidence level, the possible change in PSE price index could be +/-28.02% and +/-55.33% in 2014 and 2013, respectively. There are no outstanding stock investments listed in PSE that are classified as FVPL as of December 31, 2014 and 2013.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The tables below show the impact on income before income tax and equity of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity.

		Increase (Decrease)	
2014	**Change in NAV**	**Effect on income before tax**	**Effect on equity**
Mutual funds	**+10%**	**₱526,875**	**₱22,897,682**
	-10%	**(526,875)**	**(22,897,682)**

		Increase (Decrease)	
2013	Change in NAV	Effect on income before tax	Effect on equity
Mutual funds	+10%	₱2,256,159	₱23,079,108
	-10%	(2,256,159)	(23,079,108)

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso. It assumes that all other variables remain constant. A negative amount in the table reflects a potential reduction in income before income tax or equity, while a positive amount reflects a net potential increase in income before income tax or equity.

2014	**Change in currency rate**	**Effect on income before tax Increase (Decrease)**
Japanese Yen	**+8.39%**	**₱5,758,452**
	-8.39%	**(5,758,452)**
US Dollar	**+4.41%**	**(400,428)**
	-4.41%	**400,428**

2013	Change in currency rate	Effect on income before tax Increase (Decrease)
Japanese Yen	+13.28%	₱28,439,018
	-13.28%	(28,439,018)
US Dollar	+5.71%	2,729,891
	-5.71%	(2,729,891)

e. Copper price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to ₱311.15 million with an average quantity of about 952 metric tons in 2014.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market. The following table represents the effect on income before tax of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant:

	% Change in copper rod prices	Effect on income before tax Increase (Decrease)
2014	+1.26% to 1.52%	(₱6,151,036)
	-1.26% to 1.52%	6,151,036

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

Capital Management

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiaries and associate:

a. The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

   The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

   No changes were made in the objectives, policies or process for the years ended December 31, 2014 and 2013.

b. Cirrus' and CGI's capital management objectives are:

   - To ensure its ability to continue as a going concern; and
   - To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

   CGI monitors capital on the basis of the carrying amount of equity as presented on the face of its balance sheet.

   CGI sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

28. **Financial Instruments**

Categorization of Financial Instruments

December 31, 2014	**Loans and Receivables**	**Financial Assets at FVPL**	**AFS Investments**	**Total**
Cash and cash equivalents	**₱1,401,033,659**	**₱–**	**₱–**	**₱1,401,033,659**
FVPL investments	**–**	**595,681,712**	**–**	**595,681,712**
AFS investments	**–**	**–**	**10,091,991,319**	**10,091,991,319**
Receivables	**1,624,364,269**	**–**	**–**	**1,624,364,269**
	₱3,025,397,928	**₱595,681,712**	**₱10,091,991,319**	**₱13,713,070,959**

December 31, 2013	Loans and Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and cash equivalents	₱743,892,509	₱–	₱–	₱743,892,509
FVPL investments	–	479,879,789	–	479,879,789
AFS investments	–	–	10,348,529,052	10,348,529,052
Receivables	372,446,129	–	–	372,446,129
	₱1,116,338,638	₱479,879,789	₱10,348,529,052	₱11,944,747,479

Other Financial Liabilities	2014	2013
Notes payable	₱1,529,461,840	₱125,095,466
Accounts payable and accrued expenses*	990,335,808	354,108,924
Long-term debt, including current portion	2,171,638,176	2,140,764,251
Dividends payable	519,664,033	264,014,626
	₱5,211,099,857	₱2,883,983,267

** Excluding other payables to government agencies amounting to ₱24.2 million and ₱46.8 million in 2014 and 2013, respectively.*

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

	December 31, 2014		December 31, 2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds	**₱560,889,748**	**₱560,889,748**	₱410,431,087	₱410,431,087
Funds and equities	**8,621,964**	**8,621,964**	53,378,702	53,378,702
Others	**26,170,000**	**26,170,000**	16,070,000	16,070,000
	595,681,712	**595,681,712**	479,879,789	479,879,789
AFS investments:				
Bonds and convertible note	**1,174,457,942**	**1,174,457,942**	843,878,978	843,878,978
Quoted equity shares	**7,542,719,341**	**7,542,719,341**	7,915,173,765	7,915,173,765
Funds and equities	**311,119,241**	**311,119,241**	442,936,860	442,936,860
Proprietary shares	**171,051,352**	**171,051,352**	177,238,250	177,238,250
Unquoted shares	**703,437,468**	**703,437,468**	675,137,535	675,137,535
	9,902,785,334	**9,902,785,334**	10,054,365,388	10,054,365,388
	₱10,498,467,046	**₱0,498,467,046**	₱10,534,245,177	₱10,534,245,177

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As of December 31, 2014 and 2013, AFS investments amounting to ₱189.2 million and ₱256.7 million were carried at cost since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities and others are derived from quoted market prices in active markets.
- AFS investments in bonds, quoted equity shares and funds and equities and proprietary shares are derived from quoted market prices in active markets.
- AFS investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following table provides the Group's fair value measurement hierarchy of its assets:.

As of December 31, 2014:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
FVPL investments:				
Bonds	₱560,889,748	₱560,889,748	₱–	₱–
Funds and equities	8,621,964	8,621,964	–	–
Others	26,170,000	26,170,000	–	–
	595,681,712	595,681,712	–	–
AFS investments:				
Bonds	1,174,457,942	1,174,457,942	–	–
Quoted equity shares	7,542,719,341	7,542,719,341	–	–
Funds and equities	311,119,241	311,119,241	–	–
Proprietary shares	171,051,352	171,051,352	–	–
Unquoted shares	703,437,468	–	–	703,437,468
	9,902,785,344	9,199,347,876	–	703,437,468
	₱10,498,467,056	₱9,795,029,588	₱–	₱703,437,468

As of December 31, 2013:

	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds	₱410,431,087	₱410,431,087	₱–	₱–
Funds and equities	53,378,702	53,378,702	–	–
Others	16,070,000	16,070,000	–	–
	479,879,789	479,879,789	–	–
AFS investments:				
Bonds	843,878,978	843,878,978	–	–
Quoted equity shares	7,915,173,765	7,915,173,765	–	–
Funds and equities	442,936,860	442,936,860	–	–
Proprietary shares	177,238,250	177,238,250	–	–
Unquoted shares	675,137,535	–	–	675,137,535
	10,054,365,388	9,379,227,853	–	675,137,535
	₱10,534,245,177	₱9,859,107,642	₱–	₱675,137,535

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

2014	**Valuation technique**	**Significant unobservable inputs**	**Range**	**Sensitivity of input to fair value**
Enderun	DCF Model	Student growth rate of 5%	5% to 15%	5%: fair value of ₱248 15%:fair value of ₱279
		Tuition fee increase by 5%	0% to 5%	0%: fair value of ₱286 5% fair value of ₱257
		Cost of capital of 11%	8% to 12%	8%: fair value of ₱290 12%: fair value of ₱282
KSA	DCF Model	Dividend payout is 40 million	-5% to 10%	-5% fair value of ₱402 10% fair value of ₱446
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱425 30% fair value of ₱409
		Cost of capital of 11%	10% to 12%	10%: fair value of ₱447 12% fair value of ₱389

2013	Valuation technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
Enderun	DCF Model	Student growth rate of 10%	5% to 15%	5%: fair value of ₱267 15%: fair value of ₱327
		Tuition fee increase by 2%	0% to 5%	0%: fair value of ₱256 5%: fair value of ₱337
		Cost of Capital of 11%	8% to 12%	8%: fair value of ₱357 12%: fair value of ₱239
KSA	DCF Model	Dividend payout is ₱40 million	-5% to 1%	-5%: fair value of ₱375 1%: fair value of ₱392
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱396 30% fair value of ₱382
		Cost of capital of 11%	10% to 12%	10%: fair value of ₱419 12% fair value of ₱362

An increase in the percentage of EBITDA over revenue would increase the fair value of the investment in Enderun.

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of AFS assets in unquoted equity shares (in millions):

	Enderun	KSA	Total
As at 1 January 2013	₱286	₱7	₱293
Re–measurement recognized in OCI	–	382	382
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	–	–
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 31 December 2013	286	389	675
Re–measurement recognized in OCI	–	28	28
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	–	–
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 31 December 2014	**₱286**	**₱417**	**₱703**

For the years ended December 31, 2014 and 2013, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

29. Contracts and Agreements

<u>Sutton</u>

a. On February 26, 2009, CGI's BOD ratified the new Service Agreement with IQHPC with a revised fee equivalent to 3% of all billed expenses effective January 1, 2009.

b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/ or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

   As of December 31, 2014 and 2013, IQHPC has outstanding Service Agreements with different U.S. hospitals and one with a staffing agency. Service income recognized in 2014, 2013 and 2012 amounted to ₱3.4 million, ₱14.8 million and ₱14.4 million, respectively.

c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. Upon its maturity on July 31, 2010, the lease was renewed for a two-year term ending July 31, 2012. In 2012, the same was again renewed for a one-year term ending July 31, 2013. In 2013, the same was again renewed for a one year term ending July 31, 2014.

   The future minimum rentals payable under the non-cancellable operating lease within one year from the balance sheet date amounted to ₱1.7 million and ₱1.6 million as of December 31, 2014 and 2013, respectively.

   Rent expense in 2014, 2013 and 2012 amounted to ₱2.8 million, ₱2.6 million and ₱2.5 million, respectively.

d. In May 2010, CGI entered into a sublease agreement with a third party covering its office space. The sublease has a term of one year ending April 30, 2011 renewable upon mutual agreement of both parties. Upon its maturity, the sublease agreement was renewed for several periods. The extended sublease agreement ended last July 31, 2014.

   In October 2014, CGI entered into sublease agreement with another third party covering its office space renewable upon mutual agreement of both parties. The sublease agreement is for a period of eight months ending July 15, 2015.

   Rent income from the sublease agreement in 2014, 2013 and 2012 amounted to ₱0.6 million, ₱0.8 million and ₱0.8 million, respectively.

e. In December 2014 and 2013, advances to CGI amounting to ₱6.0 million and ₱7.6 million were assigned to Sutton in exchange for its 948 common shares and 2,528 common shares, respectively.

<u>Cirrus</u>

a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱1,250.0 million, ₱1,252.7 million and ₱1,145.7 million in 2014, 2013 and 2012, respectively.

b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

   As of December 31, 2014 and 2013, future minimum lease payments associated with these agreements with terms of one year or more are as follows:

	2014	2013
Within one year	**₱9,770,918**	₱9,907,321
After one year but not more than five years	**31,350,732**	22,299,209
	₱41,121,650	₱32,206,530

   Rent expense in 2014, 2013 and 2012 amounted to ₱10.9 million, ₱11.4 million and ₱7.5 million, respectively.

c. On December 10, 2010, Cirrus acquired NT, a company maintaining web domains for nurses and physical therapist, and agreed to pay a maximum total consideration amounting to $1.06 million for the net assets of NT as of purchase date. Of the amount, $0.51 million will be paid by Cirrus provided certain revenue and earnings target are met. To facilitate the transaction, the Company made advances to AI in the amount of $840,000 (₱37.09 million).

ASAC

ASAC enters into a lease agreement for ground handling equipment in the conduct of its operations. The lease agreement is in force for a period of not more than one year unless all parties formally extend the said term. Rent expense charged to operations amounted to ₱0.1 million in 2012 (nil in 2014 and 2013).

IAI

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell effective for five years for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary, by a Honeywell authorized service center. The contract was renewed under the same terms in 2011. Deposits for the MSP as of December 31, 2014 and 2013 amounted to ₱45.81 million and ₱52.7 million, respectively, and included as part of "Other current assets" account in the consolidated balance sheets.

b. IAI conducts its operations from leased facilities which include the aircraft hangar, parking lots and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and is subsequently renewed for another two years upon its termination in 2011 and 2013. The renewed lease agreement will terminate in August 2015.

   The same shall be renewable upon mutual agreement if either party receives no notice of termination. Rent expense recognized in operations amounted to ₱2.8 million in 2014, ₱2.7 million in 2013 and ₱2.4 million in 2012.

   Future minimum annual rentals payable under this lease are as follows:

	2014	2013
Not later than one year	**₱1,857,143**	₱2,785,714
Later than one year but not later than 5 years	**–**	1,857,143
	₱1,857,143	₱4,642,857

SSRLI and PRI

a. Since 1995, the Company charges SSRLI a monthly fee amounting to US$4,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to SSRLI. In addition, the Company also made advances to SSRLI for the latter's operating expenses. Due from SSRLI, which has been eliminated in the consolidated financial statements, amounted to ₱0.02 million as of December 31, 2014 and 2013 (see Note 12).

b. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of resort and a reserve cash funding equivalent to 4% of gross revenues which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment. On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as management fee. In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

   Likewise, marketing services and license contracts with AMBV were entered into by PRI in the past, providing marketing fee of 3% of the resort's annual gross hotel revenues and US$1,000 monthly fee, respectively. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

   PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort.

   The OMA, marketing and license contracts will expire on the 31st day of December of the 5th full calendar year following their commencement. Further, AMBV has the option to extend the operating term for a period of 5 years from the date of its expiration. Total fees related to these agreements amounted to ₱34.8 million, ₱17.9 million and ₱25.4 million in 2014, 2013, and 2012, respectively.

c. SSRLI has an agreement with IAI for the latter to provide regular air service. IAI shall charge SSRLI a fixed round trip rate per passenger, subject to an annual review by both parties, with a guarantee that all of IAI's operating costs will be covered.

   As a result of the transfer of resort operations from SSRLI to PRI (see Note 12), the latest renewal of the air service agreement was made between PRI and IAI covering a three-year period from July 1, 2011 to June 30, 2014. The duration of the contract may be extended upon such terms and conditions as may be mutually agreed by both parties

d. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years and was executed in September 2013. The agreement provides that the Company is not allowed to sublease any part of the leased premises.

   Rent relating to the lease amounted to ₱1.9 million in 2014, 2013 and 2012.

e. In January 2007, APHI and SSRLI entered into a consultancy agreement whereby APHI will provide project management, general and specific administration and supervision over pre-construction and post-construction stages of SSRLI's Amanpulo Phase 2 and other capital expenditure projects for a certain fee agreed by the two parties. As of December 31, 2011, the consultancy contract is still in effect but at a reduced fee.

On May 31, 2013, APHI and SSRLI entered into a management contract in which APHI will provide technical advice, supervision and management services and general administration for various Phase 3-A villa projects, such as but not limited to other Amanpulo special capital expenditure projects. SSRLI shall pay a fixed monthly fee amounting to ₱615,000 exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI.

f. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein PRI shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds amounted to ₱63.2 million, ₱57.2 million and ₱55.7 million in 2014, 2013, and 2012, respectively, and is presented as part of "Services revenue" in the consolidated statements of income.

   As part of the agreement, PRI will also maintain a fund which shall be used for future maintenance requirements of the villas. As of December 31, 2014 and 2013, the restricted fund amounted to ₱39.8 million and ₱40.6 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 15).

g. In November 2005, the DENR awarded to SSRLI the exclusive use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.

   On October 3, 2012, PRI entered into a lease agreement with SSRLI covering the land where PRI operates and certain resort-related assets for a period of 20 years. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter.

   Future minimum lease payments under these lease agreements as of December 31 are as follows:

	2014	2013
Within one year	**₱54,904,336**	₱55,628,692
After one year but not more than five years	**267,500,000**	268,904,837
More than five years	**561,658,453**	615,250,000
	₱884,062,789	₱939,783,529

h. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and post-construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2014, SSRLI recognized handling fee, included under "Other income (charges)" account which amounted to ₱17.71 million.

PDIPI and Subsidiaries

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy amounted to ₱16.9 million (eliminated in the consolidated financial statements) and ₱12.6 million as of December 31, 2014 and 2013, respectively (see Notes 9 and 26). Management fees amounted to ₱62.2 million, ₱58.9 million and ₱55.8 million in 2014, 2013 and 2012, respectively.

b. Beginning January 2004, PDP Energy entered into a new technical assistance contract with Phelps Dodge International Corporation which provides an annual payment of technical fees amounting to a certain percentage of audited income before tax (VAT inclusive). Technical fees amounted to ₱57.7 million, ₱52.5 million and ₱45.3 million in 2014, 2013 and 2012, respectively. These are included in "Management fee" in the Group's consolidated statements of income. On December 19, 2014, PDP Energy entered into a technical assistance and support agreement with General Cable Corporation (GC). The agreement provides that GC shall make available to PDP Energy technical assistance and support services which include, among others the availability of technical and qualified resource persons with expertise in materials, technologies and manufacturing processes to be made available to PDP Energy through periodic consultation meetings with PDP Energy personnel and technical visits to PDP Energy.

c. On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GC) wherein GC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GC) which provides, among others, the exclusive distributor, reseller and representative for the sale of GC products to customers within the Philippines.

d. In 2008, PDP Energy entered into a contract of lease with a third party covering the lease of its office building. The contract is for a two year lease period and renewable at the option of both parties. The contract ended in 2012 and was no longer renewed. In line with this, PDP Energy entered into a contract of lease with another third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties.

The future aggregate minimum lease payments under the new operating lease are as follows:

Not later than 1 year	₱5,593,233
More than 1 year but not later than 5 years	10,440,703
	₱16,033,936

30. **Other Matters**

a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As of December 31, 2014, the refund process has remained pending.

With no quick resolution in sight and in view of the change in the MIAA administration, the Company is planning to enter into a new lease contract with the MIAA, with the Company as the lessor and IAI as sublessor. The Company has accumulated provisions for losses amounting to ₱1.93 million as of December 31, 2014 and 2013.

b. ASAC is a defendant in labor lawsuits and claims. As of December 31, 2014 and 2013, management has recognized provisions for losses amounting to ₱3.79 million (see Note 17) that may be incurred from these lawsuits.

c. SSRLI has commitments, litigations and contingent liabilities that arise in the normal course of the SSRLI's operations which are not reflected in the consolidated financial statements. Management is of the opinion that as of December 31, 2014 and 2013, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

31. **Subsequent Events**

On February 18, 2015 the BOD of the Company approved the appropriation from unrestricted retained earnings the amount of ₱500.0 million. The appropriated retained earnings will be used for the Company's investment program within next three years on investment programs related to the services sector, tourism and manufacturing which operations are based within and outside the Philippines.

On February 17, 2015, PDP Energy's BOD approved the declaration of cash dividends amounting to ₱1.5 billion to PDIPI which will be paid on or before March 31, 2015. Proceeds from cash dividends to be received by PDIPI amounting to ₱1.5 billion was approved on the same date by the PDIPI BOD to be paid to the Company on or before March 31, 2015.

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2014**		**Adopted**	**Not Early Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		**Adopted**	**Not Early Adopted**	**Not Applicable**
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	PFRS 9, Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		✓	
	PFRS 9, Financial Instruments (2014 or final version)		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10, *Consolidated Financial Statements* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2014**		**Adopted**	**Not Early Adopted**	**Not Applicable**
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts		✓	
IFRS 15	Revenue from Contracts with Customers		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
	Amendments to PAS 16, Property, Plant and Equipment – Bearer Plant		✓	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		**Adopted**	**Not Early Adopted**	**Not Applicable**
	Disclosure of Government Assistance			
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27, Separate Financial Statements – Equity Method in Separate Financial Statements		✓	
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
	Assets			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41, Agriculture – Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC- 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
A. Soriano Corporation
7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A. Soriano Corporation and Subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated February 18, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-1 (Group A),
February 2, 2012, valid until March 31, 2015
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751308, January 5, 2015, Makati City

February 18, 2015

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
FVPL INVESTMENTS				
BONDS	**Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BPI(ASF)-AC-Bond 4.36% 11/23/19-PHP	PHP 2,200,000	2,194,502	2,194,502	85,879
BPI(ASF)-Globe Binds 4.60% 090117-PHP	PHP 1,500,000	1,513,788	1,513,788	26,931
BPI(ASF)-Globe Bond 3.91% 071720-PHP	PHP 1,000,000	989,707	989,707	31,696
BPI(ASF)-Petron Cor 7.00% 111017-PHP	PHP 8,000,000	8,198,240	8,198,240	746,231
BPI-DBP-Perpetual 8.38% 091549	$ 865,000	41,626,003	41,626,003	787,047
BPI-EDC 2021 6.5% 012021-USD	$ 500,000	24,355,396	24,355,396	2,775,994
BPI-RCBC Perp 9.88% 10/27/49-USD	$ 271,000	13,104,618	13,104,618	(218,589)
BS-Agromercantil SR 6.25% 100419-USD	$ 300,000	13,617,240	13,617,240	388,433
BS-Alam Synergy 6.95% 270320-USD	$ 200,000	8,322,392	8,322,392	699,853
BS-Banco Bilbao Vizcaya ARG 9% 290549 Perp-USD	$ 200,000	9,570,080	9,570,080	728,397
BS-Banco Do Brasil(Cayman) 9% 311249 Perp-USD	$ 300,000	12,543,960	12,543,960	(340,229)
BS-Bank of Baroda 6.625% 250522-USD	$ 300,000	13,724,568	13,724,568	498,999
BS-Bank of Ceylon 5.325% 160418-USD	$ 300,000	13,332,150	13,332,150	598,142
BS-Braskem Finance Ltd 5.75% 150421-USD	$ 300,000	13,402,584	13,402,584	(205,123)
BS-Caixa Economica Federal 7.25% 230724-USD	$ 300,000	12,912,900	12,912,900	(412,517)
BS-Central China Real Estate 6.5% 040618-USD	$ 300,000	12,208,560	12,208,560	(70,513)
BS-China Oil 5.25% 250418-USD	$ 300,000	13,187,928	13,187,928	485,012
BS-Colombia Telecom SA 5.375% 270922-USD	$ 400,000	17,396,080	17,396,080	861,534
BS-Country Garden 7.875% 270519-USD	$ 200,000	9,122,880	9,122,880	274,296
BS-Emerging Market Floating rate 250619-RUB	RUB 8,727,000	72,258	72,258	(276,100)
BS-Emirates NBD Tier1 5.75% 290549-USD	$ 300,000	12,678,120	12,678,120	493,889
BS-Esal GMBH 6.25% 050223-USD	$ 300,000	12,678,120	12,678,120	(267,104)
BS-First Gen Corporation 6.5% 091023-USD	$ 400,000	18,916,560	18,916,560	329,357
BS-Franshion Brilliant Ltd 5.375% 171018-USD	$ 500,000	23,198,500	23,198,500	1,593,772
BS-JBS Investments GMBH 7.75% 281020-USD	$ 200,000	9,122,880	9,122,880	701,935
BS-JP Morgan Basket Return Cert 170915	$ 200,000	8,953,838	8,953,838	296,046
BS-Longfor Properties 6.875% 181019-USD	$ 200,000	9,100,520	9,100,520	499,994
BS-Megaworld Corporation 6.75% 150418-USD	$ 500,000	24,204,700	24,204,700	1,510,693
BS-Mersin Ulus Liman 5.875% 120820-USD	$ 250,000	11,906,700	11,906,700	294,346
BS-Metalloinvest Finance LT 5.625% 170420-USD	$ 300,000	10,196,160	10,196,160	(2,066,742)
BS-Millicom Int'l Cellular 4.75% 220520-USD	$ 300,000	12,644,580	12,644,580	80,693
BS-Mitra Pinasthika Mustika 6.75% 190919-USD	$ 200,000	8,832,200	8,832,200	(9,475)
BS-OAS Investments GMBH 8.25% 191019-USD	$ 500,000	7,155,200	7,155,200	(13,151,421)
BS-Puma Intl Fin 6.75% 012221-USD	$ 300,000	13,013,520	13,013,520	(411,088)
BS-RBS 13.125% 190322-AUD	AUD 290,000	12,234,398	12,234,398	1,262,666
BS-Royal Capital 8.375% 310549-USD	$ 785,000	36,878,013	36,878,013	3,194,107
BS-Sino Ocean Lnd Trs Fin I 4.625% 300719-USD	$ 250,000	11,222,037	11,222,037	295,316
BS-Star Energy Geothermal 6.425% 270320-USD	$ 300,000	13,369,044	13,369,044	448,425
BS-TBG Global PTE 4.625% 030418-USD	$ 300,000	13,013,520	13,013,520	303,686
BS-Telfonica Celuar 6.75% 131222-USD	$ 300,000	14,037,161	14,037,161	1,115,837
BS-Theta Capital PTE Ltd 7% 110422-USD	$ 300,000	13,489,788	13,489,788	1,889,573
BS-Yuzhou Properties Co 8.625% 240119-USD	$ 300,000	12,946,440	12,946,440	584,898
APHI-EDCPM	$ 200,000	9,701,915	9,701,915	-
		560,889,748	**560,889,748**	**6,454,777**
FUNDS AND EQUITIES	**No. of Units**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
IA-General Electric Co.-USD	1,950	2,229,806	2,229,806	(207,096)
BPI(ASF)-PEIF UITF-PHP	8,344	812,660	812,660	12,837
BPI-MM UITF-Peso	-	21,568	21,568	32,518
BPI-PEIF UITF-PHP	45,878	5,557,930	5,557,930	1,158,096
		8,621,964	**8,621,964**	**996,356**
OTHERS	**No. of Units/Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BPI(ASF)-Ayala Corp. Pref. B-Peso	20,000	10,220,000	10,220,000	525,000
BPI(ASF)-fgen Pref 8% 7.25.18-PHP	50,000	5,750,000	5,750,000	400,000
BPI(ASF)-Globe Preferred-Php	20,000	10,200,000	10,200,000	200,000
		26,170,000	**26,170,000**	**1,125,000**
TOTAL - FVPL INVESTMENTS		**595,681,712**	**595,681,712**	**8,576,133**

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
AFS INVESTMENTS				
QUOTED EQUITY SHARES	**No. of Shares**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Aboitiz Equity Ventures	513,985	27,087,010	27,087,010	22,043,529
Aboitiz Power Corporation	17,088,806	1,165,748,727	1,165,748,727	44,325,818
Bloomberry Resorts Corporation	40,739,900	505,174,760	505,174,760	-
Cebu Air, Inc.	372,501	31,979,211	31,979,211	4,155,661
Concepcion Industrial Co.	1,300,000	55,900,000	55,900,000	108,882
DMCI Holdings	7,020,228	110,217,580	110,217,580	4,212,137
EEI Corporation	20,960,300	228,467,268	228,467,268	4,058,440
Holcim Philippines, Inc.	2,047,700	30,674,546	30,674,546	1,438,360
I C T S I	25,898,470	2,978,324,051	2,978,324,051	21,681,290
iPeople, Inc.	66,718,850	800,626,200	800,626,200	16,929,760
JG Summit	4,961,800	327,478,800	327,478,800	992,360
LaFarge Republic, Inc.	26,853,471	238,458,822	238,458,822	12,676,736
Max's Group, Inc.	2,400,000	58,920,000	58,920,000	-
Megawide	35,377,672	314,507,504	314,507,504	-
Melco Crown (Philippines) Resorts Corp.	7,222,600	98,082,908	98,082,908	-
Metro Pacific Investment Corp	2,501,851	11,508,515	11,508,515	1,416,093
Nickel Asia Corporation	2,530,275	120,441,090	120,441,090	6,677,200
Petron Corporation	36,631,400	388,292,840	388,292,840	1,781,570
Philodrill "A"	1,183,004,035	21,294,073	21,294,073	2,105,804
Universal Robina	150,691	29,535,436	29,535,436	2,077,053
		7,542,719,341	**7,542,719,341**	**146,680,693**
UNQUOTED EQUITY SHARES	**No. of Units/Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
ATRAM Investment Mngt Partners Corp.	-	37,500,000	37,500,000	-
Central Azuc dela Carlot	271	780	780	-
Enderun Colleges, Inc.	16,216,217	286,200,000	286,200,000	-
K S A Realty Inc	-	417,237,468	417,237,468	91,389,098
Manila Peninsula Hotels,Inc.	265,000	2,444,945	2,444,945	-
Medical Doctors, Inc.	790	79,000	79,000	281,177
PLDT Co - Pref	1,200	12,600	12,600	-
Realty Investment Inc	120,000	32,500	32,500	-
Predictive Edge Technologies, LLC	1,000,000	22,475,752	22,475,752	-
Direct Hotel	153,749	38,194,735	38,194,735	-
Tech Venture	-	52,337,010	52,337,010	-
Navergar 1 GP Ltd (Citco)	-	14,592,229	14,592,229	-
Leopard Capital Cambodia	525	12,392,058	12,392,058	-
SUTTON-ACMDC	608	10,239	10,239	-
APHI-BPI USFF	49,983	2,287,455	2,287,455	-
APHI-WT JAPEFT	32,025	1,319,309	1,319,309	-
APHI-IEHM USD	66,991	2,577,816	2,577,816	-
APHI-ICA USD	67,976	2,949,547	2,949,547	-
		892,643,443	**892,643,443**	**91,670,275**
BONDS	**Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BPI(ASF)-Manila North 4.06% 33114-PHP	PHP 380,000	378,867	378,867	11,560
BPI(ASF)-PSB-USN 4.40% 08/23/24-PHP	PHP 1,000,000	1,000,000	1,000,000	26,522
BPI(ASF)-RCBC-USN 4.30% 9/27/24-PHP	PHP 5,100,000	5,100,000	5,100,000	114,523
BPI(ASF)-SMIC Bond 4.24% 05/19/21-PHP	PHP 10,000,000	10,000,000	10,000,000	260,121
BPI-BDO 3.875% 220416-USD	$ 1,000,000	45,435,520	45,435,520	2,104,582
BPI-BDO 4.50% 02/16/17-USD	$ 393,000	17,958,133	17,958,133	791,247
BPI-FIRPACM 4.50% 041623-USD	$ 1,000,000	43,098,900	43,098,900	2,037,901
BPI-FIRPACM 6.00% 06/28/19-USD	$ 1,610,000	76,922,505	76,922,505	2,556,893
BPI-Hana Bank 2016 4.00% 11/03/16-USD	$ 200,000	9,330,527	9,330,527	364,110
BPI-Hutchison Whampoa 7.625% 040919-USD	$ 400,000	21,503,165	21,503,165	853,802
BPI-RCBC 5.25% 01/31/17-USD	$ 300,000	14,008,616	14,008,616	699,107
BPI-RCBC 6.25% 02/29/15-USD	$ 350,000	15,717,738	15,717,738	783,237
BPI-SMIC-BNDM 4.25% 101719	$ 1,390,000	61,913,698	61,913,698	2,632,672
BS-ABJA Investment Co(Tata Steel) 5.95% 310724-USD	$ 200,000	8,988,720	8,988,720	40,317
BS-African Export-Import Bank 4.75% 290719	$ 250,000	11,029,070	11,029,070	220,463
BS-Banco Do Brazil 5.375% 150121-USD	$ 300,000	13,281,840	13,281,840	558,900
BS-Banque Morocaine Du Comm 6.25% 271118-USD	$ 300,000	13,483,080	13,483,080	597,046

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
BS-Eurasian Development Bank 5% 260920-USD	$ 200,000	7,602,400	7,602,400	166,704
BS-Eurochem M&C OJSC Via 5.125% 121217-USD	$ 300,000	11,671,920	11,671,920	497,791
BS-Filinvest Development Co. 4.25% 020420-USD	$ 500,000	21,577,400	21,577,400	956,020
BS-FPT Finance Ltd 6% 280619-USD	$ 500,000	23,880,480	23,880,480	786,950
BS-Gazprom (Gaz Capital SA) 4.95% 190722-USD	$ 300,000	10,866,960	10,866,960	309,581
BS-Greenland Hongkong Hold 4.375% 070817-USD	$ 300,000	13,214,760	13,214,760	237,147
BS-IDBI Bank Ltd 5% 250919-USD	$ 300,000	13,956,262	13,956,262	493,769
BS-International Bank of AZ 5.625% 110619-USD	$ 300,000	12,678,120	12,678,120	379,485
BS-National Savings Bank 5.15% 100919-USD	$ 300,000	13,315,380	13,315,380	204,041
BS-Norddeutsche LandesBank 6.25% 100424-USD	$ 400,000	17,574,960	17,574,960	671,360
BS-Office Cherifien Des PHO 5.625% 250424-USD	$ 300,000	13,935,870	13,935,870	414,294
BS-OJSC Russ Agric 5.2% 250718-USD	$ 300,000	11,392,674	11,392,674	668,028
BS-Pertamina PT 5.25% 230521-USD	$ 500,000	23,097,880	23,097,880	907,769
BS-Perusahaan Listrik Negar 5.5% 221121-USD	$ 500,000	23,455,640	23,455,640	951,546
BS-Poly Real Estate Group 5.25% 250419-USD	$ 200,000	9,264,195	9,264,195	227,921
BS-SM Investments Corp 4.25% 171019-USD	$ 500,000	22,276,150	22,276,150	929,031
BS-TC Ziraat Bankasi AS 4.25% 030719-USD	$ 300,000	13,451,687	13,451,687	280,273
BS-TF Varlik Kiralama AS 5.375% 240419-USD	$ 200,000	9,290,580	9,290,580	248,641
BS-Turkiye IS Bankasi AS 5% 250621-USD	$ 200,000	8,988,720	8,988,720	22,703
BS-VEB Finance 4.224% 211118-USD	$ 300,000	10,732,800	10,732,800	461,416
BS-Vedanta Resources 6% 310119-USD	$ 300,000	13,181,220	13,181,220	635,265
BS-Vimpelcom Holdings 5.95% 130223-USD	$ 400,000	13,594,880	13,594,880	1,116,872
BS-VTB Bank(VTB Capital) 6.95% 171022-USD	$ 200,000	6,497,099	6,497,099	590,595
BS-Yapi Ve Kredi Bankasi 5.5% 061222-USD	$ 500,000	21,421,578	21,421,578	619,742
BS-Zenith Bank PLC 6.25% 220419-USD	$ 200,000	8,161,400	8,161,400	380,615
IPAlliance Global Group 6.5% 180817-USD	$ 500,000	23,816,083	23,816,083	1,504,986
IP-EIB Korea2015 5.875% 140115-USD	$ 100,000	4,479,602	4,479,602	261,080
IP-ICTSI 7.375% 031120-USD	$ 1,350,000	68,495,053	68,495,053	2,377,252
IP-PLDT 2017 8.35%-USD	$ 100,000	5,072,008	5,072,008	320,687
IP-SMIC 5.5% 131017-USD	$ 528,000	24,833,145	24,833,145	1,331,034
IP-Woori Bank2015 7% 020215	$ 100,000	4,494,002	4,494,002	296,455
SKI	-	58,368,190	58,368,190	-
AI-Prople Limited	-	204,214,815	204,214,815	-
APHI-MetroBank	$ 200,000	9,480,640	9,480,640	-
APHI-First Pacific	$ 300,000	14,333,386	14,333,386	-
APHI-DBP-PERF	$ 50,000	2,395,315	2,395,315	-
APHI-BDO-USN	$ 93,000	4,317,708	4,317,708	-
APHI-SMIC-BNDM 10/17/19	$ 360,000	16,032,871	16,032,871	-
APHI-ICTSIM 03/17/20	$ 195,000	9,893,730	9,893,730	-
		1,174,457,942	**1,174,457,942**	**33,902,052**
FUNDS AND EQUITIES	**No. of Units**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Rohatyn Global (class B & S2)	-	743,932	743,932	-
ATR-Indo Phil. Resources-AUD	4,678,300	43,726,321	43,726,321	-
BPI-ICAI.USD	729	16,403,534	16,403,534	47,547
BPI-IEMH.USD-USD	5,320	14,473,141	14,473,141	-
BPI-Wisdomtree Japan ETF(WTJAPETF)-USD	5,343	12,049,692	12,049,692	1,103,806
BS-Aberdeen Global-Asia Pacific Fund-USD	4,332	13,840,176	13,840,176	-
BS-Aberdeen Global-Asian Smaller Companies Fund-US	4,208	8,351,120	8,351,120	-
BS-Apple Inc.-USD	2,100	10,566,978	10,566,978	128,928
BS-BGF-European Equity Income Fund-USD	47,801	23,022,408	23,022,408	310,803
BS-Country Garden Holdings Co (2007)-HKD	203,733	3,630,852	3,630,852	-
BS-Ford Motor Company-USD	24,500	16,982,420	16,982,420	406,449
BS-Hutchison Whampoa Limited-HKD	8,000	4,104,715	4,104,715	477,708
BS-IShares FTSE 250 UCITS ETF-GBP	6,600	7,116,287	7,116,287	187,829
BS-JPMorgan Funds-Japan Equity Fund-JPY	34,553	10,935,729	10,935,729	-
BS-Legg Mason Global Funds-PLC-USD	645	4,987,568	4,987,568	-
BS-Lloyds Banking Group PLC-GBP	130,000	6,816,730	6,816,730	-
BS-Neuberger Berman US Multi Cap Opp-USD	26,738	19,370,695	19,370,695	-
BS-Oddo Avenir Europe A-EUR	1,040	20,459,334	20,459,334	-
BS-Vontobel Fund-US Value Equity-USD	283	10,971,672	10,971,672	-
IA-Ascendas India Dev'e Trust-SGD	600,000	11,001,642	11,001,642	-
IA-BGF Global Equity Income-USD	65,754	36,374,440	36,374,440	945,896

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
IA-General Electric Co.-USD	5,350	6,117,673	6,117,673	214,524
IA-ING Real Estate China Opp (MF)-USD	-	9,033	9,033	-
MS-UBS USD Autocallable Stk-USD	-	266,500	266,500	-
ANSCORCON-ACMDC	840,173	8,569,765	8,569,765	-
ANSCORCON-Meralco	636	162,816	162,816	-
ANSCORCON-PLDT Preferred	400	4,368	4,368	-
APHI-PLDT Series Y 10% Cumm. Pref.	4,200	46,452	46,452	-
APHI-PLDT Series BB 10% Cumm. Pref.	1,200	13,248	13,248	-
		311,119,241	**311,119,241**	**3,823,489**
PROPRIETARY SHARES	**No. of Shares**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Canlubang Golf & Country Club	2	1,200,000	1,200,000	-
Celebrity Sports Plaza	1	130,000	130,000	-
Fuego Development Corporation	1	803,250	803,250	-
Manila Golf & Country Club	3	140,000,000	140,000,000	-
Manila Polo Club	1	11,500,000	11,500,000	-
Matabungkay Beach Resort	1	15,000	15,000	-
Metropolitan Club	1	275,000	275,000	-
Orchard Golf & Country Club	2	190,000	190,000	-
Ridge Country Club	1	10,000	10,000	-
Sta Elena Properties'A'	3	8,100,000	8,100,000	-
Valle Verde Country Club	4	1,650,000	1,650,000	-
PLDT	10,708	119,073	119,073	-
Alabang Country Club "A"	2	4,600,000	4,600,000	-
Club Filipino	1	180,000	180,000	-
Cresta Del Mar	1	68,000	68,000	-
Makati Sports Club "A"	1	300,000	300,000	-
Philippine Village Resort	1,000	5,000	5,000	-
Valley Golf Club	1	150,000	150,000	-
Makati Medical Center	300	5,000	5,000	-
Manila Southwoods "A"	1	400,000	400,000	-
Puerto Azul	1	80,000	80,000	-
Alta Vista De Cebu (Vistamar)	1	300,000	300,000	-
Camp John Hay	2	160,000	160,000	-
Others	-	811,029	811,029	-
		171,051,352	**171,051,352**	**-**
TOTAL - AFS INVESTMENTS		**10,091,991,319**	**10,091,991,319**	**276,076,510**
GRAND TOTAL - FINANCIAL ASSETS		**10,687,673,031**	**10,687,673,031**	**284,652,643**

Note 1 This account consists of investments that are designated as at AFS, FVPL and held-for-trading investments.

Note 2 This column includes interest income, dividends and unrealized gain/loss in market value of FVPL investments charged to income in 2014.

SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2014

Name of Debtors	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
CAGUITLA, Emmanuel	-	814,880	134,544		680,336	680,336
LIM, Rogelio	-	826,101	156,428		669,674	669,674
MNALO, Emilio	-	823,504	177,616		645,888	645,888
RIVERA, Ariel	-	651,040	128,784		522,256	522,256
DANJALA, Arnel	-	507,120	161,760		345,360	345,360
LAZCO, Lorenz	244,226	259,309	244,227	259,309		259,309
RESMA, Mark	-	525,854	268,766	257,088		257,088
ESGUERRA, Anthony	-	422,542	184,602	237,940		237,940
SANTIAGO, Chevy	-	234,096	57,808	176,288		176,288
REYES, Joseph Albert	-	286,439	115,910	170,530		170,530
ACUZAR, Michael	-	444,018	285,479	158,539		158,539
SYJUCO, Michael Glenn	110,000	276,400	245,000	141,400		141,400
GUTIERREZ, Manrico	-	314,823	174,000	140,823		140,823
BUHION, Salome M.	133,464	230,657	229,568	134,553	-	134,553
PENULLAR, Benigno	112,025	240,243	242,416	109,852	-	109,852
REYES, Rosalina	326,921	480,752	708,617	99,056	-	99,056
NOTO, Joseph	-	173,840	75,000	98,840		98,840
CUTIONGCO, Hazel B.	112,249	47,320	63,467	96,102	-	96,102
LABAY, Veronica	-	108,000	15,000	93,000		93,000
MALACASTE, Jay	60,000	258,979	230,000	88,979		88,979
ARANNA, Jenny	80,000	65,900	60,000	85,900		85,900
BERINGUEL, Vivian	-	137,917	52,667	85,250		85,250
LEGASPI, Jason	-	172,500	92,500	80,000		80,000
HIPOS, Annabellee G.	79,608	170,986	172,265	78,329	-	78,329
MARTINEZ, Milagros	556,723	778,243	1,260,071	74,895		74,895
TACTAY, Juelda	17,572	55,100	-	72,672		72,672
OROZCO, Emelinda P.	93,870	3,300	32,865	64,305		64,305
BAGATSING, Julian	-	63,870	-	63,870		63,870
NUNEZ, Jervie	-	57,960	-	57,960		57,960
REYES, Bernadette	-	90,433	38,267	52,167		52,167
TUMANG, Joenar	-	91,666	40,000	51,666		51,666
MACAPULAY, Alden	-	109,806	64,111	45,695		45,695
ONG, Joseph	-	82,000	36,583	45,417		45,417
MALVAR, Genever	321,343	2,116	279,287	44,172		44,172
VELASCO, Andrew	-	85,000	42,353	42,648		42,648
FABELLO, Patrick	-	106,800	64,826	41,974		41,974
VICTORIANO, Ricardo	-	105,743	64,577	41,166		41,166
VILLANUEVA, Enrico	-	58,785	20,010	38,775		38,775
CUNANAN, Edcel	21,000	87,979	72,000	36,979		36,979
HAPIN, Rina M.	-	146,350	110,093	36,257		36,257
BONIFACIO, Ely	213	150,398	114,788	35,823		35,823
AUILAR, Angelie	-	55,000	20,000	35,000		35,000
CUYEGKENG, Ernest K.	34,414	-	-	34,414	-	34,414
MAGAWAY, Pedro	-	103,972	70,639	33,333		33,333
CALEJESAN, Yhellen	-	37,000	4,083	32,917		32,917
OCAMPO, Gerald	-	81,666	50,000	31,666		31,666
CRESECIA, Rowena	-	100,792	70,792	30,000		30,000
DIZON, Hilnes	-	87,500	57,500	30,000		30,000
GARCIA, Raffy	-	60,000	30,000	30,000		30,000
GUTIERREZ, Mario	-	64,000	34,000	30,000		30,000
POLINTAN, Renato	-	52,467	22,467	30,000		30,000
CALMA, Homer	-	78,500	48,500	30,000		30,000
TOLENTINO, Angelito	-	114,861	85,000	29,861		29,861
BACANI, Maureen	-	30,000	352	29,648		29,648
DUNAGO, Anita	-	193,420	163,893	29,527		29,527
LEE, ISMAEL	-	78,750	49,583	29,167		29,167
JIMENEZ, Victor	-	84,167	55,000	29,167		29,167

SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2014

Name of Debtors	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
VERGARA, Loui	-	83,333	54,167	29,167		29,167
LACTAOTAO, Sander	-	83,639	54,889	28,750		28,750
MALLARI, Richard Felix	-	57,500	28,750	28,750		28,750
SANTOS, Jonathan	-	75,556	47,222	28,333		28,333
CARLOS, Jenny	-	51,500	23,167	28,333		28,333
COBARIA, Joselito	-	77,750	49,917	27,833		27,833
LIGUATON, Leah	22,800	217,510	212,800	27,510		27,510
ALCIBAR, Michael	-	30,000	2,500	27,500		27,500
GAPAY, Gayford	-	82,500	55,000	27,500		27,500
GUTIERREZ, Bernadette	-	65,245	37,911	27,333		27,333
OLIDAR, Allan	-	53,333	26,667	26,667		26,667
BATENGA, Raymund	-	51,250	24,583	26,667		26,667
CARREON, Ma. Cristina	-	51,667	25,000	26,666		26,666
MONSANTO, Grazilde	-	75,000	48,337	26,663		26,663
FERNANDEZ, analyn	-	63,722	37,472	26,250		26,250
ILARINA, Jeric	-	30,000	3,750	26,250		26,250
PACHECO, Jesser	-	48,222	21,972	26,250		26,250
MENDOZA, Wendell	-	30,000	4,167	25,833		25,833
MAHINAY, Lemuel	-	25,426		25,426		25,426
VILLACERAN, Ayra	-	31,165	5,871	25,294		25,294
CLAVERIA, Rolando	-	48,611	23,611	25,000		25,000
JUAN, Salazar	-	50,000	25,000	25,000		25,000
MANALILI, Roderick	-	60,333	35,333	25,000		25,000
SANTOS, Valentino	-	83,750	58,750	25,000		25,000
DEZA, Joel	-	82,500	57,500	25,000		25,000
VILLAVICENCIO, John Carlo	-	51,055	26,431	24,625		24,625
ADAOAG, Antonio	-	42,000	17,516	24,484		24,484
NUNAG, Ronaldo	-	30,000	5,833	24,167		24,167
CANLAS, Ranilo	-	56,250	32,500	23,750		23,750
CAPIT, Ariel	-	57,500	33,750	23,750		23,750
CORTEZ, Daryl	-	30,000	6,250	23,750		23,750
AYRO, Jensyl	-	49,333	25,833	23,500		23,500
BUSRAN, Hussien	-	58,667	35,254	23,412		23,412
CLAVEL, Omar	-	48,333	25,000	23,333		23,333
MARTINEZ, Joel	-	44,194	20,861	23,333		23,333
NARCISO, Jerome	-	38,333	15,000	23,333		23,333
LUMIBAO, Rhea	-	46,000	22,917	23,083		23,083
ALFONSO, Reymon	-	47,500	25,000	22,500		22,500
SAGUN, John Anthony M.	-	30,000	7,500	22,500		22,500
GADEN, Nicanor	-	54,500	32,667	21,833		21,833
VILLANUEVA, Lorena	-	55,250	33,750	21,500		21,500
CARDENAS, Rhizza	-	64,598	43,190	21,408		21,408
BANIQUED, Rustan	-	52,917	31,667	21,250		21,250
DELA CRUZ, Vernon John	-	30,000	8,750	21,250		21,250
PEDROSA, Jay	-	32,500	11,250	21,250		21,250
JUGO, Reden	-	54,278	33,412	20,866		20,866
BALAGTAS, Victoria	-	40,000	19,167	20,833		20,833
LUZANO, Robertson	-	37,000	16,444	20,556		20,556
APOLINAR, Aileen Donabel	-	60,000	40,000	20,000		20,000
FRIAS, Noly	-	30,000	10,000	20,000		20,000
QUIBALLO, Rhandel	-	58,000	38,000	20,000		20,000
TABORLUPA, Edrian	-	47,542	28,375	19,167		19,167
TACANAY, Edward	-	46,139	26,972	19,167		19,167
DIAZ, Michael	-	48,958	29,917	19,042		19,042
FLORES, Rommel	-	43,556	24,514	19,042		19,042
PEREZ, Joseph	-	49,000	31,000	18,000		18,000

SCHEDULE B - AMOUNTS RECEIVABLE FROM OFFICERS, EMPLOYEES AND RELATED INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2014

Name of Debtors	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance
DUMANDAN, Analyn	-	32,000	14,000	18,000		18,000
VELOSO, Richard	-	17,897	-	17,897		17,897
CAPAN, Danilo	-	51,250	33,750	17,500		17,500
MENDOZA, Ricky	-	62,694	45,194	17,500		17,500
SEDERO, Flori May	-	30,000	12,500	17,500		17,500
LUPERA, Karl Lawrence	-	32,500	15,000	17,500		17,500
CORNEZ, Jay	-	49,500	32,080	17,420		17,420
YANGGO, Herma	-	53,111	36,026	17,085		17,085
BAJAO, Rolando Danilo	14,400	51,900	49,300	17,000		17,000
ASIO, Delmar	-	50,000	33,125	16,875		16,875
RAMOS, Mario	-	30,000	13,333	16,667		16,667
SAHAGUN, Joel	-	51,444	34,778	16,667		16,667
DONATO, Jose	-	47,000	30,750	16,250		16,250
DAVID, Mary Jeane	-	52,594	36,494	16,100		16,100
ESCOTO, Erwin	-	45,222	29,264	15,958		15,958
PANELO, Rolando	-	30,000	14,167	15,833		15,833
ESTARIS, Stephanie	-	15,100	-	15,100		15,100
MUERTEGUE, Salve	-	52,100	37,100	15,000		15,000
BAIS, Alejandro	-	47,500	32,500	15,000		15,000
ABUY, Deuel	-	37,083	22,083	15,000		15,000
LUNDANG, Luisito	-	45,000	30,000	15,000		15,000
FIGUEROA, Jimmy	-	48,667	33,778	14,889		14,889
NUNAG, Joemark	-	48,333	33,917	14,416		14,416
VALERIO, Janette M.	-	137,950	124,200	13,750		13,750
DE GUZMAN, Jerry	-	32,500	18,750	13,750		13,750
DATANG, Jesus	-	50,750	37,625	13,125		13,125
SANTOS, Claudine N.	12,321	185,170	184,571	12,920		12,920
MANALOTO, Joven	-	62,000	49,083	12,917		12,917
BENITEZ, Napoleon	-	57,000	44,500	12,500		12,500
AGUAS, Eduard Jon	-	35,833	23,333	12,500		12,500
OCAMPO, Reichel	-	30,000	17,500	12,500		12,500
BAIS, Arnold	-	57,500	45,000	12,500		12,500
COLOMA, Errol	-	94,500	82,167	12,333		12,333
TARING, Ghemar	-	58,333	46,667	11,667		11,667
ESPINO, Cristobal	-	35,000	23,333	11,667		11,667
SALVADOR, Rennier	-	34,163	22,497	11,667		11,667
DAVID, Dexter Gerald	-	52,917	41,417	11,500		11,500
BUSALPA, Jerald	-	28,979	17,500	11,479		11,479
AFABLE, Raffy	-	22,729	11,365	11,364		11,364
TUCAQUI, Loreto	-	35,000	23,750	11,250		11,250
RIVERA, Ronard	-	65,333	54,084	11,250		11,250
DORADO, Lani	16,200	27,609	32,591	11,218		11,218
CABUSAO, Joel	-	94,500	84,125	10,375		10,375
GRANADOZIN, Ruben	-	40,750	30,417	10,333		10,333
MONSONES, Kelvin	10,144	-	-	10,144		10,144
CIRIACO, Gary A.	13,500	23,509	26,875	10,134		10,134
BALANDITAN, Walter	-	35,000	25,000	10,000		10,000
PINEDA, Atornino	-	42,500	32,500	10,000		10,000
VARIOUS (below P10,000)	2,668,729	4,111,901	5,418,643	1,361,987		1,361,987
	5,061,723			7,306,562	2,863,514	10,170,075

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Name and Designation of Debtor	Balance at Beginning of Period	Additions		Amounts Collected	Current	Non Current	Balance at End of Period	Transactions		Terms		
		Newly Consolidated Subsidiaries	Advances					Nature	Amount	Interest Rate	Payment Terms	Others
A. SORIANO CORPORATION RECEIVABLES FROM ITS SUBSIDIARIES												
Anscor Property Holdings, Inc.	85,536		9,506,131	4,918,346	4,673,321	-	4,673,321	working capital	9,506,131		non-interest bearing	
Seven Seas Resorts & Leisure Inc.	102,267		871,750	942,005	32,012	-	32,012	working capital	871,750		non-interest bearing	
Pamalican Resorts Inc.	321,546		2,664,021	2,479,984	505,583	-	505,583	management fee & others	2,664,021		non-interest bearing	management fee amounting to $4,000/month
A. Soriano Air Corporation	2,306	-	-	-	-	2,306	2,306	working capital	-		non-interest bearing	
A. Soriano Aviation Inc.	(74,958)	-	6,063	-	-	(68,895)	(68,895)	working capital	-		non-interest bearing	
Sutton Place Holdings, Inc.	316,239	-	-	-	-	316,239	316,239	working capital	-		non-interest bearing	
Anscor Consolidated Corporation	-		447,529,471	314,685,161	132,844,310	-	132,844,310	dividends & working capital	447,529,471		non-interest bearing	
Phelps Dodge Philippines Energy Corporation	-	18,826,380	79,038,925	74,048,874	23,816,431	-	23,816,431	management fee & others	79,038,925		non-interest bearing	annual management fees amounting toP7.2 million plus certain percentages of audited income before tax and technical assistance fees.
Cirrus Medical Staffing, Inc.	-	-	56,400	-	-	56,400	56,400	working capital & investments	-		non-interest bearing	
Cirrus Global, Inc.	-	-	5,147,982	7,096,508	-	(1,948,526)	(1,948,526)	working capital & investments	5,147,982		non-interest bearing	
Anscor International, Inc.	3,208,544,534	-	57,774,218	7,413,167	57,774,218	3,201,131,367	3,258,905,585	working capital & investments	57,774,218		non-interest bearing	
	3,209,297,470	**18,826,380**	**602,594,961**	**411,584,045**	**219,645,875**	**3,199,488,891**	**3,419,134,766**					
RECEIVABLES BETWEEN PARENT/SUBSIDIARIES												
A. SORIANO AIR CORP. (Conso)												
Pamalican Resort Inc. (ASAC direct receivables)	280,889	-	1,536,597	2,040,235	280,889	-	(222,749)	working capital	1,536,597		non-interest bearing	
Pamalican Resort Inc. (IAI direct receivables)	12,275,850	-	105,313,112	83,915,515	33,673,447	-	33,673,447	Air Service	105,313,112		non-interest bearing	Fixed round trip rate, subject to an annual review with a guarantee that IAI operating costs will be covered.
Seven Seas Resorts & Leisure Inc. (PIHI direct receivables)	668,418	-	-	-	-	668,418	668,418	working capital	-		non-interest bearing	
	13,225,157	-	106,849,709	85,955,750	33,954,336	668,418	34,119,116					
ANSCOR CONSOLIDATED CORPORATION												
Seven Seas Resorts & Leisure Inc.	700,379	-	-	-	-	700,379	700,379	working capital	-		non-interest bearing	
	700,379	-	-	-	-	700,379	700,379					
SEVEN SEAS RESORTS & LEISURE INC. (Conso)												
Island Aviation Inc. (direct receivable of PRI)	57,141,633	-	19,557,005	4,515,691	19,557,005	52,625,942	72,182,947	working capital	19,557,005	5% per annum	payable in ten equal installments starting March 31, 2013	
Pamalican Island Holdings, Inc. (direct receivable of PRI)	19,386,746	-	-	-	-	19,386,746	19,386,746	working capital	-		non-interest bearing	

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE

ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

		Additions						Transactions		Terms		
Name and Designation of Debtor	Balance at Beginning of Period	Newly Consolidated Subsidiaries	Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Nature	Amount	Interest Rate	Payment Terms	Others
	76,528,379	-	19,557,005	4,515,691	19,557,005	72,012,688	91,569,693					
ANSCOR PROPERTY HOLDINGS INC. (Conso)												
A. Soriano Air Corporation	284,676				-	284,676	284,676	working capital	-		non-interest bearing	
Phelps Dodge International Products Philippines, Inc.		1,328,258				1,328,258	1,328,258					
Seven Seas Resorts & Leisure Inc.	151,590	-	7,533,750	7,463,888	221,452	-	221,452	consultancy fees	7,533,750		non-interest bearing	
	436,266	1,328,258	7,533,750	7,463,888	221,452	1,612,934	1,834,386					
Sutton Place Holdings Inc. (Conso)												
A. Soriano Corporation (direct receivable of CGI)	-	-	7,096,508	5,147,982	-	1,948,526	1,948,526	working capital & investments	7,096,508		non-interest bearing	
Ancsor International (direct receivable of Cirrus)	1,221,113		190,107		-	1,411,220	1,411,220	working capital	190,107		non-interest bearing	
	1,221,113	-	7,286,615	5,147,982	-	3,359,746	3,359,746					
	92,111,294	**1,328,258**	**141,227,079**	**103,083,311**	**53,732,793**	**78,354,165**	**131,583,320**					
PAYABLES BETWEEN PARENT/SUBSIDIARIES												
A. SORIANO AIR CORP. (Conso)												
A. Soriano Corporation	72,652	-	-	6,063		66,589	66,589	working capital	-	7% per annum	Until June 15, 2016	
Anscor Property Holdings, Inc,	284,676	-	-	871	-	283,805	283,805	working capital	-		non-interest bearing	
Seven Seas Resorts & Leisure Inc. - Conso (direct payable of IAI)	57,141,633	-	19,557,005	4,515,691	19,557,005	52,625,942	72,182,947	working capital	19,557,005	5% per annum	payable in ten equal installments starting March 31, 2013	
Seven Seas Resorts & Leisure Inc. - Conso (Direct payable of PIHI)	19,386,746	-	-	-	-	19,386,746	19,386,746	working capital	-		non-interest bearing	
	76,885,707	-	19,557,005	4,522,625	19,557,005	72,363,082	91,920,087					
ANSCOR CONSOLIDATED CORPORATION												
A. Soriano Corporation	-	-	447,529,471	314,685,161	132,844,310	-	132,844,310	dividends & working capital	447,529,471		non-interest bearing	
	-	-	447,529,471	314,685,161	132,844,310	-	132,844,310					
SEVEN SEAS RESORTS & LEISURE INC. (Conso)												
A.Soriano Corporation	423,813	-	3,535,771	3,421,989	537,595	-	537,595	working capital	3,535,771		non-interest bearing	
A. Soriano Air Corporation	280,889	-	1,536,597	2,040,235	280,889	-	(222,749)	working capital	1,536,597		non-interest bearing	
A. Soriano Air Corporation (direct payable of PRI)	12,275,850	-	105,313,112	83,915,515	33,673,447	-	33,673,447	Air Service	105,313,112		non-interest bearing	Fixed round trip rate, subject to an annual review with a guarantee that IAI operating costs will be covered.
Pamalican Island Holdings, Inc. (ASAC- Conso)	668,418	-	-	-	-	668,418	668,418	working capital	-		non-interest bearing	
Phelps Dodge International Products Philippines, Inc.	-	597,960	-	-	-	597,960	597,960					
Anscor Property Holdings, Inc.	151,590	-	7,533,750	7,463,888	221,452	-	221,452	consultancy fees	7,533,750		non-interest bearing	Certain fee agreed by the two parties

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

		Additions						Transactions		Terms		
Name and Designation of Debtor	Balance at Beginning of Period	Newly Consolidated Subsidiaries	Advances	Amounts Collected	Current	Non Current	Balance at End of Period	Nature	Amount	Interest Rate	Payment Terms	Others
Anscor Consolidated Corporation	700,379				-	700,379	700,379	working capital	-		non-interest bearing	
	14,500,939	597,960	117,919,230	96,841,627	34,713,383	1,966,757	36,176,502					
PHELPS DODGE INTERNATIONAL PRODUCTS PHILIPPINES, INC.												
A. Soriano Corporation (direct payable of PDP Energy)	-	18,826,380	79,038,925	74,048,874	23,816,431	-	23,816,431	management fee & others	79,038,925		non-interest bearing	annual management fees amounting toP7.2 million plus certain percentages of audited income before tax and technical assistance fees.
	-	18,826,380	79,038,925	74,048,874	23,816,431	-	23,816,431					
ANSCOR PROPERTY HOLDINGS INC. (Conso)												
A. Soriano Corporation	85,536		9,506,131	4,918,346	4,673,321	-	4,673,321	working capital	9,506,131		non-interest bearing	
	85,536	-	9,506,131	4,918,346	4,673,321	-	4,673,321					
SUTTON PLACE HOLDINGS, INC. (Conso)												
A. Soriano Corporation	316,239	-	-	-	-	316,239	316,239	working capital	-		non-interest bearing	
	316,239	-	-	-	-	316,239	316,239					
Anscor International (Conso)												
A. Soriano Corporation (direct payable o f Cirrus)	-	-	56,400	-	-	56,400	56,400	working capital & investments	-		non-interest bearing	
A. Soriano Corporation (direct payable of AI)	3,208,544,534	-	57,774,218	7,413,167	57,774,218	3,201,131,367	3,258,905,585	working capital & investments	57,774,218		non-interest bearing	
Cirrus Global, Inc. (Sutton - Conso)	1,221,113		190,107		-	1,411,220	1,411,220	working capital	190,107		non-interest bearing	
	3,209,765,647	-	58,020,725	7,413,167	57,774,218	3,202,598,987	3,260,373,205					
	3,301,554,068	**19,424,340**	**731,571,487**	**502,429,800**	**273,378,668**	**3,277,245,065**	**3,550,120,095**					

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

AS OF DECEMBER 31, 2014
(Amounts in PHP)

Description	Beginning Balance	Additions at cost	Deductions: Charged to cost & expenses	Deductions: Charged to other accounts	Other Changes: Additions	Other Changes: Deductions	Ending Balance
PREPAYMENTS AND OTHER CURRENT ASSETS							
Prepaid insurance and others	41,644,515	36,399,243	-	-	-	-	78,043,758
Deposits	76,822,184	-	-	18,742,102	-	-	58,080,082
Prepaid taxes and Input VAT	4,887,670	20,121,258	-	-	-	-	25,008,928
Others	7,927,053	-		-	-	1,384,626	6,542,427
	131,281,422	20,121,258	-	18,742,102		1,384,626	167,675,195
Valuation allowance	(4,521,063)	-	-	-	-	-	(4,521,063)
	126,760,359	20,121,258	-	18,742,102	-	1,384,626	163,154,132
GOODWILL							
Seven Seas Resorts and Leisure Inc.	99,330,987	-	-	-	-	-	99,330,987
Phelps Dodge International Philippines, Inc.		1,452,466,120					1,452,466,120
Cirrus Medical Staffing, LLC (Note 1)	513,002,418	-	-	-	4,530,014	-	517,532,432
	612,333,405	1,452,466,120	-	-	4,530,014	-	2,069,329,539
OTHER NONCURRENT ASSETS							
Fund for villa operations	45,513,171			191,742	-	-	45,321,429
Property development in progress	43,730,447	55,048,237			-	-	98,778,684
Deposits to supplier	12,911,989			4,497,174	-	-	8,414,815
Deferred nurse cost	11,172,599	1,916,555			-	-	13,089,154
Refundable deposits	3,860,489	5,968,414					9,828,903
Others	6,137,544	10,053,601					16,191,145
Total	123,326,239	72,986,807	-	4,688,916	-	-	191,624,130

Note 1 - Goodwill from Cirrus was increased by P4.5 million due to foreign exchange differences in 2014.

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
AS OF DECEMBER 31, 2014
(Amounts in PHP)

Title of issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under caption "Current portion of long-term debt" in related balance sheet	caption "Long-term debt - net of current portion" in related balance sheet
Loan obtained by Anscor:			
Bank of the Philippine Islands (Note 1)	2,012,400,000	201,240,000.00	1,811,160,000
Loan obtained by PRI:			
Bank of the Philippine Islands (Note 2)	112,282,176	36,262,643	76,019,533
Loan obtained by IAI:	46,956,000	-	46,956,000
Bank of the Philippine Islands (Note 2)			
Total	2,171,638,176	237,502,643	1,934,135,533

Note 1 - On June 24, 2013, the Company obtained a loan from a local bank amounting US$45.0 million or P1,997.8 million to finance the additional investments in shares of stock of AG&P . The loan is payable quarterly in seven (7) years, inclusive of a 2-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's in. This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 200% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness.

To finance the acquisition of PDP Group, the Company secured a short-term loan with a local bank. As a result, the Company's current ratio declined but such decline is not considered a breach of covenant. As of December 31, 2014 and 2013, the Company is in compliance with the debt covenant.

Note 2 - Loans payable of PRI amounting to US$2.0 million (P108.0 million) and US$1.0 million (P53.0 million) were obtained from local banks on November 29, 2005 and December 22, 2011. The $2.0 million loan, which was transferred from SSRLI through an execution of Deed of Assumption of Loan and Mortgage dated June 2, 2011, is subject to Mortgage Trust Indenture (MTI), covering the assets of SSRLI which were also transferred to PRI pursuant to the Deed of Transfer dated December 7, 2011 but reverted to SSRLI upon rescission of the Deed of Transfer on October 3, 2012. The mortgage participating certificates or "MPC" issued to creditor bank represents 12% of the appraised value of the properties that were used as collateral, with carrying value of P442.1 million and P584.7 million as of December 31, 2014 and 2013, respectively. Both loans have a floating interest rate per quarter equivalent to the average quarterly LIBOR plus 2% spread. The US$2.0 million loan has a maximum term of seven years, including three years grace period while the US$1.0 million loan has a maximum term of five years. Both loans are payable in 17 equal quarterly installments starting October 2012 to 2016.

Note 3 - In 2014, IAI converted the short-term loan amounting to $1.05 million (P46.56 million) to long-term loan . The term of the loan is six (6) years, inclusive of one (1) year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering the assets of SSRLI.
The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2014 AND 2013
(Amounts in PHP)

PARTICULARS	Balance at beginning of period	Balance at end of period
(PRESENTED UNDER INVESTMENTS AND ADVANCES ACCOUNT)		
AFFILIATED - INVESTMENT RELATED		
Newco, Inc.	**15,262,717**	-
	15,262,717	-
Due From:		
Multi-media Telephony, Inc. (MTI) (Notes 1)	**564,761,343**	**564,761,343**
Newco, Inc.	**12,299,202**	-
Others	**1,448,722**	-
	578,509,267	**564,761,343**
Less Allowance for Doubtful Accounts	**589,314,848**	**564,761,343**
RECEIVABLE - NET	**4,457,137**	-

Note 1 In June and September 2005, the Company entered into a loan agreement with MTI for the latter to issue convertible debts to the Company. The debts, totaling US$3.0 million are payable in 270 days and bear interest at 20% per annum. Prior to the payment date, the Company has the option to convert the said debt into Vicinetum Holdings, Inc.'s (VHI) (MTI's parent company) shares of

In 2006, the Company provided additional advances to MTI amounting to US$6.5 million. The advances are payable in two years and bear interest at 20% per annum. The Company has the option to convert these advances to shares of stock of MTI.

In 2007, additional ₱25.0 million advances were extended to MTI to be converted to 278,822 shares of VHI.

As of December 31, 2009, these advances were converted into deposits for future stock subscription of VHI.

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2014

(Amounts in PHP)

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which this Statement is Filed	Nature of Guarantee
N A	NA	NA	NA	NA

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
AS OF DECEMBER 31, 2014

Title of Issue	Number of Shares Authorized	Number of Shares issued & Outstanding	Number of shares Reserved for Options,Warrants Conversions & Other Rights	Number of shares Held by		
				related parties	Directors, Officers & employees	Others
Common Stock	3,464,310,958	2,500,000,000	NA			
Treasury shares		-				
No. of shares issued (no. of shares outstanding - legal)		2,500,000,000		1,257,900,646	76,083,272	1,166,016,082
No. of shares held by a subsidiary (Anscor Consolidated Corporation)		(1,257,900,646) *				
No. of shares outstanding		1,242,099,354				

***** As of December 31, 2014, the cost of shares of the Company purchased by the subsidiary in 2014 totaled P2.16 billion. For the year 2014, P13.3 million was the cost of shares purchased by the subsidiary.

A. SORIANO CORPORATION AND SUBSIDIARIES
ANNEX – A – FINANCIAL INDICATORS

Significant financial indicators of the Group are the following:

	12/31/2014	12/31/2013	12/31/2012
Book Value Per Share (Note 1)	**11.94**	10.82	9.71
Current Ratio (Note 2)	**1.28**	1.96	1.79
Interest Rate Coverage Ratio (Note 3)	**34.64**	40.08	84.56
Debt to Equity Ratio (Note 4)	**0.41**	0.24	0.11
Asset to Equity Ratio (Note 5)	**1.44**	1.27	1.14
Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**47.9%**	38.5%	39.5%
Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**13.8%**	10.0%	12.0%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

<u>The Key Financial Indicators of our Major Subsidiaries are the following:</u>

PDP Energy and PDIPI

In Million Pesos

	12/31/2014	12/31/2013	12/31/2012
1. Net sales	**6,552**	5,587	6,376
2. Gross profit	**1,123**	955	843
3. Net income	**536**	434	389

Cirrus Group

1. Submission to lock ratio (operating statistic to evaluate recruitment)
2. Nurse/therapist retention ratio (Operating statistic to evaluate retention of nurse and therapist in the pool for staffing business.

In Thousand Pesos

	12/31/2014	12/31/2013	12/31/2012
3. Service income	**1,251,141**	1,201,024	1,145,739
4. Cost of services rendered	**1,018,339**	998,335	955,089
5. Income (loss) before interest, taxes, depreciation and amortization	**59,701**	(3,670)	12,518

Seven Seas Group

In Thousand Pesos

	12/31/2014	12/31/2013	12/31/2012
1. Occupancy rate	**34.4%**	43.1%	46.7%
2. Hotel revenue	**480,065**	445,279	545,195
3. Gross operating profit (GOP)	**56,951**	58,880	174,706
4. GOP ratio	**11.9%**	13.2%	32.0%
5. Net income (loss) after tax	**(32,294)**	(16,440)	50,375

Occupancy rate is based on actual room nights sold over room nights on a 12-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

ANNEX-B

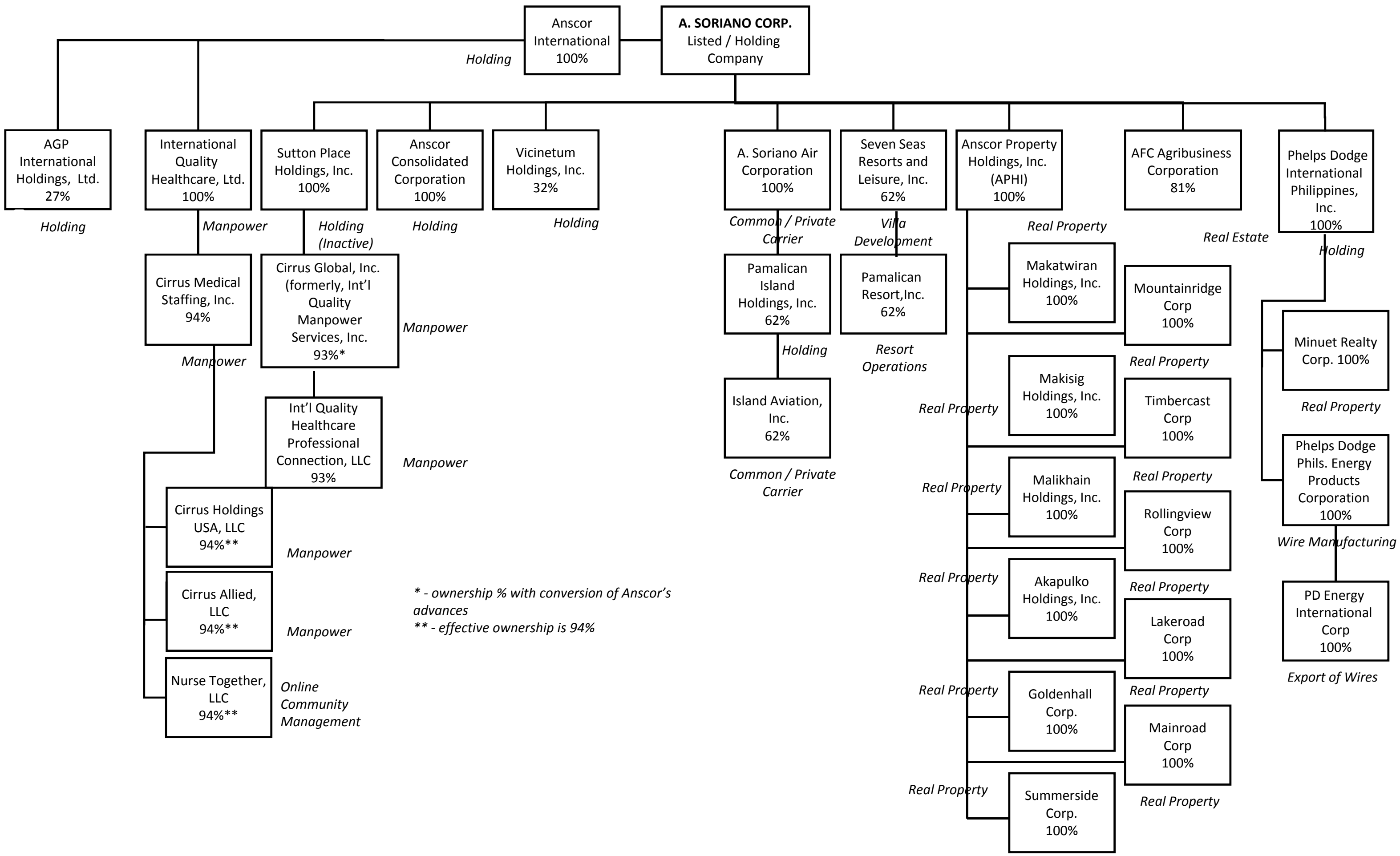
A. SORIANO CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2014

Unappropriated retained earnings, beginning	₱2,871,671,278
Less: Unrealized foreign exchange gains	(11,158,205)
Fair value adjustments	(15,989,308)
Net deferred tax assets recognized directly to income	(21,523,134)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, January 1, 2014	2,823,000,631
Net income during the period:	1,602,392,852
Add: Unrealized foreign exchange gains in prior year realized prior current year	11,158,205
Add: Fair value adjustments of prior year realized this year	15,989,308
Net decrease in deferred tax assets	13,089,641
	1,642,630,006
Appropriation of retained earnings	(1,600,000,000)
Cash dividends declared and paid in 2014	(625,000,000)
Total retained earnings available for dividend declaration, December 31, 2014	₱2,240,630,637

Annex C – MAP
A. Soriano Corporation Group Structure



A. SORIANO CORPORATION AND SUBSIDIARIES

ANNEX – D
SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
December 31 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2014**		**Adopted**	**Not Early Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary				√
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	√		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations	√		
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
	Discontinued Operations			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	√		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	√		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
PFRS 8	Operating Segments	√		
PFRS 9	Financial Instruments		√	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
	PFRS 9, Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		√	
	PFRS 9, Financial Instruments (2014 or final version)		√	
PFRS 10	Consolidated Financial Statements	√		
	Amendments to PFRS 10: Investment Entities			√
	Amendments to PFRS 10, *Consolidated Financial Statements* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		√	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
PFRS 11	Joint Arrangements			√
	Amendments to PFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations		.√	
PFRS 12	Disclosure of Interests in Other Entities	√		
	Amendments to PFRS 12: Investment Entities			√
PFRS 13	Fair Value Measurement	√		
PFRS 14	Regulatory Deferral Accounts		√	
IFRS 15	Revenue from Contracts with Customers		√	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Period	√		
PAS 11	Construction Contracts	√		
PAS 12	Income Taxes	√		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	√		
PAS 16	Property, Plant and Equipment	√		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization		√	
	Amendments to PAS 16, Property, Plant and Equipment – Bearer Plant		√	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
PAS 17	Leases	√		
PAS 18	Revenue	√		
PAS 19 (Amended)	Employee Benefits	√		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			√
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation	√		
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27 (Amended)	Separate Financial Statements	√		
	Amendments to PAS 27: Investment Entities			√
	Amendments to PAS 27, Separate Financial Statements – Equity Method in Separate Financial Statements		√	
PAS 28 (Amended)	Investments in Associates and Joint Ventures	√		
	Amendments to PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		√	
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendment to PAS 32: Classification of Rights Issues			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	√		
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting			√
PAS 36	Impairment of Assets	√		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	√		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets			√
	Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)		√	
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	√		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option	√		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	√		
	Amendment to PAS 39: Eligible Hedged Items	√		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
PAS 40	Investment Property	√		
PAS 41	Agriculture			√
	Amendments to PAS 41, Agriculture – Bearer Plants			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	Determining Whether an Arrangement Contains a Lease			√
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			√
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC- 9 and PAS 39: Embedded Derivatives			√
IFRIC 10	Interim Financial Reporting and Impairment			√
IFRIC 12	Service Concession Arrangements	√		
IFRIC 13	Customer Loyalty Programmes			√
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			√
IFRIC 15	Agreements for the Construction of Real estate			√
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
IFRIC 21	Levies			√
SIC-7	Introduction of the Euro			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-15	Operating Leases - Incentives			√
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	√		
SIC-29	Service Concession Arrangements: Disclosures	√		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building EDSA, Greenhills
City of Mandaluyong Metro Manila

Company Reg. No. PW-02

CERTIFICATE OF FILING
OF
AMENDED BY-LAWS

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

A. SORIANO CORPORATION

copy annexed, adopted on March 06, 2007 by majority vote of the Board of Directors and on April 16, 2007 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and majority of the said Board was approved by the Commission on this date pursuant to the provisions of Section 48 of the Corporation Code of the Philippines Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed at Mandaluyong City, Metro Manila, Philippines, this 25th day of May, Two Thousand Seven.

Benito

BENITO A. CATARAN
Director
Company Registration and Monitoring Department

AMENDED BY-LAWS
OF
A. SORIANO CORPORATION

ARTICLE I

CAPITAL STOCK AND SHARES

Section 1. Each stockholder shall be entitled to one or more shares of the Corporation registered in its Stock Books in the name of the person who has subscribed thereto. Certificates of Stock shall be issued in numerical order from the Stock Certificates Book and shall be signed by the Chairman of the Board and Chief Executive Officer or by the President and Chief Operating Officer, and countersigned by the Secretary and sealed with its corporate seal; Provided, that in lieu of the original signatures of the Chairman of the Board and Chief Executive Officer, or the President and Chief Operating Officer, and of the Secretary there may be substituted a facsimile of said signatures, in which case a certificate must bear the original and genuine signature of the Assistant Secretary or of an authorized representative of the Corporation's stock transfer agent and shall be sealed with the corporate seal. The certificates of stock shall be numbered in the order in which they are issued. On the stub of each certificate issued shall be recorded the data relative to each certificate.

Section 2. The certificates of stock may be transferred, sold, ceded or pledged by written endorsement on the back of the certificate and delivery thereof to the assignee, but the Corporation shall continue to honor the ownership of such certificate of the person in whose name it was issued, until such certificate is surrendered to the Secretary for cancellation and in lieu thereof a new certificate is issued in the name of the assignee.

The Corporation will refuse to record on its book the transfer of, and will not issue or sell, any shares of its capital stock or interest thereon, to persons who are not citizens of the Philippines, if, as a result of such issuance, sale or transfer, the total number of shares of capital stock owned on record or beneficially, as may be known to the Corporation, by non-Philippine citizens, will exceed FORTY PERCENT (40%) of the number of outstanding shares of capital stock and this restriction shall be indicated in all stock certificates.

Section 3. All certificates presented for transfer to the Secretary must be stamped "CANCELLED" on the face thereof together with the date of cancellation, and must be immediately attached to the corresponding stub in the stock book.

Section 4. New certificates of stock in lieu of those which have been lost or destroyed may be issued provided the owner of said certificates of stock, or his legal representative, shall file an affidavit, in triplicate, setting forth the circumstances under which said certificates have been lost or destroyed, the number of shares represented bv each certificate and the numbers of the certificates. The petitioner shall also submit such other information and evidence which he may deem convenient and necessary.

After verifying the affidavit and other information and evidence of the applicant with the books of the corporation, said corporation shall publish a notice of said loss in a newspaper of general circulation in the Philippines published in Manila, once a week for three consecutive weeks, at the expense of the petitioner. The notice shall state the name of the corporation, the name of the registered owner, the number of the certificates, and the number of shares represented by each certificate. After the expiration of one year from the date of the last publication, if no claim has been presented to said corporation regarding said certificates of stock, the right to make such claim shall be barred and said corporation shall cancel in its books the certificates of stock which have been lost or destroyed, issuing in lieu thereof new certificates of stock. If the registered owner files a bond satisfactory to the Board of Directors, running for a period of one year to indemnify the corporation during said period, of any loss or damages which it may incur for the issuance of the new certificates, the new certificates may be issued even before the expiration of the one-year period provided herein. Provided, however, that if a claim has been presented to the corporation or, if an action is pending in Court, regarding the ownership of said certificates of stock, the issuance of the new certificates of stock in lieu thereof shall be suspended until final adjudication by the Court regarding the ownership of the said certificates.

Section 5 The stock and transfer books of the corporation shall be closed for transfer at least twenty (20) days next preceding the Annual Meeting of Stockholders.

ARTICLE II

FUNDS OF THE CORPORATION

The funds of the Corporation shall be deposited in its name in such banks or credit institutions designated by the Board of Directors, with the exception of a small amount to be determined by the Board, which amount can be placed in the safe box of the Corporation.

ARTICLE III

MEETINGS

Section 1. The annual meeting of stockholders, legally constituted, represent the entire stockholdings and any resolutions adopted at such meetings are binding upon all stockholders present or absent.

Section 2. The meetings of stockholders shall be ordinary or extraordinary and held in the principal offices of the Corporation or in such place as may be designated by the Board within Metro Manila. Unless a different date and time preferably in April is fixed by the Board of Directors and only upon due notice, the annual meeting of stockholders shall be held at 10:00 o'clock in the morning on the THIRD WEDNESDAY OF OPRIL OF EACH YEAR, if not a legal holiday, and if a legal holiday, then on the day following. The special meeting of stockholders may be held at any time whenever so called by the Board of Directors or the Chairman and Chief Executive Officer.

Section 3. Notices of ordinary stockholders meeting shall be sent to stockholders or record at least fifteen (15) business days prior to the scheduled annual stockholders meeting. Notices for special meetings shall be mailed and deposited in any post office in Metro Manila addressed to each stockholder at his/her address registered in the Stock and Transfer Books of the Corporation at least fifteen (15) business days prior to the date of the meeting. The notice shall state the business to be discussed at the meeting and any other matters not stated therein shall not be touched upon. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000.)*

Section 4. The meetings of stockholders, ordinary and extraordinary, duly called, shall be constituted and the minutes recorded, provided that more than one-half of the outstanding stock must be present or represented except in cases in which the Corporation Law requires a higher majority. If no quorum is constituted, the meeting shall be adjourned until the requisite number of stockholders shall be present. When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000.)*

Section 5. For the election of Directors it shall be necessary that one-half plus one of all shares subscribed be present or represented.

Section 6. Any stockholder with the right to vote may be represented by proxy at any stockholders' meeting, ordinary or extraordinary. The proxies shall be in writing and signed, with no other formality required. The proxies for the ordinary meetings shall be filed with the Corporate Secretary not less than ten (10) working days prior to the date of such meeting, otherwise the proxies will be invalid. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000.)*

The Board of Directors shall set the date for validation of proxies which shall not be less than five (5) days prior to the scheduled annual stockholders meeting.

Section 7. Each share of stock, provided each share is fully paid for, is entitled to one vote in the name of the person recorded in the Stock Book of the Corporation.

Section 8. The election of directors must be made in accordance with law and every stockholder entitled to vote such number of shares for as many persons as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit;

provided, that the total number of votes cast by him shall not exceed the number of shares owned by him.

Section 9. In the annual meeting of stockholders, a board of SEVEN (7) directors shall be elected who will hold their offices for the ensuing term and until their successors are duly elected and qualified. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000 and as further amended by the Board of Directors on March 6, 2007 and by the Stockholders on April 16, 2007 .)*

ARTICLE IV

BOARD OF DIRECTORS

Section 1. The corporate powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board of SEVEN (7) Directors who shall be elected annually by the stockholders for a term of one (1) year and shall serve until the election and acceptance of their qualified successors. *(As amended by the Board on February 15, 2000; by the Stockholders on April 19, 2000 and as further amended by the Board of Directors on March 6, 2007 and by the Stockholders on April 16, 2007 .)*

Without prejudice to the general powers hereinabove conferred, the Board of Directors shall have the following express powers:

a. From time to time to make and change rules and regulations not consistent with the by-laws for the management of the Company's business and affairs;

b. To purchase or otherwise acquire for the Company, rights or privileges which the Company is authorized to acquire at such price and on such terms and conditions and for such consideration as it shall from time to time see fit;

c. To pay for any property or rights acquired by the Company or to discharge obligations of the Company either wholly or partly in money or in stock, bond, debentures or other securities of the Company;

d. To borrow money for the Company and for such purpose to create, make and issue mortgages, bonds, deeds of trust and negotiable instruments or securities, secured by mortgage or pledge of property belonging to the Company; provided that, as hereinafter provided, the proper officers of the Company shall have these powers, unless expressly limited by the Board of Directors;

e. To prosecute, maintain, defend, compromise or abandon any law suit in which the Corporation or its officers are either Plaintiffs or Defendants in connection with the business of the Corporation, and likewise, to grant installments for the payments or settlement of whatsoever debts are payable to the Corporation;

f. To delegate, from time to time, any of the powers of the Board in the course of the current business or businesses of the Company to any standing or special committee or to any officer or agent and to appoint any persons to be agents of the Company with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit; and

g. To dissolve doubts as to the meaning of these by-laws and supply the omissions thereof, and giving an account to the General Meeting of the same.

Section 2. No persons shall be elected director unless he has at lest twenty thousand shares of the capital stock of the Corporation registered in his name.

Section 3. In addition to the right of the Board of Directors to make nominations for the election of directors, nominations for the election of directors may be made by any shareholder entitled to vote for the election of directors if that shareholder complies with all of the following provisions:

a. Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent to such Chairman in care of the Secretary of the Corporation), on March 1 of every year or at such earlier or later date as the Board of Directors may fix.

b. Each nomination under the preceding paragraph shall set forth (i) the name, age, business address and, if known, residence address of each nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and (iv) the interests and positions held by each nominee in other corporation. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.

c. The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded.

Section 4. A director shall be qualified to hold office only upon pledging the twenty thousand shares registered in his name to the Corporation to answer for his conduct. If any vacancy shall occur among the directors by death, resignation or otherwise, the remaining directors, by affirmative vote of a majority thereof, may elect a successor to hold office for the unexpired portion of the term of the director whose place shall be vacant and until the election of the new board of directors.

Section 5. Regular meetings of the Board of Directors shall be held once every quarter of the year in the office of the Corporation on such dates and at such times as the Chairman of the Board and Chief Executive Officer, or in his absence, the President and Chief Operating Officer may determine. Special meetings of the Board and Chief Executive Officer, or in his absence, of the President and Chief Operating Officer, or upon the request of a majority of the directors.

Section 6. Notice of the regular or special meetings of the Board shall be communicated by the Secretary to each director, verbally or in writing at his residence or usual place of business at least twenty-four (24) hours before the meeting.

Section 7. A majority of the entire membership of the Board shall constitute a quorum for the transaction of any business, and the decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act.

A written resolution signed by all the directors shall be binding and valid as if the same had been taken up by the Board in a meeting duly called.

ARTICLE V

EXECUTIVE COMMITTEE

The Board of Directors shall create an Executive Committee composed of five (5) members. The Executive Committee shall meet regularly at such times and places to be determined by a majority vote thereof. Unless otherwise provided for by the Board of Directors, the Executive Committee shall be composed of the Chairman and Chief Executive Officer, the Vice Chairman, the President and Chief Operating Officer, and two (2) officers or directors of the Company to be appointed by the Chairman. The Chairman and Chief Executive Officer of the Company shall act as Chairman of the Executive Committee.

The Executive Committee may act by majority vote of all of its members, on matters within the competence of the Board, except as specifically limited by law or by the Board of Directors. *(As amended by the Board on 2-15-00; by the stockholders on 4-19-00)*

All actions of the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action, and shall be subject to revision or alteration by the Board, provided that no rights of third parties arising out of acts approved by the Executive Committee and within its scope of authority shall be affected by such revision or alteration.

Regular minutes of the proceedings of the Committee shall be kept in a book provided for that purpose. Vacancies in the Committee may be filled by the Board of Directors, provided that the parties agree to vote their shares, instruct their directors (to the extent permitted by law), or otherwise exercise their rights as stockholders so as to elect a person nominated by the party that nominated the member whose death, resignation or removal from office caused the vacancy.

Three (3) out of the five (5) members of the Executive Committee shall be necessary to constitute a quorum, and in every case the affirmative vote of the three members shall be necessary for the passage of any resolution. The Executive Committee may act by the written resolution of a quorum thereof, although not formally convened. It shall fix its own rules of procedure and shall meet as provided by such resolution or by resolution of the Board, and shall also meet at the call of its Chairman.

The Board of Directors shall fix the compensation of the members of the Executive Committee.

ARTICLE VI

OFFICERS

Section 1. The officers of the Corporation shall consist of a Chairman of the Board, who shall be the Chief Executive Officer, a Vice Chairman of the Board, a President, who shall be the Chief Operating Officer, an Executive Vice President, one or more Vice Presidents, a Treasurer and an Assistant Treasurer, a Secretary and an Assistant Secretary and such other officers as may, from time to time, be chosen and appointed by the Board of Directors.

Section 2. The Chairman of the Board and Chief Executive Officer of the Corporation shall have the following powers and duties:

a. To preside at the meetings of the Board of Directors and of the Stockholders;

b. To carry out the resolutions of the Board of Directors;

c. To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors;

d. To have general supervision and administration of the affairs of the Corporation;

e. To represent the Corporation at all functions and proceedings and, unless otherwise directed by the Board , to attend and/or vote, (in person or by proxy) at any meeting of shareholders of corporations in which the Corporation may hold stock and at any such meeting, to exercise any and all the rights and powers incident to the ownership of such stock which the owner thereof might possess or exercise if present. *(As amended by the Board on 2-15-00; by the stockholders on 4-19-00)*

f. To execute on behalf of the Corporation all contracts, agreements and other instruments affecting the interests of the Corporation which required the approval of the Board of Directors, except as otherwise directed by the Board of

Directors;

g. To make reports to the Directors and Stockholders;

h. To sign certificates of stock; and

i. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

Section 3. The Vice Chairman shall exercise the functions of the Chairman and Chief Executive Officer as specified in the next preceding section of this Article VI in the event of absence or temporary disability of the Chairman of the Board and Chief Executive Officer, and shall perform such other functions as the Board of Directors or the Chairman and Chief Executive Officer may from time to time entrust or delegate to him. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 4. The President and Chief Operating Officer shall exercise the following functions:

a. To ensure that the administration and operational policies of the Corporation are carried out under the direction and control of the Chairman of the Board and Chief Executive Officer;

b. To supervise and direct the day-to-day business affairs of the Corporation;

c. To recommend to the Chairman of the Board and Chief Executive Officer specific projects for the attainment of corporate objectives and policies;

d. Subject to guidelines prescribed by law or by the Chairman of the Board and Chief Executive Officer, to appoint, remove, suspend or discipline employees of the Corporation, prescribe their duties, determine their salaries;

e. To oversee the preparation of the budgets and the statements of accounts of the Corporation;

f. To prepare such statements and reports of the Corporation as may be required by law;

g. To exercise such powers and perform such duties as the Chairman of the Board and Chief Executive Officer may from time to time assign to him;

h. Unless otherwise directed by the Board of Directors or by the Chairman of the Board and Chief Executive Officer, to exercise the latter's functions as specified in the next preceding section of this Article VI in the event of absence or temporary disability of the Chairman of the Board and Chief Executive Officer and the Vice Chairman of the Board.

Section 5. The Executive Vice President – In the absence or disability of the President and Chief Operating Officer, the Executive Vice President shall act in his place, exercise his powers and perform his duties pursuant to these By-Laws. The Executive Vice President shall also exercise such powers and perform such duties as the Chairman of the Board and Chief Executive Officer or the President and Chief Operating Officer may assign.

Section 6. The Vice Presidents shall have such powers and shall perform such duties as may from time to time be assigned to them by the Chairman of the Board and Chief Executive Officer or by the President and Chief Operating Officer. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 7. The Secretary shall issue notices of all meetings; shall keep their minutes; shall have charge of the seal and the corporate books; shall sign with the Chairman of the Board and Chief Executive Officer or with the President and Chief Operating Officer the certificates of stock and such other instruments as may require such signature; shall act as the inspector at the election of directors and other voting by stockholders, and as such, determine the number of shares of stock outstanding and entitled to vote, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote; and shall make such reports and perform such other duties as are incident to his office or are properly required of him by the Board of Directors. The Secretary may assign the exercise or performance of his duty to act as election inspector and all duties related thereto, including the tabulation of votes and the proper conduct of the election or vote, to any other person or persons, subject always to his supervision and control. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 8. In the absence of the Secretary, the Assistant Secretary shall act in his place and perform his duties. The Assistant Secretary shall also perform such other duties as may, from time to time, be assigned by the President and Chief Operating Officer.

Section 9. The Treasurer shall have the custody of all moneys, securities and values of the Corporation which come into his possession, and shall keep regular books of account. He shall deposit said moneys, securities and values of the Corporation in such banking institutions, as may be designated from time to time by the Board of Directors, subject to withdrawal therefrom only upon the checks or other written demands of the Corporation which have been signed by such officer or officers, or person or persons as the Board of Directors may from time to time direct.

Section 10. Assistant Treasurer – In the absence of the Treasurer, the Assistant Treasurer shall act in his place and perform his duties. The Assistant Treasurer shall also perform such other duties as may from time to time be assigned to him by the President and

Chief Operating Officer.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Corporation shall indemnify every director, officer or member of the Board, his heirs, executors and administrators against all costs and expenses reasonably incurred by such person in connection with any civil, criminal, administrative or investigative action, suit or proceeding to which he may be, or is, made a party by reason of his being or having been a director, officer or member of the Board of the Corporation, except in relation to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for negligence or misconduct.

In the event of a settlement or compromise, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Corporation is advised by counsel that the person to be indemnified did not commit such a breach of duty.

The costs and expenses incurred in defending the aforementioned action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit, or proceeding as authorized in the manner provided for in the preceding paragraph upon receipt of an undertaking by or on behalf of the director or officer to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this Article.

ARTICLE VIII

AUDIT OF BOOKS

Section 1. In any ordinary meeting of stockholders to be held, a firm of Certified Public Accountants shall be appointed by the stockholders to examine the books of accounts of the Corporation, until said appointment has been revoked in another ordinary meeting of stockholders.

Section 2. The duties of the Auditor shall be to examine the books of ac counts of the Corporation when he may deem convenient. Such audits shall be made at least once every year and he shall issue his report on the annual balance sheets, which report shall be published together with the balance sheets. To this effect, the Auditor shall be allowed free access at any time to any and all books, documents and files of the Corporation concerning the status of the treasury.

Section 3. A copy of the audited financial statements of the Corporation shall be deposited in the offices of the Corporation at least fifteen (15) business days prior to the date of the annual meeting and shall be at the deposit of the shareholders for approval. *As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

Section 4. The Board of Directors from time to time shall determine the remuneration of the Auditors; however, this power may be delegated to a Vice President or an Assistant Vice President.

Section 5. The fiscal year of the Corporation shall begin the first day of January and shall end on the last day of December of each year. *(As amended by the Board on 2-15-00; by the Stockholders on 4-19-00)*

ARTICLE IX

DISTRIBUTABLE FUNDS AND DISSOLUTION OF THE CORPORATION

Section 1. The Board of Directors may declare, from time to time, as partial dividends to the holder of stock, whichsoever funds of the Corporation the Board may deem not necessary for the carrying out of the purposes of the Corporation.

Section 2. The remuneration of the Board of Directors cannot be increased in the future without the approval, through a resolution, by the stockholders representing at lest a majority of the capital stock.

Section 3. Upon the expiration of the term of this Corporation if no agreement has been made regarding its extension, or, in case of dissolution, for any reason, the Board of Directors may perform the functions of liquidator and the applicable part of these by-laws shall continue in force and effect for the purpose and for the duration of such liquidation.

ARTICLE X

MISCELLANEOUS AND TRANSITORY PROVISIONS

Section 1. The Corporate Seal of the Corporation shall be circular in form and inscribed on its margin the name of the Corporation and the words “Makati, Rizal, Philippines” and within the circle, the words “Incorporated 1930”; and said seal shall, for the present, be adopted as seal of the Corporation.

Section 2. These By-Laws may be repealed, amended or revised at any special meeting of the Board of Directors called for the purpose when two-thirds of the members are present. Such amendments, revisions, repeals are to be presented to the stockholders for ratification at the Annual Stockholders’ Meeting immediately following such special meeting of the Board of Directors. Acts done by the Board pursuant to such amendments, repeals or revisions shall, unless and until expressly further amended or repealed by the stockholders, be deemed valid and shall bind the Corporation to all intents and purposes.

Section 3. These By-Laws shall be effective from this date, February 5, 1930, on which they were approved.

STOCKHOLDERS' CERTIFICATE

The undersigned stockholders of "Sorox y Cia", representing more than two-thirds (2/3) of the capital stock issued by the Corporation, for these presents, certify that the foregoing By-Laws and Regulations of the Corporation was adopted by unanimous vote of all stockholders at the Special Meeting of Stockholders held on February 5, 1930 called for this purpose.

IN WITNESS WHEREOF, we have signed these presents this 5th day of February 1930, setting forth opposite our names the corresponding shares owned by each of the undersigned:

(SGD.) A. SORIANO	185 Shares
(MARGARITA ROXAS VDA. DE SORIANO) p.p. (SGD.) A. SORIANO	10 Shares
(SGD.) FRANCISCO ORTIGAS	1 Share
(SGD.) JOHN R. SCHULTZ	1 Share
(SGD.) BENITO RAZON	1 Share
(SGD.) C. A. SOMBRAL	1 Share

DIRECTORS' CERTIFICATE

Manila, February 5, 1930

We the undersigned, a majority of the members of the Board of Directors of "Sorox y Cia", do hereby certify that the preceding typewritten pages constitute the By-Laws of the Corporation, as adopted by unanimous vote of all stockholders present, represented by more than two-thirds (2/3) of the total subscribed and paid-up capital stock of the Corporation in the Annual Meeting of Stockholders held on February 5, 1930 and called for that purpose.

SGD.) A. SORIANO

(SGD.) FRANCISCO ORTIGAS

(SGD.) JOHN R. SCHULTZ

(SGD.) BENITO RAZON

ATTEST:

(SGD.) BENITO RAZON
Secretary

INFORMATION **STATEMENT**

Wednesday, 15 April 2015, 10:00 A.M.
Rigodon Ballroom, Manila Peninsula Hotel
Ayala Avenue corner Makati Avenue
1226 Makati City, Philippines

85 years 1930-2015

A. SORIANO CORPORATION

A. SORIANO CORPORATION

Notice of Annual Meeting of Stockholders

NOTICE IS HEREBY GIVEN that the regular Annual Meeting of Stockholders of A. Soriano Corporation ("ANSCOR" or the "Company") will be held on Wednesday, 15 April 2015 at 10:00 a.m. at the Rigodon Ballroom, Manila Peninsula Hotel, Ayala Avenue corner Makati Avenue, 1226 Makati City, Philippines.

The agenda for the meeting is as follows:

1. Approval of the minutes of previous meeting.
2. Presentation of the Chairman and Chief Executive Officer's Message to Stockholders.
3. Election of the members of the Board of Directors.
4. Appointment of external auditors.
5. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the last annual meeting.
6. Such other business as may properly come before the meeting.

Only stockholders of record in the books of the Company at the close of business on 13 March 2015 will be entitled to vote at the meeting. The list of stockholders entitled to vote will be available for inspection at the office of A. Soriano Corporation, 7th Floor Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Ext., Makati City, ten (10) days prior to the Annual Meeting.

Stockholders are requested to complete, date, sign and return the enclosed proxy form to reach the Company as promptly as possible not less than ten (10) working days prior to the Annual Meeting or not later than 26 March 2015. The giving of such proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

Proxy validation will be held at A. Soriano Corporation, 7th Floor Pacific Star Bldg., Makati Avenue corner Gil Puyat Avenue Ext., Makati City on 06 April 2015 from 11: 00 a.m. to 12:00 noon.

Makati City, Philippines, 19 March 2015.

THE BOARD OF DIRECTORS
By:

LORNA PATAJO-KAPUNAN
Corporate Secretary

REGISTRATION OF STOCKHOLDERS WILL START AT 9:00 a.m.
Please bring identification, such as valid passport, driver's license or Company I. D.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   / / Preliminary Information Statement   / x / Definitive Information Statement

2. Name of the registrant as specified in its charter : A. SORIANO CORPORATION

3. Province, or country or other jurisdiction of Incorporation organization : Makati City, Philippines

4. SEC Identification Number : PW - 02

5. BIR Tax Identification Code : 000-103-216-000

6. Address of principal office : 7th Floor Pacific Star Building
   Makati Avenue corner Gil Puyat Avenue Ext.
   1209 Makati City, Philippines

7. Registrant's telephone number, including area code : (632) 819-0251 to 60

8. Date, Time and Place of the meeting : 15 April 2015, Wednesday at 10:00 A.M.
   Rigodon Ballroom
   Manila Peninsula Hotel
   Ayala Avenue corner Makati Avenue
   1226 Makati City, Philippines

9. Approximate date on which the Information Statement is first to be sent or given to security holders : On or before 19 March 2015

10. In case of Proxy Solicitations
    Name of Person Filing the Statement/Solicitor : Atty. Lorna Patajo-Kapunan, Corporate Secretary
    Address : 7th Floor Pacific Star Bldg., Makati Avenue corner Gil Puyat Avenue Ext., 1209 Makati City, Philippines
    Telephone Nos. : (632) 819-0251 to 60

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount to debt is applicable only to corporate registrants):

    Title of Each Class : Common Shares

    Number of shares of Common Stock Outstanding or Amount of Debt Outstanding As of February 28, 2015 : 2,500,000,000

12. Are any or all of registrant's securities listed on the Philippine Stock Exchange? : Yes

    If so, disclose name of the Exchange : Philippine Stock Exchange

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

Date	:	Wednesday, 15 April 2015
Time	:	10:00 A.M.
Place	:	Rigodon Ballroom Manila Peninsula Hotel Ayala Avenue corner Makati Avenue 1226 Makati City, Philippines
Principal Office	:	7th Floor, Pacific Star Bldg. Makati Avenue corner Gil Puyat Avenue Ext. 1209 Makati City, Philippines

This information statement and the enclosed proxy form will be mailed or delivered by messengerial service to stockholders entitled to notice of and to vote at the Annual Meeting on or before 19 March 2015.

Voting, Revocability, Validation, Submission Deadline and Authentication of Proxies

When proxies are properly dated, executed and returned on or before 26 March 2015, the shares they represent will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted FOR the election of the nominees for directorship whose names appear in the proxy form and FOR the approval of all matters the stockholders' approval of which is sought in the meeting. A stockholder giving a proxy has the power to revoke it at any time prior to its exercise by voting in person at the Annual Meeting, by giving written notice to the Corporate Secretary prior to the Annual Meeting or by giving a subsequent proxy which must be received by the office of the Corporate Secretary not later than 26 March 2015.

Each share of common stock outstanding as of record date will be entitled to one vote on all matters. The candidates for election as directors at the Annual Meeting who receive the highest number of affirmative votes will be elected. The appointment of the independent auditors for the Company for the current year as well as other items presented to the Stockholders during the Annual Meeting will require the affirmative vote of a majority of the votes cast on the matter. Pursuant to Article III, Section 6 of the By-Laws of the Corporation, written proxy shall be filed with the Corporate Secretary not less than ten (10) working days prior to the date of such meeting or not later than 26 March 2015.

Pursuant to the provisions of the By-Laws, the Board of Directors has set the date of validation of proxies on 6 April 2015. For this purpose, the Corporate Secretary shall act as the inspector at the election of directors and other voting by stockholders.

Under SEC Memo Circular No. 5 Series of 1996, all proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office.

SOLICITATION INFORMATION

Person Making the Solicitation

The solicitation of proxies in the form accompanying this statement is made on behalf of Management through Atty. Lorna Patajo-Kapunan and the proxy given will be voted in accordance with the authority contained therein. The solicitation of proxies in the accompanying form will be primarily by mail. However, personal solicitation may be made by officers, directors and regular employees of the Company whose number is not expected to exceed fifteen (15) and who will receive no additional compensation therefor. The Company will bear the cost, amounting to One Million One Hundred Thousand Pesos (₱1,100,000.00) of preparing and mailing the annual reports, information statement and other materials furnished to the stockholders in connection with proxy solicitation.

None of the Directors has informed the Company of any intention to oppose an action intended to be taken by the Company.

Dissenter's Right of Appraisal

There are no corporate matters or action that will trigger the exercise by the stockholders of their Right of Appraisal under the Corporation Code. However, if at any time after the information statement has been sent out, an action which may give rise to the Right of Appraisal is proposed at the meeting, any stockholder who wishes to exercise such right and who voted against the proposed action must make a written demand within thirty (30) days after the meeting.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Interest of Certain Persons in Opposition to Matters to be Acted Upon

No Director or Executive Officer, nominated for re-election as Director, or his Associate has, at any time, any substantial interest, direct or indirect, by security holdings or otherwise, on any of the matters to be acted upon in the meeting, other than the approval of the Annual Report, election to office and ratification of acts of Management.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Only stockholders of record on the books of the Company at the close of business on 13 March 2015 will be entitled to vote at the Annual Meeting. Presence in person or by proxy of a majority of the shares of common stock outstanding on the record date is required for a quorum.

There are 2,500,000,000 shares of common stocks outstanding and issued as of 13 March 2015. All the issued shares are entitled to vote on a one (1) share - one (1) vote basis. The Company has only one class of shares.

Pursuant to the Corporation Code and as provided under Article III, Section 8 of the By-Laws, every stockholder is entitled to vote such number of shares for as many persons as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. The proxy being solicited includes the authority to cumulate votes.

Except as indicated in section (a) below on Security Ownership of Certain Record and Beneficial Owners, there are no other persons holding 5% or more of the common stock of the Company.

The Company does not own any other equity securities beneficially owned by its directors and other nominees.

Change in Control

No change in control of the Company occurred since the beginning of the last calendar year. Management is not aware of any arrangement which may result in a change in control of the Company.

a. Security Ownership of Certain Record and Beneficial Owners

As of 28 February 2015, the following are the Security Ownership of Certain Record and Beneficial Owners of the Company:

Title of Class	Name /Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	Number Of Shares	Percentage Held
Common	Anscor Consolidated Corporation 7th Flr. Pacific Star Bldg., Makati Avenue Makati City (Subsidiary)	Anscor Consolidated Corporation (Subsidiary)	Filipino	1,257,900,646*	50.316%
Common	PCD Nominee Corp. (Non-Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Non-Filipino) (Depository Account)	Non-Filipino	467,871,984	18.714%
Common	A-Z Asia Limited Philippines, Inc. Barrio Mabacan Calauan, Laguna (Stockholder)	A-Z Asia Limited Philippines, Inc. (Stockholder)	Filipino	176,646,329	7.066%
Common	PCD Nominee Corp. (Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Filipino) (Depository Account).	Filipino	146,135,244	5.845%
Total				2,048,554,203	81.941%

* Includes 355,648,343 shares lodged with PCD Nominee Corp. (Filipino)

Anscor Consolidated Corporation is wholly owned by A. Soriano Corporation, the registrant Company, represented by Mr. Ernest K. Cuyegkeng as Treasurer.

PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients of which Maybank ATR Kim Eng Securities, Inc., represented by Nilaida Enriquez, is the sole owner of more than 5%, specifically 33.176%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

A-Z Asia Limited Philippines, Inc. is a holding company incorporated in the Philippines on 25 April 2003 represented by Mr. Raul Balaquiao as its Corporate Secretary.

Other than the above, there are no Stockholders owning more than 5% of the Company's outstanding shares of stock.

The Company is not aware of any material pending legal proceedings to which the Company or any of its subsidiaries is a party.

b. Securities Ownership of Certain Beneficial Owners and Management

As of 28 February 2015, the following are the security ownership of the Directors and Officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and Nature Of Beneficial Ownership		Citizenship	Percent
Common	Andres Soriano III	50,490,265	Direct/Indirect	American	2.020%
Common	Eduardo J. Soriano	19,169,614	Direct/Indirect	Filipino	0.767%
Common	Oscar J. Hilado	6,020,000	Direct/Indirect	Filipino	0.241%
Common	John L. Gokongwei, Jr.	330,442	Direct/Indirect	Filipino	0.013%
Common	Ernest K. Cuyegkeng	20,000	Direct	Filipino	0.001%
Common	Jose C. Ibazeta	32,951	Direct	Filipino	0.001%
Common	Roberto R. Romulo	20,000	Direct	Filipino	0.001%
	Total	76,083,272			3.044%

William H. Ottiger, Narcisa M. Villaflor, Lorenzo D. Lasco, Atty. Lorna Patajo-Kapunan and Atty. Joshua L. Castro do not own shares of the Company.

c. Voting Trust Agreement

The Company does not have any voting trust agreement with any stockholder.

Directors and Executive Officers

Pursuant to the Corporation's By-Laws, in addition to the right of the Board of Directors to make nominations for the election of Directors including independent Directors, nominations for Directors including independent Directors may be made by any shareholder entitled to vote for the election of Directors.

Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent through the Corporate Secretary), on the 1st of March of every year or at such earlier or later date as the Board of Directors may fix.

Each nomination under the preceding paragraph shall set forth the name, age, business address and, if known, residence address of each nominee, the principal occupation or employment of each such nominee, the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and the interests and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.

The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director and if the Board should so determine, the defective nomination and the nomination of the disqualified person shall be disregarded.

Mr. Eduardo J. Soriano, the Vice Chairman and Treasurer, nominated all the nominees for Directors including independent Directors contained in the information statement. Mr. Soriano is not related to any of the independent Directors nominated. No other nomination was submitted as of 27 February 2015.

Unless marked otherwise, the proxies received will be voted FOR the election of the nominees named below who have signified their acceptance of their respective nominations. The Board of Directors has no reason to believe that any of such nominees will be unwilling or unable to serve if elected as a Director. Each Director shall serve until the next annual meeting of stockholders or until his successor is elected or appointed in case of vacancy due to death, resignation or removal. Management recommends a vote FOR the election of each of the nominees listed below who are incumbent directors of the Company.

The nominations for independent Directors complies with SRC Rule 38, which requires that a corporation with a class of equity securities listed for trading on the Philippine Stock Exchange or with assets in excess of Fifty million pesos (₱50,000,000.00) and having two hundred (200) or more holders, at least two hundred (200) of which are holding at least one hundred (100) shares of a class of its equity securities shall have at least two (2) independent Directors or such independent Directors shall constitute at least twenty percent (20%) of the members of such Board.

The two nominated independent Directors of the Company are Mr. Oscar J. Hilado and Mr. Roberto R. Romulo. They are neither officers nor employees of the Company or of any of its subsidiaries. They do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out their responsibilities. Further, the nominated independent Directors possess all the qualifications and none of the disqualifications to serve as independent Directors of the Company. The independent Directors are nominated and elected in the same manner as regular directors in accordance with the nomination and election procedures provided in the By-Laws. The Company amended its By-Laws on 04 March 2010 and 18 February 2011 to incorporate the requirements of SRC Rule 38 with respect to the nomination and election of independent Directors.

ANDRES SORIANO III, age 63, American, Director of the Company since 19 May 1982; Chairman and Chief Executive of the Company (1983 to present); Chairman and President of Anscor Consolidated Corporation (1987 to present); Chairman of The Andres Soriano Foundation, Inc. (1985 to present), Director of Anscor Property Holdings, Inc. (1998 to present), and A. Soriano Air Corporation (2003 to present); Chairman of Phelps Dodge International Philippines, Inc. (1983 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), Seven Seas Resorts and Leisure, Inc. (1998 to present) and Pamalican Resort, Inc. (May 2011 to present); Director of Cirrus Medical Staffing, Inc. (2007 to present), International Container Terminal Services, Inc. (ICTSI) (July 1992 to present), ICTSI, Ltd. (2001 to present), International Container Terminal Holdings, Inc. (1999 to present), Manila Peninsula Hotel, Inc. (1986 to present). Mr. Soriano was formerly President and Chief Operating Officer of San Miguel Corporation and was subsequently Chairman and Chief Executive Officer of San Miguel Corporation. He was Chairman of Coca-Cola (Philippines), Coca-Cola Amatil (Australia) and Nestle (Philippines). He was a Director of SPI Technologies and eTelecare Global Solutions, Inc. until 2006. He was also a Member of the G.E. Asian Advisory and the Wharton East Asia Executive Board. He holds a Bachelor of Science Degree in Economics, Major in Finance and International Business, Wharton School of Finance and Commerce, University of Pennsylvania, (1972).

EDUARDO J. SORIANO, age 60, Filipino, Director of the Company since 21 May 1980; Vice Chairman-Treasurer of the Company (1990 to present); Chairman of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present); Chairman and President of Anscor Property Holdings, Inc. (1985 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

ERNEST K. CUYEGKENG, age 68, Filipino, Director of the Company since 22 April 2009; Executive Vice President and Chief Financial Officer of the Company (1990 to present); President and Director of Anscor Property Holdings, Inc. (1990 to present), Phelps Dodge Philippines Energy Products Corporation (1999 to present), A. Soriano Air Corporation (2003 to present), and Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present); Director of Seven Seas Resorts and Leisure, Inc. (2008 to present), KSA Realty Corporation (2001 to present), T-O Insurance (2008 to present), and Sumifru, Singapore (2003 to present); Chairman and Director of Artha Land (2007 to present); Trustee of The Andres Soriano Foundation, Inc. (1990 to present); Member of the Management Association of Philippines, Makati Business Club and Financial Executive Institute of the Philippines (FINEX); Graduate of De La Salle University, B.A. Economics and B.S. Business Administration, (1968). Masters Degree in Business Administration, Columbia Graduate School of Business, New York, (1970).

JOHN L. GOKONGWEI, JR., age 88, Filipino, Director of the Company since 21 May 1980; Director and Chairman Emeritus of JG Summit Holdings, Inc.; Chairman and CEO of JG Summit Holdings, Inc. (from 1990 to 2001); Chairman and Chief Executive Officer of Robinsons Retail Holdings, Inc.; Director of Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., JG Summit Petrochemical Corporation, JG Summit Olefins Corporation, Oriental Petroleum and Minerals Corporation; Director of Manila Electric Company (March 31, 2014 to present); Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and Singapore Land Limited; Graduate of De La Salle University, Masters Degree in Business Administration, (1977) Advance Management Program, Harvard University, (1972-1973).

OSCAR J. HILADO, age 77, Filipino, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Trans Asia Power Generation Corporation (1996 to present); Chairman of Trans Asia Oil & Energy Development Corporation (April 2008 to present); Director of Manila Cordage Corporation (1986 to present); Independent Director of Seven Seas Resorts & Leisure, Inc., and Pamalican Resort, Inc. (May 2011 to present), Independent Director of First Philippine Holdings Corporation (November 1996 to present), Philex Mining Corporation (December 2009 to present); Digital Telecommunications Philippines, Inc. (DIGITEL) (May 2013 to present), and Smart Communications, Inc. (May 2013 to present); Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce (1958), Masters Degree in Business Administration, Harvard Graduate School of Business, (1962). Mr. Hilado also serves as Chairman of the Audit Committee of the Company.

JOSE C. IBAZETA, age 72, Filipino, Director of the Company from 1981 to 1998, 2004 to present; Director of International Container Terminal Services, Inc. (January 1988 to present), Anscor Consolidated Corporation (1980 to present), Anscor Property Holdings, Inc. (1982 to present), A. Soriano Air Corporation (1988 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), AG&P International Holdings, Ltd. (December 2014 to present), ICTSI Ltd, and ICTHI. President of Seven Seas Resorts & Leisure, Inc. (2008 to present) and Pamalican Resort, Inc. (May 2011 to present); Member, Finance Committee of Ateneo de Manila University (1997 to present); Board of Trustees of Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (February 2007 to March 2010) and Acting Secretary of Energy (April-June 2010); Graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), Masters Degree in Business Administration, University of San Francisco, (1968), MBA in Banking and Finance, New York University (1972).

ROBERTO R. ROMULO, age 76, Filipino, an independent Director of the Company since 13 April 1998; Chairman of AIG Philippines Insurance, Inc. (formerly Charitis Philippines Insurance, Inc.) (June 2000 to present), PETNET, Inc. (February 2006 to present), MediLink Network, Inc. (September 1999 to present), Nationwide Development Corporation (NADECOR), Carlos P. Romulo Foundation for Peace and Development, Foundation for Information Technology Education and Development (FIT-ED) (1996 to present), Philippine Foundation for Global Concerns, Inc. (PFGC) (1996 to present), Zuellig Family Foundation (June 2008 to present), Romulo Asia Pacific Advisory, Inc. (December 1997 to present) and Asia-Europe Foundation of the Philippines; Advisory Board Member of Philippine Long Distance Telephone Co. (PLDT) (March 2001 to present) and Independent Director of Equicom Savings Bank (January 2008 to present), Robinson Retail Holdings, Inc. (2013 to present) and Maxicare Healthcare Corporation (2014 to present); 25-year career at IBM Corporation holding CEO positions in the Philippines, Thailand, Burma and Bangladesh; Graduate of Georgetown University, (A.B.) and Ateneo de Manila University (LLB); Former Ambassador to Belgium, Luxembourg and the European Commission and Secretary of Foreign Affairs.

The following are the members of the Audit Committee, Compensation Committee, and Executive Committee:

Audit Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Eduardo J. Soriano	Member
Mr. Jose C. Ibazeta	Member

Compensation Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Andres Soriano III	Member
Mr. Eduardo J. Soriano	Member

Executive Committee:

Mr. Andres Soriano III	Chairman
Mr. Eduardo J. Soriano	Vice Chairman
Mr. Oscar J. Hilado	Member
Mr. Ernest K. Cuyegkeng	Member
Mr. Jose C. Ibazeta	Member

The following are not nominees but incumbent officers of the Company:

WILLIAM H. OTTIGER, age 47, Swiss, Senior Vice President and Corporate Development Officer of the Company; President and CEO of Cirrus Medical Staffing; Chairman and Director of AG&P International, Executive Committee Member of Enderun Colleges, Inc.; Director of Cirrus Global, Inc., AG&P Manila and Prople, Inc.; Formerly spent 9 years with San Miguel Brewing Group and 3 years with UBS Investment Bank; Graduate of Washington & Lee University, B.A. History, (1990). London Business School, Masters of Business Administration, (2001).

NARCISA M. VILLAFLOR, age 52, Filipino, Vice President and Comptroller of the Company since 19 April 2000; Treasurer of Seven Seas Resorts and Leisure, Inc., Pamalican Resort, Inc., The Andres Soriano Foundation, Inc., Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.), A. Soriano Air Corporation, Pamalican Island Holdings, Inc., and Sutton Place Holdings, Inc.; Director of Anscor Consolidated Corporation, Cirrus Global, Inc.; Trustee of The Andres Soriano Foundation, Inc.. Joined SGV (January 1985 to November 1989) and joined Anscor in December 1989; Graduate of University of the Philippines, Bachelor of Science in Business Administration and Accountancy (1984). Attended AIM Management Program (November 1996).

LORENZO D. LASCO, age 52, Filipino, Vice President (joined the group in 1997); General Manager of Anscor Property Holdings, Inc., the real estate arm of Anscor; Director of AFC Agribusiness Corp.; Project Manager at Seven Seas Resorts and Leisure, Inc. (Amanpulo); used to be connected with Ayala Land, Inc. (ALI) for nine years; Graduate of the Asian Institute of Management, Masters in Business Administration (1989).

LORNA PATAJO-KAPUNAN, age 62, Filipino, Corporate Secretary of A. Soriano Corporation (1998 to present); Senior Partner of Kapunan Garcia & Castillo Law Offices; Corporate Secretary, Roxas Holdings, Inc. (1995 to 2014), Central Azucarera de Don Pedro (February 1995), Central Azucarera de la Carlota (March 1996), Beverage Industry Association of the Philippines (February 1991 to present), Seven Seas Resorts & Leisure, Inc. (November 1990 to present), Pamalican Island Holdings, Inc. (1995 to present), iAcademy (2002 to 2011), Uni-President Phils., Inc. (2002 to present), Huntly Corporation (February 1992 to present), Palomino Resources, Inc. and Malate Pensionne, Inc. (2001 to 2014), Cuisine Exchange, Inc. and Culinary Innovators, Inc. (2001 to 2014), Jose M. Velero Corporation (2001 to 2014), Creative Concoctions, Inc. (2001 to 2014), Hotel Concepts, Inc. (September 2001 to present), Creative Hotel Concepts, Inc. (September 2001 to 2014), Culinary Events, Inc. (2001 to 2014), AH Distribution Corporation, Hotel & Resorts Trench, Inc. (2002 to 2014), It's About Taste (I'ATE), Inc. (2002 to 2014), Kitchen Alley, Inc. (2001 to 2014), Les Maitres Gourmands, Inc. (July 2001 to 2014); Traditional Financial Services Philippines, Inc. (2008 to present); Avaya Philippines, Inc. (2006 to present), Elixir Gaming Technologies Philippines, Inc. (2007-2008), Elixir Group Philippines, Inc. (2006-2008); Director of AMAX Holdings Limited (2008 to 2014), Corporate Secretary, Blessed Mary Mother of the Poor Foundation, Inc.(2014), Montemar Beach Club, Inc. (2013 to present), Philcomsat Communications Satellite Corporation (Philcomsat) (2013 to present), UNLAD Foundation (2015); Graduate of University of the Philippines College of Law, (1978); Seminar Courses: Japan Institute of Invention and Innovation (JIII) Tokyo (1997); National Institute on Humanitarian Law, San Remo Italy (September 2005); Summer Course International Humanitarian Law, Magdalene College, Cambridge University, London UK (July 2010).

JOSHUA L. CASTRO, age 40, Filipino, Assistant Vice President (April 2013 to present) and Assistant Corporate Secretary (2006 to present) of the Company; Assistant Corporate Secretary of Seven Seas Resorts and Leisure, Inc. (2006 to present) and Island Aviation, Inc. (2006 to present); Corporate Secretary of Phelps Dodge Philippines Energy Products Corporation (2006 to present), A. Soriano Air Corporation (2006 to present), Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2006 to present), Anscor Property Holdings, Inc. (2006 to present), and The Andres Soriano Foundation, Inc. (2006 to present). Tax Lawyer, SyCip Gorres Velayo & Co. (1999 to 2005); Graduate of San Beda College of Law (1999).

Ownership Structure and Parent Company

The registrant has no parent company.

Family Relationship

Andres Soriano III and Eduardo J. Soriano are brothers. There are no other family relationships known to the Company.

Executive Officers and Significant Employees

There are no significant employees.

Legal Proceedings

For the last five years and as of 28 February 2015, Management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

Certain Relationship and Related Transactions

There are no Management transaction during the year or proposed transaction to which the Company was or is to be a party, in which any of its Directors, nominees for election as Directors, Executive Officers, security holders owning more than 5% of the outstanding shares of the Company, or any member of the immediate family of any of the forgoing persons, have or is to have material interest.

Resignation of Directors

No incumbent Director has resigned or declined to stand for re-election to the Board of Directors due to disagreement with Management since the date of the last annual meeting.

Compensation of Directors and Executive Officers

As approved in 2004, Directors are paid a per diem of ₱20,000.00 per meeting attended and are given directors bonus representing no more than 1% of previous year's net income. Similarly, annual bonus, of no more than 3% of the preceding year's net income as well as salary increase of Executive Officers are approved by the Compensation Committee and the Board of Directors.

Name	Principal Position	Compensation 2013 Actual	2014 Actual	2015 (Estimate)
Andres Soriano III	Chairman & Chief Executive Officer			
Eduardo J. Soriano	Vice Chairman & Treasurer			
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer			
Narcisa M. Villaflor	Vice President & Comptroller			
Joshua L. Castro	Assistant Vice President & Assistant Corporate Secretary			
Salaries		₱ 51,528,374	₱ 53,496,185	₱ 53,800,000
Benefits		1,172,189	1,446,769	1,500,000
Bonus		23,800,000	37,750,000	58,300,000
Sub-Total Top Executive		₱ 76,500,563	₱ 92,692,954	₱113,600,000
Other Directors		₱ 10,701,562	₱ 13,468,929	₱ 19,020,000
Total		₱ 87,202,125	₱ 106,161,883	₱ 132,620,000

Employment Contracts and Termination of Employment and Change-in Control Arrangements

All the Executive Officers are not subject of any employment contract. Neither are there any compensatory plans or arrangements with respect to the named executive officers that will result from their resignation, retirement or any other termination or from change in control in the Company or change in the named executive officers' responsibilities following a change in control.

Warrants and Options Outstanding

There are no warrants or options granted to the Directors, Chief Executive Officer, and other named Executive Officers.

Compliance with Leading Practice on Corporate Governance

On 04 December 2014, the Company submitted its annual Certification to the SEC confirming its substantial compliance with its Manual on Corporate Governance. Before issuance of said Certification, the Board of Directors and Management evaluated the Company's compliance with the Manual on Corporate Governance. The different Board Committees also evaluate the level of compliance with the Manual on Corporate Governance.

The Company continues to improve its systems and processes to enhance adherence and fully comply with leading practices on good corporate governance. In line with this goal, Directors of the Company are required, before assuming office, to attend a seminar on Corporate Governance conducted by a duly recognized private or government institution.

Likewise, in line with the SEC's thrust to promote a better corporate governance environment, the Company complied with SEC Memorandum Circular No. 11 Series of 2014 which provides for template for publicly-listed companies' websites. The Company's website contains all the items indicated in said Circular.

As part of the Company's continuing efforts to comply with leading practice on corporate governance, on 10 March 2010, the Company submitted to the SEC and PSE its revised Manual on Corporate Governance in conformity with SEC Memorandum Circular No. 6, Series of 2009. The Manual on Corporate Governance was further revised on 18 February 2011 to comply with additional requirements of the SEC.

On 02 July 2014, the Company submitted to the SEC and PSE its Amended Manual on Corporate Governance in conformity with SEC Memorandum Circular No. 9, Series of 2014. All the revisions to the Manual on Corporate Governance are discussed and deliberated upon by the Board of Directors prior to its approval and subsequent submission to the SEC.

As of 28 February 2015, there were no deviations from the Company's Manual on Corporate Governance.

Appointment of Independent Auditors

SyCip Gorres Velayo & Co. (SGV) has been the Company's independent auditors since its establishment in 1946. They will again be nominated for reappointment and presented for approval by the stockholders during the stockholders' meeting as external auditors for the ensuing calendar year. Unless marked to the contrary, proxies received will be voted FOR the appointment of SGV as the independent auditors for the ensuing year. The Management recommends a vote FOR the appointment of SGV as independent auditors for the Company for the ensuing year.

A representative of SGV is expected to be present at the Annual Meeting to respond to appropriate questions from the stockholders and to make a statement if so desired.

The Company has no disagreements with its independent auditors on Accounting and Financial Disclosure and changes in Accounting and Financial Disclosures are included in the attached Notes to Financial Statements, if applicable.

In compliance with SRC Rule 68 paragraph 3(b) (iv) (Rotation of External Auditors), the SGV audit partner, as of December 2014, is Ms. Julie Christine C. Ong-Mateo who is on her first year of audit engagement.

Audit and Audit Related Fees

The Company paid to its external auditors the following fees in the past two years:

Year		Audit Fees
2014	₱	**1,100,000**
2013	₱	1,100,000

The audit fees were evaluated and approved by the Audit Committee based on the scope of work of external auditors and the complexity of accounting and audit issues identified. There are no other fees paid to the external auditors for other assurance and related services.

Tax Consultancy and Other Fees

No tax consultancy fees were paid by the Company to SGV for the year 2014.

FINANCIAL AND OTHER INFORMATION

Management's Discussion and Analysis of Operation

Description of General Nature and Scope of Business

A. Soriano Corporation ("Anscor") was incorporated on February 13, 1930.

Anscor is a Philippine holding company with diverse investments. Anscor's major investments are in Phelps Dodge Philippines Energy Products Corporation ("PDP Energy") which manufactures wire and cable products and Seven Seas Resorts and Leisure, Inc., owner of Amanpulo Resort. It has investments in US-based nurse and physical therapists staffing company and steel modular engineering and constructions. It has other investments in companies engaged in a wide range of activities in the Philippines including aviation, nurse deployment, business process outsourcing and real estate. As a holding company, the principal sources of income for Anscor are: the share in net earnings of the companies in which it has investments, management fees, interest income, dividends and gains from the sale of investments mainly the trading gain on marketable securities and bonds.

As of 31st December 2014, the Company's consolidated total assets stood at ₱21.3 billion. For the year ended 31st December 2014, consolidated revenues of the Company amounted to about ₱4.2 billion.

In 2014, taking most promising opportunities, Anscor raised its stake in Phelps Dodge International Philippines, Inc. (PDIPI) by acquiring the 60% stake of General Cable Corporation, making PDIPI a 100%-owned subsidiary of Anscor.

Through Prople, the business-solutions provider, Anscor also acquired K&A, a US-based accounting firm, to help expand the company's BPO-services business.

Growing the businesses is vital to Anscor's long-term success. The company keeps a tight watch on the existing portfolio of businesses and new opportunities as they emerge.

In 2014, Anscor were able to increase revenue, manage expenses, and improve business margins and profitability of most of its operating units.

A. Soriano Corporation has the following direct/indirect subsidiaries/ associates as of December 31, 2014:

Company	% Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Islands
IQ Healthcare Investments Limited	100%	Manpower Services	British Virgin Islands
Cirrus Medical Staffing, Inc.	94%	Manpower Services	USA
Cirrus Holdings USA, LLC	94%	Manpower Services	USA
Cirrus Allied, LLC (formerly MDI Medicals, LLC)	94%	Manpower Services	USA
NurseTogether, LLC	94%	Online Community	USA
Anscor Property Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Goldenhall Corporation	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Summerside Corporation	100%	Real Estate Holding	Philippines
Timbercrest Corporation	100%	Real Estate Holding	Philippines

Company	% Ownership	Business	Jurisdiction
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.)	93%	Manpower Services	Philippines
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	USA
AFC Agribusiness Corporation	81%	Real Estate	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
AG&P International Holdings Ltd.*	27%	Holding Company	British Virgin Islands
Enderun Colleges, Inc.	20%	Culinary School	Philippines
Prople Limited	20%	Business Processing & Outsourcing	British Virgin Islands
Prople, Inc.	20%	Business Processing & Outsourcing	Philippines
DirectWithHotels, Inc.	15%	Online Reservation	Philippines
KSA Realty Corporation	11%	Realty	Philippines

* Its associate is engaged in modular steel fabrication.

Below are the Key Performance Indicators of the Company:

Over the last years, consolidated revenues and net income from operations are as follows (in thousand pesos except earnings per share):

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Services	₱ **1,966,140**	₱ 1,812,137	₱ 1,918,797
Dividend income	**260,862**	237,966	231,959
Equity in net earnings of associates	**147,141**	228,946	155,328
Interest income	**96,439**	95,592	93,513
Management fee	**78,344**	58,926	55,777
Sale of villa lots	**–**	82,033	–
Others	**882**	10,468	21,049
	2,549,808	2,526,069	2,476,422
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments	**1,661,986**	1,101,884	1,169,315
Investment in associates	**56,059**	–	–
Property and equipment and investment property	**–**	–	3,510
Gain (loss) on increase (decrease) in market values of FVPL investments	**(9,487)**	(102,835)	67,242
	1,708,558	999,048	1,240,068
TOTAL	**4,258,366**	3,525,117	3,716,490
INCOME BEFORE INCOME TAX	**2,064,102**	1,362,896	1,524,629
PROVISION FOR INCOME TAX	**29,360**	16,114	34,986
NET INCOME	₱ **2,034,742**	₱ 1,346,782	₱ 1,489,643
Attributable to:			
Equity holdings of the Parent	₱ **2,041,142**	₱ 1,358,036	₱ 1,467,919
Noncontrolling interests	**(6,400)**	(11,254)	21,723
	₱ **2,034,742**	₱ 1,346,782	₱ 1,489,643
Earnings Per Share			
Basic/diluted, for net income attributable to equity holdings of the Parent	₱ **1.63**	₱ 1.08	₱ 1.07

Year 2014 Financial Performance

Anscor generated a consolidated net income of ₱2.04 billion, 50% higher than last year's net profit of ₱1.36 billion. This was largely the result of higher consolidated revenues of ₱4.26 billion, representing a 21% increase from the ₱3.53 billion of 2013.

Anscor's financial assets saw gains from the sale of marketable securities amounting to ₱1.67 billion, 52% better than last year's ₱1.10 billion. The sale of these securities occurred mostly in the 4th quarter of the year to fund the purchase of 60% of PDIPI.

Core investments in traded shares—which include Aboitiz Power Corporation, Aboitiz Equity Ventures, International Container Terminal Services, Inc., iPeople and other marketable equity holdings, contributed dividend income of ₱260.9 million, higher than the ₱238.0 million of 2013. Interest income of ₱96.4 million was slightly better than the previous year.

The decline in the market value of investments carried at fair value through profit and loss was ₱9.5 million. This amount recovered from a loss of ₱102.8 million in 2013 with the improved market prices of equity funds and bonds managed by a third party.

With the slight loss in value of the peso against the US dollar and the euro in 2014, the peso value of Anscor's foreign currency-denominated investments improved. This gain was offset by the Group's dollar-denominated loans, resulting in a consolidated foreign exchange loss of ₱10.0 million against a gain of ₱32.7 million in 2013.

Anscor's operating investments contributed ₱147.1 million in equity earnings, 36% below last year's ₱228.9 million. The favorable performances of PDIPI and Cirrus Medical Staffing, Inc. were offset by a share in the losses of AG&P and Seven Seas Resorts and Leisure, Inc.

On November 20, 2014, the Company declared cash dividends of ₱0.25 per share to stockholders of record as of December 5, 2014, which were paid on January 7, 2015.

As a result of the acquisition of 60% of PDIPI (as earlier mentioned) existing accounting standards required the company to revalue Anscor's original 40% holding in PDIPI, which led to a step up gain of ₱700 million. Anscor took this opportunity to provide valuation allowances to some of our investments for conservatism.

As of December 31, 2014, the Company's book value per share stood at ₱11.94 versus ₱10.82 in 2013.

The Anscor Group Operations

Phelps Dodge International Philippines, Inc. (PDIPI)

Sales and net income hit all-time highs in another good year for PDIPI. Revenues rose across all business sectors: commercial, industrial, manufacturing and energy with PDIPI's net sales revenue reaching ₱6.6 billion, a 14% increase over 2013 levels. Net income grew 23% to ₱535.5 million.

New product lines continue to drive the company's growth. Access to high-quality high-voltage lines, and a reputation for reliable engineering services, enabled PDIPI to secure several large and important orders. The company's ability to offer a variety of standard and new product lines and new business solutions has made Phelps Dodge become a leader in the country's wire-and-cable industry.

Supported by a network of capable dealers, Phelps Dodge expanded its customer base. Continuous market research and sharing of information made the partnership between PDIPI and its dealers highly effective.

The improved net income, despite lower average copper prices during the year, was the result of continual operating improvements and productivity gains.

Moving forward, PDIPI will strengthen its delivery of customer requirements with its current mix of products, business solutions and services. Its continuing access to leading technology, new product offerings and research through a new technical agreement with General Cable should strengthen the Company's ability to carry out its growth plans.

Seven Seas Resorts and Leisure, Inc. (Owner of Amanpulo)

With the memory of the catastrophic typhoon Yolanda receding, Amanpulo is starting to attract foreign tourists again. The Resort reported an 8% increase in revenue, from ₱445.3 million in 2013 to ₱480.1 million in 2014. Occupancy rates reached 34.4% with average room rates rising from US$1,057 to US$1,168. Room revenue also benefited from the depreciation of the peso by an average of 10.5%.

The combined share of villa revenue and fees from villa operations increased 19.9% due to better villa occupancy and villa rates. The second batch of the Resort's renovated casitas was completed in the last semester of 2014. The Resort was closed in the month of June for major renovation and replacement of the roofs of all casitas, the beach club and the main clubhouse.

Gross operating profit amounted to ₱57.0 million, at par with that of last year, tempered by higher depreciation and management fees. Last year's net loss of ₱16.4 million increased to ₱32.3 million in 2014. Management fees to Aman rose to ₱36.5 million in 2014 from ₱19.6 million in 2013.

Seven Seas completed paving the runway and the construction of seawall on the eastern side of the island; plugging the east reef hole; and expanding the laundry and housekeeping stations. The company also extended and completely renovated the kitchen of the beach club. We are pleased with the informal and formal feedback from both repeat and first time guests on the casita renovation and the redesigned interiors.

During the year, the builders turned over to Amanpulo, two of the five villas under construction for private owners. Completion of the remaining three villas will be in the first quarter of 2015. The two remaining available villas were sold with a completion date by middle of 2016.

This will bring the total room inventory to 103, comprised of the original 40 casitas and 63 rooms of the 16 villas.

Amanpulo's capital investments continue to focus on improving the guest experience and efficiencies, lowering cost and shifting to more environmentally-friendly technologies. The Resort's electric golf carts run on solar power. Studies on reef protection and regeneration are among on-going environmental initiatives.

Amanpulo received several tourism awards in 2014, among them that of being the 'Leading Resort in the Philippines' from the World Travel Awards. The Resort was also nominated for the "World's Leading Private Island Resort" and "Asia's Leading Villa Resort".

Cirrus Medical Staffing, Inc.

Demand for temporary health-care staff in the United States strengthened throughout 2014, driven by an increase in hospital admissions as the Affordable Health Act begun to take effect. The increase in patient volumes helped drive strong demand in most areas of healthcare staffing.

For 2014, the company reported ₱1.2 billion in consolidated revenue, a 6% increase over that of 2013. Sales growth was underpinned by growth in Travel Nursing, Cirrus' largest segment, and the International and Direct-Hire divisions.

Regulatory changes in Medicare reimbursement, and the continued consolidation of rehabilitation facilities and agencies, resulted in the continued decline in Travel Therapy.

Consolidated operating income was ₱51.9 million, compared to an operating loss of ₱13.6 million in 2013. Improved profitability was driven by a 10% increase in gross margin and a reduction in overhead expenses.

2015 has started well and Cirrus expects that the increased demand and the productivity improvement that have been in place will continue to bear fruit.

AG&P International Holdings Ltd.

AG&P revenues grew by 75% to US$214.34 million in 2014, as the Bechtel Gladstone LNG project was completed and the Ichthys LNG project gathered momentum.

Despite higher revenues, AG&P's 2014 gross profit of US$46.4 million was 3% below that of 2013 and operating expenses were higher by 18%, as the Company added staff to prepare for future growth. In addition, AG&P terminated the incubation of Energy City, a domestic LNG project, which resulted in the write down of US$7.0 million. The company also secured modularization work for the Yamal LNG project, which commenced in late 2014.

The focus for 2015 will be on progressing the Ichthys project to completion, finishing the first modules for Yamal LNG Project, achieving greater operational efficiencies and building a healthy sales pipeline.

Enderun Colleges, Inc.

For its fiscal year June 1, 2013 to May 31, 2014 Enderun Colleges posted a consolidated net income of ₱64.2 million on revenues of ₱456.6 million. The company also tracks its financial performance by reporting its adjusted EBITDA (operating income plus depreciation expenses and non-cash rental accruals). Enderun's adjusted EBITDA for fiscal year 2013-2014 was ₱120.4 million, 26% higher than that of the previous year.

As of May 31, 2014, the company's cash position stood at ₱91.8 million and the College is debt-free. During the year, it paid cash dividends of ₱59.94 million of which ₱12.45 million accrued to Anscor.

Enderun's student population has grown to over 1,100 full-time college and certificate students, spread almost evenly across the school's three main degree offerings in Hospitality Management, Business Administration and Entrepreneurship.

There is a steady growth in Enderun's continuing education unit, Enderun Extension. Its revenues rose 10.9% year-on-year to ₱64.5 million. The school's Food & Beverage unit has also grown significantly: its revenues rising 41.5% to ₱77.4 million from ₱54.7 million in 2013.

Enderun continues to bolster its reputation in the market for higher education, particularly in hospitality and business management. Enderun has established itself as the top-quality institution in hotel administration and the culinary arts, as evidenced by its expanding student population and its growing base of industry partners.

The College's career-focus business program and hands-on entrepreneurship program are attracting top faculty members, and a growing population of highly-motivated students.

The College recently established a hotel management and consultancy arm, Enderun Hospitality Management (EHM). Through EHM, the company now manages five hotel properties and provides consultancy services to two other hotels in the Philippines.

Prople Limited

Consolidated full-year revenues for Prople Limited grew three times from ₱168 million in 2013 to ₱538 million in 2014. This was a direct result of Prople's acquisition on November 26, 2013 of 100% of the non-audit business of US-based Kellogg and Andelson Accountancy Corporation (K&A).

Founded in 1939, K&A is an established US accounting firm, providing tax, general accounting and consulting services to thousands of small-to-medium-sized companies in California and the Midwest.

Prople's profit performance improved with consolidated operational EBITDA reaching ₱64.8 million and net income of ₱15.9 million, excluding the one-time closing costs associated with the acquisition.

Following its acquisition of K&A, Prople now employs 373 people serving over 5,500 clients from operations located in six cities worldwide. Moving forward, its K&A partnership gives Prople heavier weight, reach and capability, and positions it to capture market opportunities in the high-growth business segments of finance and accounting, human resources and information services globally. Cross-selling and the shift of some of the US-based work to Manila assures Prople of continued growth in 2015.

KSA Realty Corporation

In 2012 and 2013, KSA Realty Corporation experienced strong performances in its leasing operations with rising occupancy rates and rental yields.

While Management remained positive that the building would be able to maintain its momentum, 2014 started with quite a challenge. The terms of almost a quarter of the building's leasable spaces were due to expire and competing office supply continued to rise in the Makati Central Business District and Fort Global City.

KSA successfully renewed more than 90% of expiring leases and most of its remaining vacant spaces were taken on by new and existing tenants. The building's occupancy rate remained at 98% and average rental yield increased by 8% to ₱921 per sq.m. at the end of 2014.

To confirm the confidence that the tenants have shown by renewing their tenancy and to remain current with the competition, KSA took on an upgrading project with a budget of ₱400 million. This endeavor will update the common areas of this 15-year old building, upgrade its facilities and maintain its reputation as one of the premiere office buildings in the metropolis.

2014 was a good year for KSA with a gross rental income reaching over ₱900 million. Net income rose to a high of ₱690 million. These results permitted the declaration of cash dividends of ₱800 million, of which ₱91.4 million accrued to Anscor.

Predictive Edge Technologies, LLC

Predictive Edge Technologies is an early stage technology company. Currently, the company has eight patents pending or awarded.

Its subsidiary, Behavior Matrix LLC, is a world class emotional and behaviour analytics platform that gives companies and organizations a unique way to understand their respective audiences. Through the use of advanced mathematics, analytical algorithms and big data harvesting, Behaviour Matrix provides clients with insights to guide their business intelligence and marketing strategies.

In 2014, Behavior Matrix achieved a year-over-year growth in sales of over 200% with sales of $1,953,705 up from $641,500 in the prior year.

Other Information

Except as discussed above, disclosures of the following information are not applicable for the registrant and its subsidiaries:

Business Development
- Bankruptcy, receivership or similar proceedings
- Material reclassification, merger, consolidation or purchase or sale of a significant amount of asset

Business of the Issuer
- Distribution methods of the products or services
- Status of any publicly-announced new product and services
- Competition
- Transaction with and/or related parties (except those disclosed in the notes to financial statements)
- Patents, trademarks, copyrights, licenses, franchises, royalty, etc.
- Need for any government approval of principal products and services
- Effect of existing or probable governmental regulations on the business
- The amount spent on development activities and its percentage to revenues during each of the last three years.

Anscor and its subsidiaries are not aware of any major risks involved in their businesses.

Significant financial indicators of the Group are the following:

	12/31/2014	12/31/2013	12/31/2012
1. Book Value Per Share (Note 1)	**11.94**	10.82	9.71
2. Current Ratio (Note 2)	**1.27**	1.96	1.79
3. Interest Rate Coverage Ratio (Note 3)	**34.64**	40.08	84.56
4. Debt to Equity Ratio (Note 4)	**0.41**	0.24	0.11
5. Asset to Equity Ratio (Note 5)	**1.44**	1.27	1.14
6. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/ Total Revenues)	**48.3%**	38.5%	39.5%
7. Return on Equity (Net Income/ Equity Attributable to Equity Holdings of the Parent)	**13.8%**	10.0%	12.0%

Note 1 – Equity Attributable to Equity Holdings of the Parent/ Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The Key Financial Indicators of our Major Subsidiaries are the following:

Cirrus Group

1. Submission to lock ratio (operating statistic to evaluate recruitment)
2. Nurse/therapist retention ratio (operating statistic to evaluate retention of nurse and therapist in the pool for staffing business)

In Thousand Pesos

	12/31/2014	12/31/2013	12/31/2012
3. Service income	**1,251,141**	1,201,024	1,145,739
4. Cost of services rendered	**1,018,339**	998,335	955,089
5. Income (loss) before interest, taxes, depreciation and amortization	**59,701**	(3,670)	12,518

Seven Seas Group

In Thousand Pesos

	12/31/2014	12/31/2013	12/31/2012
1. Occupancy rate	**34.4%**	43.1%	46.7%
2. Hotel revenue	**480,065**	445,279	545,195
3. Gross operating profit (GOP)	**56,951**	58,880	174,706
4. GOP ratio	**11.9%**	13.2%	32.0%
5. Net income (loss) after tax	**(32,294)**	(16,440)	50,375

Occupancy rate is based on actual room nights sold over room nights on a 12-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

Outlook and Investment Strategy

Given that the majority of Anscor's businesses compete in technical knowledge-process outsourcing and service-oriented industries, Anscor believe that, the company is well placed to take advantage of emerging trends.

Employees

The Company and the Group as of December 31, 2014, has 22 and 879 employees, respectively. Breakdowns are as follows:

	Parent	**Subsidiaries**	**Group**
Management	10	71	81
Rank and file	12	786	798
TOTAL	22	857	879

- The Company and the Group were not subjected to any employees' strike in the past three years nor were there any threatening strike for the ensuing year.

- Employees of the Group are not subject to Collective Bargaining Agreement (CBA).

- The Group provides various employee benefits including health care and retirement benefits and has enjoyed good labor relations in the past.

Properties

Anscor owns and maintains its office at 7/F, Pacific Star Building in Makati City with approximately 2,000 square meters. It also owns the following:

Shipping Centre Bldg., Intramuros, Manila	1 office condo unit/ 509 sq. meters

Information regarding properties of major subsidiaries and affiliates are:

- PDP Energy plants are situated on an 18.4 hectare property owned by Phelps Dodge's wholly owned subsidiary, Minuet Realty Corporation in the Luisita Industrial Park in San Miguel, Tarlac.

- Seven Seas owns a 40-room resort in Pamalican Island, called Amanpulo. This covers about 75 hectares of land, with 40 room casitas of about 65 sq. meter each and back of house facilities to service its power and water and staff house requirements. Additional 40 villa rooms are available for rent under the management agreement executed by PRI and the villa owners as of December 31, 2014.

- APHI has interests in land covering an area of approximately 830.12 hectares in Berong, Palawan, 24.1 hectares in San Vicente, Palawan and parcels of land with a total area of 40.41 hectares in Cebu. Also, APHI owns a lot at the Cebu Business Park, about 1.27 hectare properties in Puerto Princesa and 1 townhouse unit in Alpha Village, Capitol Hills, Quezon City.

Other Information:

- The registrant is not involved in lease contracts requiring it to pay substantial amount of rental fees.

- There were no commitments for major capital expenditures or acquisitions of properties in the next twelve months.

Financial Condition

There was no significant change in the Company's Balance Sheet as of December 31, 2014 versus December 31, 2013.

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2014 and 2013:

Cash and Cash Equivalents

The increase in cash and cash equivalents can be attributed to consolidation of PDIPI putting in additional cash of about ₱661.0 million to the Group.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements).

Fair Value Through Profit and Loss (FVPL) Investments

The increase in the account can be attributed to the net addition for the period of about ₱125.3 million. The market value of foreign denominated investment in bonds, stocks and funds decreased by ₱9.5 million vs. December 31, 2013 values.

Receivables

The increase in receivables was mainly due to consolidation of PDIPI balances as of December 31, 2014.

Inventories

Inventories increased by ₱817.5 million; one of the reasons was the consolidation of PDIPI inventories. Also, minimal purchases were made in 2014 for spare parts and supplies needed by the aviation and resort subsidiaries.

Prepayments

Increase in this account can be attributed mainly to prepaid expenses related to resort operation.

Available for Sale (AFS) Investments

Change in the account can be attributed mainly to the net additions that were mostly in bonds, equity funds and traded equities amounting to ₱554.2 billion. There was a decrease of about ₱445.1 million in market value of AFS investments. Foreign exchange loss from translation of foreign currency-denominated AFS investments amounted to ₱7.8 million.

Valuation allowances on the AFS on its quoted and unquoted equity investments amounted to ₱259.9 million.

Investments and Advances

By consolidating PDIPI, investments and advances decreased by ₱1.2 billion, the recorded value of the 40% holdings of Anscor in PDP Group held as investment in associate as of December 19, 2014.

Equity in net earnings of associates for the period amounts to ₱147.1 million and unrealized foreign exchange gain related to foreign equity investment amounted to ₱14.6 million.

Valuation allowances related to long-term investments amounted to ₱440.4 million.

Goodwill

The provisional goodwill that arises from the acquisition of PDIPI amounted to ₱1.4 billion.

Goodwill from US-based staffing business increased by ₱4.5 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net

The consolidation of PDIPI increases the property and equipment by ₱543.9 million. As required by the new accounting standard for business combination, the net assets of PDIPI were valued at ₱3.4 billion, resulting in an upward adjustment in fair value attributable to property and equipment amounting to ₱707.6 million.

Depreciation charged to operations amounted to ₱132.9 million while net additions to property and equipment amounted to ₱196.9 million, mainly attributable to special capital expenditures of the resort subsidiary.

Investment Properties

Change in the account was mainly due to consolidation of newly acquired real estate holding subsidiary, AFC Agribusiness Corporation.

Other Noncurrent Assets

Change in the account balance can be attributed to the increase in villa development cost incurred by Seven Seas.

Notes Payable

The increase in the account can be attributed mainly to short loan obtained by the Parent Company amounting to ₱1.5 billion, proceeds of which were used to purchase the 60% of PDIPI from General Cable.

Accounts Payable and Accrued Expenses

The change in the account was mainly due to consolidation of PDIPI balances as of December 31, 2014.

Dividends Payable

Increase in dividend payable was due to accrual of dividend which was declared in November 20, 2014 and paid on January 7, 2015.

Customer's Deposits for Property Development

The increase in the account was due to additional deposits made by villa buyers.

Income Tax Payable

Movement in the account was attributable to higher tax provision of the Group for 2014.

Long-term Debt (current and noncurrent)

The increase in the account can be attributed mainly to the converted short-term loan to long-term loan by the aviation subsidiary and unrealized foreign exchange loss upon translation of dollar denominated loan of the Parent Company.

Deferred Income Tax Liability

Change in the account was mainly due to deferred tax effect of the fair value adjustment on property, plant and equipment of PDPI amounted to ₱212.3 million (30% of ₱707.6 million).

Cumulative Translation Adjustment

This account included translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary, IQHPC.

Unrealized Valuation Gains on AFS Investments (equity portion)

The decrease in market values of AFS investments from December 31, 2013 to December 31, 2014 amounted ₱437.1 million, net of deferred income taxes. When the AFS assets are sold, the gain was realized and reflected in the consolidated statements of income and removed from the unrealized valuation gains.

Cumulative Actuarial Gains

Change in this account pertains to actuarial gain due to higher actual vs. projected rate of return on plan assets.

Others

There were no commitments for major capital expenditures in 2014.

Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

The discussions below were based on the consolidated results of the Company and its subsidiaries for the year ended December 31, 2014 as compared to consolidated results for the year ended December 31, 2013:

Revenues

This year's consolidated gross revenues of ₱4.3 billion was 22.3% higher than last year's revenue of ₱3.5 billion. Anscor posted higher investment gain due to higher number of traded shares sold in the stock market during the period. Also, the Group posted revenue from services and dividend income amounting to ₱2.0 billion and ₱260.9 million, respectively, higher than the revenue reported in 2013.

Cost of Services Rendered

Increase in cost of services rendered was mainly attributable to higher cost of services of the resort and nurse staffing business.

Operating Expenses

Increase can be attributed to the higher operating expenses of the Parent Company, resort and nurse staffing business, mainly caused by higher revenues.

Interest Expense

The Group reported higher charges mainly due to the Parent Company's long-term loan. 2014 included four (4) quarters of interest expense of the Parent Company while 2013 only had two (2) quarters of charges.

Foreign Exchange Gain (Loss)

Due to the appreciation of dollar and euro vis-à-vis peso, the Parent Company reported higher foreign exchange loss on its dollar denominated loan partially offset by foreign exchange gain on its foreign currency denominated investment in financial assets.

Provision for Income Tax - net

The provision for income tax current is slightly due to the Parent Company minimum corporate income tax and higher income tax reported of the resort subsidiary. Also, there was a significant increase in deferred tax liability recognized by Cirrus Group.

Other Income (Charges)

Other income in 2014 includes recovery of allowances for impairment losses by the Parent Company and insurance claim for business interruption loss by the resort subsidiary.

Noncontrolling Interests (statements of income)

Decrease in minority interest was mainly due to share of minority shareholders on higher losses reported by the resort subsidiary and Cirrus Global, Inc. for the year 2013.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012 (as reported in 2013 SEC 17-A)

Revenues

This year's consolidated gross revenues of ₱3.5 billion was 5.1% lower than last year's revenue of ₱3.7 billion. Anscor posted lower investment gain (₱1.2 billion to ₱1.0 billion) due to reduced number of equities sold in the stock market. Also, there is significant decline in market values of FVPL investments from gain of ₱67.2 million to a loss of ₱102.8 million. Amanpulo Resort reported a decline in service revenues due to business interruption brought by Typhoon Yolanda. The operation was temporarily suspended on November 8, 2013 and resumed only on December 15, 2013. However, Anscor posted equity in net earnings and dividend income amounting to ₱228.9 million and ₱238.0 million, respectively, higher than revenues for the same period in 2013. Seven Seas' net gain on sale of villa lots amounting to ₱62.2 million also contributed to this year's revenues and Cirrus Group reported improved service revenues.

Cost of Services Rendered

Increase in cost of services rendered was mainly attributable to higher cost of the resort subsidiary, particularly air transfer costs while nurse staffing business' cost of services increased due to higher revenues.

Operating Expenses

Increase can be attributed to the higher operating expenses of the Parent Company, resort and nurse staffing business.

Valuation Allowances

The Parent Company setup a provision for decline in market value of some AFS investments based on their significant decrease or prolonged decline in values.

Foreign Exchange Gain

Due to the appreciation of dollar and euro vis-à-vis peso, the Parent Company reported higher foreign exchange gain on its foreign currency denominated investment in financial assets.

Interest Expense

The Group reported higher charges for interest expense resulting from increased loan to fund the AG&P and Prople investments by the Parent Company.

Provision for Income Tax - net

The provision for income tax current is slightly higher due to the Parent Company's minimum corporate income tax. However, this was offset by increase in deferred tax assets recognized by the Parent Company mainly from decline in value of FVPL investments.

Noncontrolling Interests (statements of income)

Decrease in minority interest was mainly due to share of minority shareholders on losses reported by the Resort Group, Cirrus Medical Staffing and Cirrus Global, Inc. for the year 2013.

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011 (as reported in 2012 SEC 17-A)

Revenues

This year's consolidated gross revenues of ₱3.7 billion was 32.4% higher than last year's revenue of ₱2.8 billion. The Resort and Cirrus group reported improved service revenues for the whole year of 2012. Also, Anscor posted equity in net earnings and dividend income amounting to ₱155.3 million and ₱232.0 million, respectively, higher than the revenue for the period in 2012. The investment gain was significantly higher compared to the gain reported last year due to increased volume of trade securities sold in stock market.

Cost of Services Rendered

Increase in cost of services rendered was mainly attributable to higher cost of services of the resort and nurse staffing business as a result of their improved service revenues.

Operating Expenses

Increase can be attributed to the higher operating expenses of the resort and nurse staffing business.

Valuation Allowances

The Parent Company setup a provision for decline in market value of some AFS investments based on reduced values as of December 31, 2012.

Foreign Exchange Loss

Due to the appreciation of peso vis-à-vis US dollar and euro, the peso value of foreign currency-denominated investments of the Group decreased which resulted to foreign exchange loss.

Interest Expense

The Group reported higher charges for interest expense resulting from additional loans obtained by the Parent Company.

Provision for Income Tax - net

This account increased mainly due to the higher income tax provision of the resort and aviation subsidiaries.

Noncontrolling Interests (statements of income)

Increase in minority interest was mainly due to share of minority shareholders on higher income of the resort and aviation subsidiaries; Cirrus Global, Inc. and minimal income of Cirrus Medical Staffing for the year 2012 as against a net loss in 2011.

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 Interpretations based on IFRIC Interpretation which were adopted as of January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)*
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no significant impact on the Group's consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement -Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group since the Group has no novation of derivatives.

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

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, Provisions, Contingent Liabilities and Contingent Assets, consistent with the requirements of IFRIC 21 in prior years.

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

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

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

The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

- PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)

  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of

PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB 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 consolidated financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* Amendments
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group since it has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

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

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

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

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

- PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, Fair Value Measurement – Portfolio Exception
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, Investment Property
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

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

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

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits* – regional market issue regarding discount rate
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting* – disclosure of information 'elsewhere in the interim financial report'
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

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

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

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

<u>Other Financial information</u>

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

- There are no off-balance sheet transactions, arrangements, obligations including contingent obligations, and other relationships of the Company with unconsolidated entities or other persons created during the year.

- There were no commitments for major capital expenditures in 2014 and onwards.

- The management has no knowledge of known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenue or income from continuing operations.

- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.

- There is no other change in composition of the registrant, no restructuring, except the business combination mentioned above.

- There is no other material event subsequent to the reporting period that has not been reflected in the financial statements.

Legal Proceedings

- There are no material pending Legal Proceedings to which Anscor or any of its subsidiaries or affiliates is a party except:

  a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As of December 31, 2014, the refund process has remained pending.

     With no quick resolution in sight and in view of the change in the MIAA administration, the Company is planning to enter into a new lease contract with the MIAA, with the Company as the lessor and IAI as sublessor. The Company has accumulated provisions for losses amounting to ₱1.93 million as of December 31, 2014 and 2013.

  b. ASAC is a defendant in labor law suits and claims. As of December 31, 2014 and 2013, management has recognized provisions for losses amounting to ₱3.79 million (see Note 17) that may be incurred from these lawsuits.

Financial Statements

1. The financial statements were presented using the classified balance sheet format in accordance with the Philippines Financial Reporting Standards (PFRS).

2. The financial statements were prepared in accordance with the disclosures required by SRC Rules 68 and 68.1, current PFRS/IAS.

3. The consolidated financial statements included disclosures with regards to new accounting standards that the Company and its subsidiaries adopted.

Audited Financial Statements

The audited Financial Statements as of 31 December 2014 are included in pages 14 to 109 of the 2014 Annual Report in the same CD containing this Information Statement.

The Statement of Management's Responsibility is on page 13 of the 2014 Annual Report in the same CD containing this Information Statement.

Action with Respect to Reports

The following reports/minutes shall be submitted for approval/ ratification:

Approval of Minutes of Annual Meeting of Stockholders on 23 April 2014

The Minutes of Annual Meeting of Stockholders of the Company held on 23 April 2014 ("Minutes") will be presented for approval of the stockholders. Such action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since Stockholders' approval and action on those items had already been obtained in that meeting and subsequently carried out.

The Minutes and related records are available for inspection at the office of the Company during business hours. In addition, copies of the Minutes shall be posted at the meeting site.

Summary of the Minutes of 23 April 2014:

In the Annual Stockholders' Meeting the following were taken up:

1. Approval of the Annual Report and Audited Financial Statements as of 31 December 2013 and ratification of all acts, contracts, investments and resolutions of the Board as set forth in the minutes of the Board of Directors.
2. Election of the members of the Board of Directors.
3. Appointment of external auditors.
4. Amend Article IV of the Articles of Incorporation to specify the complete address of the Corporation from Metro Manila to 7th Floor, Pacific Star Building, Gil Puyat Avenue corner Makati Avenue, Makati City, Philippines. Postal Code – 1209.
5. Approval of Stock Incentive Plan.

In the organizational meeting that followed after the Stockholders' Meeting, the Executive Officers were re-elected and the member of the Audit Committee, Executive and Compensation Committee were re-appointed.

Approval of 2014 Audited Financial Statements

The Audited Financial Statements of the Company for the period ended 31 December 2014 will be submitted for approval of the stockholders at the Annual Meeting.

SGV had examined the Financial Statements in accordance with generally accepted auditing standards and have expressed their opinion on the fairness of the presentation in their report to the Board of Directors and Stockholders of the Company. The information and representation in the Financial Statements are the responsibility of Company's Management.

Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since the Last Annual Meeting.

As a matter of corporate policy, Management seeks the approval and ratification by the stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since 23 April 2014, the last Annual Meeting. These are reflected in the Minutes of the meetings of the Board of Directors in their regular reports and disclosure to the Securities and Exchange Commission, and the Philippine Stock Exchange, and in the 2013 Annual Report of the Company. For reference, attached herewith (Annex A) is a list of all the resolutions approved by the Board of Directors since 23 April 2014 which are the subject of ratification by the stockholders.

Voting Procedures

SyCip Gorres Velayo & Co., the Independent Auditors elected as Board of Election Inspectors in the last Annual Meeting, has signified no changes in the voting procedures, which will be the same as in the previous years.

Stockholders as of 13 March 2015 may vote at the scheduled Stockholders Meeting.

Registration of stockholders and proxies attending the meeting will open at 9:00 a.m. on 15 April 2015.

As in previous meetings of stockholders, considering that only seven (7) were nominated to fill the seven (7) seats of the Board of Directors, there was no balloting.

In case of balloting, only stockholders and proxies who have previously registered will be given ballots. The ballots will be distributed at the registration booths. Upon being given a ballot, a stockholder/proxy should sign the stockholder/proxy registration list beside his/her signature placed earlier during registration.

After casting his/her vote, the stockholder/proxy may place his/her ballot inside any of the ballot boxes clearly marked as such and located at designated areas at the place of the meeting. Stockholders/proxies will be given a sufficient period of time to vote. Thereafter, SyCip Gorres Velayo & Co. will proceed to collect the ballot boxes and canvass the votes.

All questions and elections shall be decided by majority vote of stockholders present and in proxy and entitled to vote thereat.

Other Matters

As of the date hereof, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting. If other matters come before the meeting, the proxy holders will vote in accordance with his best judgment with respect to such matters that are not known to the solicitors at a reasonable time before the solicitation is made.

The Company shall provide to the stockholders, without charge, on written request the Annual Report of the Company on SEC Form 17-A. All such requests for a copy of the Annual Report shall be directed to the Corporate Secretary, 7th Floor Pacific Star Building, Makati Avenue corner Gil Puyat Avenue, Makati City, Philippines.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 19 March 2015.

LORNA PATAJO-KAPUNAN
Corporate Secretary

Market Information

The Principal Market where the registrant's Common equity is traded:

Philippine Stock Exchange
Latest Market Price – 28 February 2015

Previous close	High	Low	Close
7.1	7.1	7.1	7.1

The following are the high and low sales prices of the shares of the Company for each quarter within the last two fiscal years:

	2014		2013	
Quarter	**High**	**Low**	High	Low
First	**6.90**	**6.30**	7.10	5.18
Second	**7.30**	**6.65**	7.09	6.30
Third	**7.37**	**6.91**	7.30	6.38
Fourth	**7.39**	**6.62**	7.12	6.45

Source: PSE Report

The total number of stockholders/accounts as of 28 February 2015 is 11,357 holding 2,500,000,000 shares of common stock.

Dividends

In 2014, the Board of Directors declared the following cash dividends:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	**0.25**	**20-Nov-14**	**05-Dec-14**	**07-Jan-15**

The cash dividends declared by the Board of Directors in 2013 was:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	0.25	01-Oct-13	31-Oct-13	27-Nov-13

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration. As of 31 December 2014, the Company has sufficient retained earnings available for dividend declaration.

Security Holders

The top 20 stockholders as of 28 February 2015 are as follows:

	Stockholder Name	Number of Common Shares	% of Ownership
1.	Anscor Consolidated Corporation	902,172,303	36.087%
2.	PCD Nominee Corp. (Non-Filipino)	518,337,249	20.733%
3.	PCD Nominee Corp. (Filipino)	508,283,587	20.331%
4.	A-Z Asia Limited Philippines, Inc.	176,646,329	7.066%
5.	Universal Robina Corporation	64,605,739	2.584%
6.	Andres Soriano III	50,490,265	2.020%
7.	Phil. International Life Insurance Co.	30,000,000	1.200%
8.	C & E Property Holdings, Inc.	28,011,922	1.120%
9.	Edmen Property Holdings, Inc.	27,511,925	1.100%
10.	MCMS Property Holdings, Inc	26,513,928	1.061%
11.	Express Holdings, Inc.	23,210,457	0.928%
12.	Phil. International Life Insurance Co.	19,002,875	0.760%
13.	EJS Holdings, Inc.	15,518,782	0.621%
14.	DAO Investment & Management Corp.	8,628,406	0.345%
15.	Philippines Remnants Co., Inc.	7,554,760	0.302%
16.	Balangingi Shipping Corporation	2,767,187	0.112%
17.	Leonardo T. Siguion Reyna	2,000,000	0.080%
18.	Jocelyn C. Lee	2,000,000	0.080%
19.	Lennie C. Lee	2,000,000	0.080%
20.	Yap Securities, Inc.	1,361,011	0.054%
	Total	2,414,616,725	96.667%

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

ANNEX A

Resolutions Approved During the Meetings of the Board of Directors of A. Soriano Corporation for the Period April 23, 2014 to February 18, 2015

1. **Board Meeting held on April 23, 2014**

1.1 RESOLVED, That the Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board of Directors and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2013.

1.2 RESOLVED, That Article IV of the Corporation's Articles of Incorporation is hereby amended to specify the complete address of the Corporation from Metro Manila to 7th Floor, Pacific Star Building, Gil Puyat Avenue corner Makati Avenue, Makati City, Philippines.

2. **Board Meeting held on June 25, 2014**

2.1 RESOLVED, as it is hereby resolved, that the updated Manual on Corporate Governance of the Corporation in compliance with SEC Memorandum Circular No. 9, Series of 2014 is approved.

2.2 RESOLVED AS IT IS HEREBY RESOLVED, that the Corporation be as it is hereby authorized to appoint BANK OF THE PHILIPPINE ISLANDS ("the Bank") as Investment Manager to invest in any of the trust and investment products being offered by the Bank, through its Asset Management & Trust Group, or any of its subsidiaries and affiliates, such as but not limited to Special Deposit Account, Unit Investment Trust Funds, Mutual Funds, etc.;

RESOLVED, FINALLY, That any TWO (2) of the following officers, are hereby authorized to make, execute, sign, acknowledge and deliver the Investment Management Agreement and all subsequent documents, agreements, deeds or contracts, instructions and requests, including waivers, releases, or other instruments in writing, relative to and in connection with the opening, management and closing/ termination of a specific investment management account with the Bank:

Mr. Andres Soriano III
Mr. Eduardo J. Soriano
Mr. Ernest K. Cuyegkeng
Mr. Jose C. Ibazeta
Atty. Joshua L. Castro

2.3 RESOLVED, That Atty. Joshua L. Castro, Assistant Vice President and Assistant Corporate Secretary, is hereby authorized to sign documents relative to the Company's application for retention plan with Smart Communications, Inc.

2.4 RESOLVED, That henceforth and until otherwise ordered by the Board of Directors, the directors/officers of the Corporation herein designated be, as they hereby are, authorized to deposit/place any of the funds of this Corporation in Hongkong & Shanghai Banking Corporation Limited; that any withdrawal from, or charge against the funds, properties or accounts of the Corporation with the said bank, by way of checks, drafts bills of exchange, acceptances, endorsements, undertakings, debit memo(s), fund transfer(s) or other instruments involving payment of money, shall be signed, executed and delivered by any two of the following authorized signatories:

Mr. Eduardo J. Soriano
Mr. Jose C. Ibazeta
Mr.Ernest K.Cuyegkeng
Atty. Joshua L. Castro

RESOLVED, FURTHER, That any and all loans or other credit accommodations or facilities that may be availed by the Corporation from the aforesaid Bank shall be negotiated, concluded and obtained by the authorized signatories above-named under such terms and conditions as the said authorized signatories may deem proper and reasonable; and to secure the payment of the principal and interest thereof by mortgage upon or pledge, conveyance or assignment in trust, of the whole or any part of the property of the Corporation, whether at the time owned or thereafter acquired, under such terms and conditions and stipulations as the said authorized signatories may deem advisable and desirable in the best interest of the Corporation; that all loan documents and such other instruments and papers as may be required, necessary or incidental to implement and carry into effect the authority herein granted shall be signed, executed and delivered by said authorized signatories.

3. **<u>Board Meeting held on September 15, 2014</u>**

3.1 RESOLVED, as it is hereby resolved, that the Corporation is hereby authorized to appropriate the amount of ₱1.1 billion for future investment programs on business activities related to the service sector, tourism, manufacturing, or such other areas of activities as the Board may deem fit for the best interest of the Corporation.

3.2 RESOLVED, That henceforth and until otherwise ordered by the Board of Directors, the following officers of the Corporation are authorized to deposit any of the funds of the Corporation in any of its depository banks, including BANK OF THE PHILIPPINE ISLANDS (BDO/MBTC/LBP/UBP and CBC), and that any withdrawal or charge against the funds, properties or accounts of the Corporation with its depository banks, their subsidiaries and affiliates, including non-bank financial institutions, by way of checks, drafts, bills of exchange, acceptances, endorsements, undertakings, or other instrument or order involving payment of money or documents assigning, transferring and conveying rights to any fund or property of the Corporation, shall be signed, executed and delivered by any TWO (2) of the following authorized signatories of the Corporation, namely:

NAME	POSITION
Mr. Eduardo J. Soriano	Vice Chairman and Treasurer
Mr. Ernest K. Cuyegkeng	Executive Vice President and Chief Financial Officer
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Vice President and Asst. Corporate Secretary

3.3 RESOLVED, That the Corporation is hereby empowered and authorized to apply for and establish an American Express (Amex) Corporate Card Account and/or BDO Corporate Card Account (including Purchasing, Distribution and Fleet Card) with BDO Unibank, Inc. (BDO), from which Account BDO will issue AMEX Corporate Cards and/or BDO Corporate Cards to qualified officers or employees (the "Assignees") of the Corporation;

RESOLVED, That for this purpose, any one of the following officer/s of the Corporation whose names and specimen signatures appear below:

NAME	POSITION
Mr. Eduardo J. Soriano	Vice Chairman and Treasurer
Mr. Ernest K. Cuyegkeng	Executive Vice President and Chief Financial Officer
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Vice President and Asst. Corporate Secretary

with full power of substitution, are hereby empowered and authorized to represent and act for and on behalf of the Corporation in connection with the establishment of the AMEX and/or BDO Corporate Card Account with BDO, and such authority includes but not limited to making the Corporation liable under such terms and conditions, to the extent as said officers may deem necessary, to any and all purchases made through the use of the AMEX and/or BDO Corporate Cards; to the execution, signing, delivery and performance of any required or necessary deeds, transactions, agreements or documents under such terms and conditions as said officer/s, in his/their sole judgment, may deem fit for the Corporation;

RESOLVED, That the Corporation shall pay, to the extent of its liability under the terms and conditions of the AMEX Corporate Cards and/or BDO Corporate Cards, for the purchases made and/or expenses incurred by the said Assignees through the use of the Corporate Cards issued by virtue of this resolution including interest and service charges that may accrue thereto;

RESOLVED, That all transactions, warranties, covenants, dealings and agreements with BDO by the aforestated officer/s with respect to the enforcements and/or implementation of the foregoing transactions, for and on behalf of the Corporation, prior to the approval of these Resolutions and properly thereafter, are hereby approved, confirmed and ratified to be the valid and binding acts, representations, warranties and covenants of the Corporation;

RESOLVED, That these resolutions shall be valid and subsisting and shall remain in full force and effect unless otherwise revoked or amended in writing by the Corporation and duly served upon BDO;

RESOLVED, That any one of the above-named officers is hereby empowered and authorized to advise BDO of these resolutions.

3.4 RESOLVED, That the Corporation is hereby authorized to sell its 117,401,771 shares in NewCo, Inc. at a price of ₱0.397 per share upon commencement of the tender offer by Aquatic Ranch Development Corporation.

RESOLVED FURTHER, That the Corporation's Executive Vice President and Chief Financial Officer, Mr. Ernest K. Cuyegkeng, is hereby authorized to sign any and all documents necessary to give full force and effect to the foregoing resolution.

3.5 a. Depository Banks of the Corporation

RESOLVED, That the following: BANK OF THE PHILIPPINE ISLANDS, BPI FAMILY SAVINGS BANK and BPI DIRECT SAVING BANK, INC. be, as they hereby are, designated individually as depositories of the Corporation, and that the officers or agents of the Corporation herein designated be, as they hereby are, authorized to deposit/place any of the funds of the Corporation, whether peso, dollar or any other currency, in any of the said banks, their subsidiaries, and affiliates including non-bank financial institutions either at their head offices or at any of their branches.

b. Withdrawal or Charge Against the Funds of the Corporation with its Depository Banks, Their Subsidiaries and Affiliates, Including Non-Bank Financial Institutions.

RESOLVED, That any withdrawal from, or charge against, the funds, properties or accounts of the Corporation with its depository banks, their subsidiaries, and affiliates, by way of checks, drafts, bills of exchange, acceptances, endorsements, undertakings, debit/credit memo(s), funds transfer(s) or other instruments or order involving payment of money or documents assigning, transferring and conveying rights to any fund or property of the Corporation, shall be signed, executed and delivered by the authorized signatories provided herein.

RESOLVED, That the Corporation hereby acknowledges and confirms that funds transfers from the accounts of the Corporation to other accounts of the Corporation or to accounts of third parties are for the purpose of or in furtherance of the normal or regular course of business of the Corporation or for the Corporation's day to day operations;

c. Cash Management and Other Transactional Banking Services.

RESOLVED, That the Corporation be, as it is hereby, authorized to enter into transaction and/or avail of products or facilities of, or brokered by, or through the intermediation of its depository banks, or any of its branches, affiliates, and wholly / partly owned subsidiaries, including but not limited to, cash management services, phone / electronic / internet banking facilities, safety deposit boxes, deposit pick-up arrangements, placements and / or purchase of debt papers, negotiable instruments, trust placements and similar transactions as the Corporation may deem reasonable, beneficial and in the furtherance of the interest of the Corporation;

RESOLVED, That the Corporation's authorized signatories be, as they are hereby, authorized to sign, for and in behalf of the Corporation any documents, papers, instruments, instructions, forms, agreements, or contracts as may be appropriate and/or required for the implementation of the foregoing powers / transactions, authorized above:

d. Loan Negotiation and Drawings, Availments or Utilization of Loans or Other Credit Accommodations.

RESOLVED, That the Corporation shall apply, negotiate and obtain any and all loans or other credit accommodations or facilities of the Corporation, whether in peso, dollar or any other currency, including but not limited to trust receipts, with any of its depository banks, their subsidiaries and affiliates and/or trust departments, or with any other bank or non-bank financial institution, or with any other lender or entity, or with any foreign bank, in such amounts and under such terms and conditions as the Corporation's authorized signatories may deem proper and reasonable;

RESOLVED, That the Corporation shall grant, transfer, convey, mortgage, pledge, assign or hypothecate any property, real or personal, of the Corporation to secure the payment of the principal and interest of the obligations of the Corporation whether all the time owned or thereafter acquired, under such terms and conditions and stipulations as the Corporation's authorized signatories may deem advisable and desirable in the best interest of the Corporation and its stockholders:

RESOLVED, further that the Corporation's authorized signatories, be, as they are hereby, authorized to sign, execute and deliver such loan documents, mortgages, pledges, assignments, conveyances, trust receipts, renewals, supplements, amendments thereto, and such other instruments and papers as may be required, necessary to implement and carry into effect the resolutions and authority herein granted.

RESOLVED, furthermore, that any drawings, availments, re-availments, usage or utilization of the loans or other credit accommodations or facilities including trust receipts, promissory notes, drafts, bills of exchange and other negotiable or non-negotiable instruments or other evidence of indebtedness shall be signed, executed and delivered by the Corporation's authorized signatories.

e. Foreign Exchange Transactions

RESOLVED, That the Corporation shall apply, negotiate and obtain for establishment or opening of letters of credit, or other modes of trade payments/collections with any of the aforesaid depository banks, their subsidiaries and affiliates including non-bank financial institutions;

RESOLVED, That any and all documents, instruments, and papers, including and without in any manner restricting or limiting to applications for establishment or opening of letters of credit, or other modes of trade payments/collections, their renewals, extensions, amendments or increase or decrease of the same, bankers acceptances, bills of exchange, guarantee bonds, bills of lading or any and all such other instruments, documents and papers related to foreign exchange transactions, such as purchase or sale of foreign exchange, servicing of trade or non-trade transactions involving visibles and invisibles, shall be signed, executed and delivered by the Corporation's authorized signatories.

f. Authorized Signatory

RESOLVED, That any two (2) of the following, are designated as authorized signatories of the Corporation:

NAME	POSITION
Mr. Ernest K. Cuyegkeng	Executive Vice President and Chief Financial Officer
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Vice President and Asst. Corporate Secretary

RESOLVED, further, that the Assistant Corporate Secretary of the Corporation be authorized, as they are hereby authorized, to submit the updated list of the incumbent officers/directors occupying the positions of the Corporation's authorized signatories.

RESOLVED, finally, that the Corporation undertakes to save free and harmless as well as indemnify the banks from any and all liabilities, claims, suits, charges or expenses, of whatever nature arising out of, in connection with or by virtue of the implementation of these resolutions.

3.6 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Corporation") is empowered and authorized to renew its working capital facilities with Banco de Oro (BDO) as follows:

FACILITY	AMOUNT
Domestic Bills Purchase Line	₱ 100,000,000.00
Foreign Exchange Settlement Line	₱ 50,000,000.00

RESOLVED, FURTHER, That any two (2) of the following officers of the Corporation, namely:

NAME	POSITION
Mr. Eduardo J. Soriano	Vice Chairman and Treasurer
Mr. Ernest K. Cuyegkeng	Executive Vice President and Chief Financial Officer
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Vice President and Asst. Corporate Secretary

be authorized, as they are hereby authorized, directed and empowered, in the name and for the account of the Corporation, to negotiate for and enter into the foregoing transactions with BDO under such terms and conditions as may be acceptable to the aforementioned officers, and to execute, sign and deliver any and all promissory notes, instruments, agreements, contracts and documents that may be necessary and/or required for the implementation of the foregoing transaction;

RESOLVED, FINALLY, That all transactions, warranties, representations, covenants, dealings and agreements by the aforementioned officers of the Corporation with BDO prior to the approval of this Resolution are all hereby approved, confirmed and ratified to be the valid and binding acts, representations, warranties and covenants of the Corporation.

4. **Board Meeting held on November 20, 2014**

4.1 RESOLVED, That A. Soriano Corporation (the "Corporation") is hereby authorized to acquire General Cable Company Ltd.'s 3,540,000 common shares in Phelps Dodge International Philippines, Inc. ("PDIP") and 1,000 common shares in Phelps Dodge Philippines Energy Products Corporation ("PDEP") representing 60% and .02%, respectively, of the total outstanding capital stock of PDIP and PDEP (the "Subject Shares") for a total purchase price of United States Dollars: Sixty Seven Million One Hundred Thirty Seven Thousand Seventy Three (US$67,137,073.00), and under such other terms and conditions as the duly authorized representative of the Corporation may agree upon with General Cable Company, Ltd.;

RESOLVED, further, that Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer and/or Atty. Joshua L. Castro, Assistant Vice President and Assistant Corporate Secretary, are hereby authorized to sign, execute and deliver, for and on behalf of the Corporation, the following: (i) the Share Purchase Agreement and the Deeds of Absolute Sale of Shares covering the sale, transfer and conveyance of the Subject Shares in favor of the Corporation, (ii) the Trademark Licensing Agreement which grants to PDIP a perpetual right to use the "Phelps Dodge" trademark in the Philippines, the Technical Assistance and Support Agreement, and the Distributor and Representative Agreement which agreements are conditions precedent to the execution of the Deeds of Absolute Sale of Shares; and (iii) such other agreements, documents, or instruments that are required or necessary to consummate the Corporation's acquisition of the Subject Shares and/or to give full force and effect to the agreements referred to in (i) and (ii).

4.2 RESOLVED, as it is hereby resolved, that the Corporation is hereby authorized to appropriate from its unrestricted retained earnings by ₱500 million, which appropriation shall be used for the Company's investment program within the next three years on business activities related to the service sector, tourism and manufacturing, whether based in the Philippines or offshore.

4.3 RESOLVED, as it is hereby resolved, that there is hereby declared out of the surplus profits of the Corporation, a cash dividend of Twenty Five Centavos (₱0.25) per share on the common stock of the Corporation, payable on January 7, 2015, to all stockholders of record as of the close of business on December 5, 2014, and Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby directed and authorized to cause the payment of the said cash dividend on the specified date.

4.4 RESOLVED, That the Corporation is hereby authorized to buyback from the market the Corporation's shares of stock, through its 100% subsidiary Anscor Consolidated Corporation, up to five percent (5%) of its outstanding capital stock at such price as may be deemed beneficial to the Corporation, and for this purpose hereby authorizing Mr. Ernest K. Cuyegkeng, Executive Vice President and Chief Financial Officer, to sign all documents that may be required or necessary to give full force and effect to this resolution.

4.5 RESOLVED, as it is hereby resolved, that A. Soriano Corporation (the "Corporation") is authorized to apply for and obtain a Short Term Loan facility with Banco de Oro, or any of its branches, its subsidiaries and affiliates (the "Bank") amounting to ₱1,500,000,000.00;

RESOLVED, FINALLY, that any two (2) of the following officers of the Corporation are authorized to sign, execute and deliver for and in behalf of the Corporation, any and all documents that may be required to give full force and effect to this resolution:

NAME	POSITION
Mr. Eduardo J. Soriano	Vice Chairman and Treasurer
Mr. Ernest K. Cuyegkeng	Executive Vice President and Chief Financial Officer
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Vice President and Asst. Corporate Secretary

4.6 RESOLVED, as it is hereby resolved, that Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby authorized to sign, execute and deliver for and in behalf of the Corporation any and all pertinent documents that may be required by Sta. Elena Golf & Country Club.

5. **Board Meeting held on February 18, 2015**

5.1 RESOLVED, as it is hereby resolved, that the audited Financial Statements of A. Soriano Corporation for the year ended December 31, 2014 is hereby approved.

5.2 The Board proceeded to approve the record date, proxy validation date and the date of the Annual Stockholders' Meeting as follows:

Record Date – March 13, 2015
Proxy Validation Date – April 06, 2015
Date of Stockholders' Meeting – April 15, 2015

5.3 RESOLVED, as it is hereby resolved, that the Corporation is hereby authorized to increase the Corporation's appropriation from its unrestricted retained earnings by ₱500 million, which appropriation shall be used for the Company's investment program within the next three years on business activities related to the service sector, tourism and manufacturing, wther based in the Philippines or offshore.

A. SORIANO CORPORATION
7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat Avenue Ext.,
1209 Makati City, Philippines

2014 ANNUAL REPORT

1930-2015

A. SORIANO CORPORATION

CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS

The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2014.

CHAIRMAN'S **MESSAGE**


ANDRES SORIANO III

THE ECONOMIC PICTURE

Gross Domestic Product (GDP) grew at a slower pace, from 7.2% in 2013 to 6.1% in 2014. The slowdown was due to the services' sector and government spending. Government expenditure decelerated and public construction fell, reflecting cautious spending by its agencies over alleged misuse of funds. Areas of concern for the year also included the ever present need to tackle poverty, governance, peace and order, disaster preparedness and the need to attract more direct foreign capital investment.

During the year, the Philippines posted a balance of payment deficit of US$2.88 billion, caused by investment money outflows in anticipation of the ending of the U.S. Federal Reserve's easy monetary policy.

On a positive note, the 2014 inflation rate stood at 4.1% reflecting the downward trend of food and oil prices. The stable to depreciating peso against the US dollar during the last few months of 2014 helped grow exports.

2014 FINANCIAL PERFORMANCE

Your Company generated a consolidated net income of ₱2.04 billion, 50% higher than last year's net profit of ₱1.36 billion. This was largely the result of higher consolidated revenues of ₱4.26 billion, representing a 21% increase from the ₱3.53 billion of 2013.

Anscor's financial assets saw gains from the sale of marketable securities amounting to ₱1.67 billion, 52% better than last year's ₱1.10 billion. The sale of these securities occurred mostly in the 4th quarter of the year to fund the purchase of 60% of Phelps Dodge International Philippines, Inc. (PDIPI).

Anscor's financial assets continued to perform well during the year.

Our core investments in traded shares—which include Aboitiz Power Corporation, Aboitiz Equity Ventures, International Container Terminal Services, Inc., iPeople and other marketable equity holdings, contributed dividend income of ₱260.9 million, higher than the ₱238.0 million of 2013. Interest income of ₱96.4 million was slightly better than the previous year.

The decline in the market value of investments carried at fair value through profit and loss was ₱9.5 million. This amount recovered from a loss of ₱102.8 million in 2013 with the improved market prices of equity funds and bonds managed by a third party.

With the slight loss in value of the peso against the US dollar and the euro in 2014, the peso value of Anscor's foreign currency-denominated investments improved. This gain was offset by the Group's dollar-denominated loans, resulting in a consolidated foreign exchange loss of ₱10.0 million against a gain of ₱32.7 million in 2013.

Anscor's operating investments contributed ₱147.1 million in equity earnings, 36% below last year's ₱228.9 million. The favorable performances of PDIPI and Cirrus Medical Staffing, Inc. were offset by a share in the losses of AG&P and Seven Seas Resorts and Leisure, Inc.

On November 20, 2014, your Company declared cash dividends of ₱0.25 per share to stockholders of record as of December 5, 2014, which were paid on January 7, 2015.

On December 22, 2014, your Company acquired, for ₱3.0 billion, General Cable's 60% stake in PDIPI, increasing Anscor's ownership to 100%. As a result of this acquisition, existing accounting standards required us to revalue Anscor's original 40% holding in PDIPI, which led to a step up gain of ₱700 million. We took this opportunity to provide valuation allowances to some of our investments for conservatism.

As of December 31, 2014, your Company's book value per share stood at ₱11.94 versus ₱10.82 in 2013.

ANSCOR GROUP OPERATIONS

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDIPI)

Sales and net income hit all-time highs in another good year for PDIPI. Revenues rose across all business sectors: commercial, industrial, manufacturing and energy with PDIPI's net sales revenue reaching ₱6.6 billion, a 14% increase over 2013 levels. Net income grew 23% to ₱535.5 million.

New product lines continue to drive the company's growth. Access to high-quality high-voltage lines, and a reputation for reliable engineering services, enabled PDIPI to secure several large and important orders. The company's ability to offer a variety of standard and new product lines and new business solutions has made Phelps Dodge become a leader in the country's wire-and-cable industry.

Supported by a network of capable dealers, Phelps Dodge expanded its customer base. Continuous market research and sharing of information made the partnership between PDIPI and its dealers highly effective.

The improved net income, despite lower average copper prices during the year, was the result of continual operating improvements and productivity gains.

Moving forward, PDIPI will strengthen its delivery of customer requirements with its current mix of products, business solutions and services. Its continuing access to leading technology, new product offerings and research through a new technical agreement with General Cable should strengthen the Company's ability to carry out its growth plans.

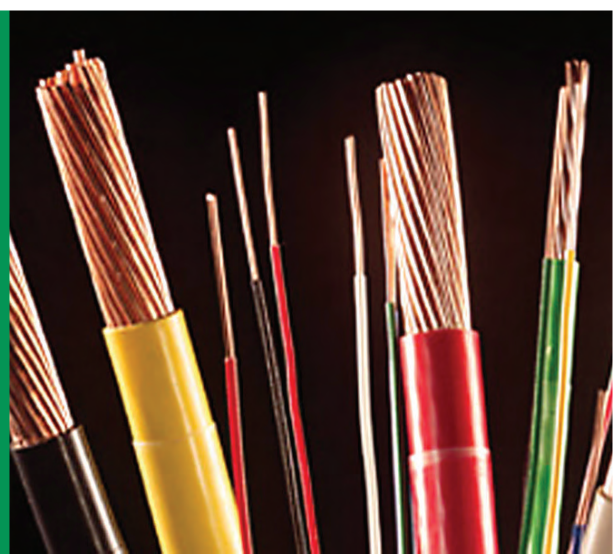
SEVEN SEAS RESORTS AND LEISURE INC. (Owner of Amanpulo Resort)

With the memory of the catastrophic typhoon *Yolanda* receding, Amanpulo is starting to attract foreign tourists again. The Resort reported an 8% increase in revenue, from ₱445.3 million in 2013 to ₱480.1 million in 2014. Occupancy rates reached 34.4% with average room rates rising from US$1,057 to US$1,168. Room revenue also benefited from the depreciation of the peso by an average of 10.5%.

The combined share of villa revenue and fees from villa operations increased 19.9% due to better villa occupancy and villa rates. The second batch of the Resort's renovated casitas was completed in the last semester of 2014. The Resort was closed in the month of June for major renovation and replacement of the roofs of all casitas, the beach club and the main clubhouse.

Gross operating profit amounted to ₱57.0 million, at par with that of last year, tempered by higher depreciation and management fees. Last year's net loss of ₱16.4 million increased to ₱32.3 million in 2014. Management fees to Aman rose to ₱36.5 million in 2014 from ₱19.6 million in 2013.

PDIPI will continue to strengthen servicing customer requirements with its current mix of products, business solutions and services.



Seven Seas completed paving the runway and the construction of seawall on the eastern side of the island; plugging the east reef hole; and expanding the laundry and housekeeping stations. The company also extended and completely renovated the kitchen of the beach club. We are pleased with the informal and formal feedback from both repeat and first time guests on the casita renovation and the redesigned interiors.

During the year, the builders turned over to Amanpulo, two of the five villas under construction for private owners. Completion of the remaining three villas will be in the first quarter of 2015. The two remaining available villas were sold with a completion date by middle of 2016.

This will bring our total room inventory to 103, comprised of the original 40 casitas and 63 rooms of the 16 villas.

Amanpulo's capital investments continue to focus on improving the guest experience and efficiencies, lowering cost and shifting to more environmentally-friendly technologies. The Resort's electric golf carts run on solar power. Studies on reef protection and regeneration are among on-going environmental initiatives.

Amanpulo received several tourism awards in 2014, among them that of being the 'Leading Resort in the Philippines' from the World Travel Awards. The Resort was also nominated for the "World's Leading Private Island Resort" and "Asia's Leading Villa Resort".

CIRRUS MEDICAL STAFFING, INC.

Demand for temporary health-care staff in the United States strengthened throughout 2014, driven by an increase in hospital admissions as the Affordable Health Act begun to take effect. The increase in patient volumes helped drive strong demand in most areas of healthcare staffing.

For 2014, the company reported ₱1.2 billion in consolidated revenue, a 6% increase over that of 2013. Sales growth was underpinned by growth in Travel Nursing, Cirrus' largest segment, and the International and Direct-Hire divisions.

Regulatory changes in Medicare reimbursement, and the continued consolidation of rehabilitation facilities and agencies, resulted in the continued decline in Travel Therapy.

Consolidated operating income was ₱51.9 million, compared to an operating loss of ₱13.6 million in 2013. Improved profitability was driven by a 10% increase in gross margin and a reduction in overhead expenses.

2015 has started well and Cirrus expects that the increased demand and the productivity improvement that have been in place will continue to bear fruit.

AG&P INTERNATIONAL HOLDINGS LTD.

AG&P revenues grew by 75% to US$214.34 million in 2014, as the Bechtel Gladstone LNG project was completed and the Ichthys LNG project gathered momentum.

Despite higher revenues, AG&P's 2014 gross profit of US$46.4 million was 3% below that of 2013 and operating expenses were higher by 18%, as the company added staff to prepare for future growth. In addition, AG&P terminated the incubation of Energy City, a domestic LNG project, which resulted in the write down of US$7.0 million. The company also secured modularization work for the Yamal LNG project, which commenced in late 2014.

The focus for 2015 will be on progressing the Ichthys project to completion, finishing the first modules for Yamal LNG Project, achieving greater operational efficiencies and building a healthy sales pipeline.

ENDERUN COLLEGES, INC.

For its fiscal year June 1, 2013 to May 31, 2014 Enderun Colleges posted a consolidated net income of ₱64.2 million on revenues of ₱456.6 million. The company also tracks its financial performance by reporting its adjusted EBITDA (operating income plus depreciation expenses and non-cash rental accruals). Enderun's adjusted EBITDA for fiscal year 2013-2014 was ₱120.4 million, 26% higher than that of the previous year.

As of May 31, 2014, the company's cash position stood at ₱91.8 million and the College is debt-free. During the year, it paid cash dividends of ₱59.94 million of which ₱12.45 million accrued to Anscor.

Enderun's student population has grown to over 1,100 full-time college and certificate students, spread almost evenly across the school's three main degree offerings in Hospitality Management, Business Administration and Entrepreneurship.

There is a steady growth in Enderun's continuing education unit, Enderun Extension. Its revenues rose 10.9% year-on-year to ₱64.5 million. The school's Food & Beverage unit has also grown significantly: its revenues rising 41.5% to ₱77.4 million from ₱54.7 million in 2013.

Enderun continues to bolster its reputation in the market for higher education, particularly in hospitality and business management. Enderun has established itself as the top-quality institution in hotel administration and the culinary arts, as evidenced by its expanding student population and its growing base of industry partners.

The College's career-focus business program and hands-on entrepreneurship program are attracting top faculty members, and a growing population of highly-motivated students.

The College recently established a hotel management and consultancy arm, Enderun Hospitality Management (EHM). Through EHM, the company now manages five hotel properties and provides consultancy services to two other hotels in the Philippines.

PROPLE LIMITED

Consolidated full-year revenues for Prople Limited grew three times from ₱168.0 million in 2013 to ₱538.0 million in 2014. This was a direct result of Prople's acquisition on November 26, 2013 of 100% of the non-audit business of US-based Kellogg and Andelson Accountancy Corporation (K&A).

Founded in 1939, K&A is an established US accounting firm, providing tax, general accounting and consulting services to thousands of small-to-medium-sized companies in California and the Midwest.

Prople's profit performance improved with consolidated operational EBITDA reaching ₱64.8 million and net income of ₱15.9 million, excluding the one-time closing costs associated with the acquisition.

Following its acquisition of K&A, Prople now employs 373 people serving over 5,500 clients from operations located in six cities worldwide. Moving forward, its K&A partnership gives Prople heavier weight, reach and capability, and positions it to capture market opportunities in the high-growth business segments of finance and accounting, human resources and information services globally. Cross-selling and the shift of some of the US-based work to Manila assures Prople of continued growth in 2015.

KSA REALTY CORPORATION

In 2012 and 2013, KSA Realty Corporation experienced strong performances in its leasing operations with rising occupancy rates and rental yields.

While Management remained positive that the building would be able to maintain its momentum, 2014 started with quite a challenge. The terms of almost a quarter of the building's leasable spaces were due to expire and competing office supply continued to rise in the Makati Central Business District and Fort Global City.

KSA successfully renewed more than 90% of expiring leases and most of its remaining vacant spaces were taken on by new and existing tenants. The building's occupancy rate remained at 98% and average rental yield increased by 8% to ₱921 per sq.m. at the end of 2014.

To confirm the confidence that the tenants have shown by renewing their tenancy and to remain current with the competition, KSA took on an upgrading project with a budget of ₱400.0 million. This endeavor will update the common areas of this 15-year old building, upgrade its facilities and maintain its reputation as one of the premiere office buildings in the metropolis.

2014 was a good year for KSA with a gross rental income reaching over ₱900.0 million. Net income rose to a high of ₱690.0 million. These results permitted the declaration of cash dividends of ₱800.0 million, of which ₱91.4 million accrued to Anscor.

Predictive Edge Technologies, LLC

Predictive Edge Technologies is an early stage technology company. Currently, the company has eight patents pending or awarded.

Its subsidiary, Behavior Matrix LLC, is a world class emotional and behaviour analytics platform that gives companies and organizations a unique way to understand their respective audiences. Through the use of advanced mathematics, analytical algorithms and big data harvesting, Behaviour Matrix provides clients with insights to guide their business intelligence and marketing strategies.

In 2014, Behavior Matrix achieved a year-over-year growth in sales of over 200% with sales of $1,953,705 up from $641,500 in the prior year.

CORPORATE SOCIAL RESPONSIBILITY

The Andres Soriano Foundation (ASF) continues to undertake community-development programs in the isolated and disadvantaged areas of North-eastern Palawan, also offers various forms of aid and comfort to cancer patients and victims of natural disasters, sustained by its many partners and donors.

Small Island Sustainable Development Program

The Foundation's Coastal Resource Management Project supports 12 marine sanctuaries.

The Foundation's yearly Health Caravan provided 2,533 medical services to 2,125 patients, and supported 385 malnourished children.

Its community-based Tuberculosis Directly Observed Treatment Short Course project began full operation in 2014. These health initiatives were supported by the SHARE Foundation of Portugal, a long time donor.

Teach minds.
Touch hearts.
Transform lives.

A birthing clinic in Cocoro Island, Municipality of Magsaysay, was built in partnership with the Zuellig Family Foundation.

ASF built ten pre-school classrooms for public elementary schools, in addition to six rehabilitated Day Care Centers. It is supervising three pre-school centers on islands without public schools this school term.

An ASF full academic scholar from Manamoc Island graduated in April 2014 with a degree in Accountancy. Fourteen technical-vocational scholars completed the six-month course and started their on-the-job training.

A two-classroom school building was constructed in Concepcion to replace school buildings damaged by Typhoon Yolanda.

In partnership with Solar Energy Foundation, ASF received 250 units of solar lamps and four units of solar suitcases for health stations and birthing clinics.

ASF's livelihood programs helped victims of Typhoon Yolanda set up 69 micro-enterprises on Quiniluban Island. A partnership with Amanpulo by the Manamoc Livelihood Association generated ₱4.5 million in the sale of local products, 11% better than last year's performance, benefitting more than 300 families.

Cancer Care Program

In ASF's specialized oncology-nursing course, 22 registered and full-time duty nurses sent by six hospitals in the Western Visayas are officially enrolled in the course's pilot implementation.

In partnership with the Philippine General Hospital Cancer Institute, the Foundation continues to provide maintenance chemotherapy medicines for 45 indigent breast-cancer patients.

Disaster Relief and Rehabilitation Activities

For Typhoon Yolanda relief and rehabilitation efforts, ASF received nearly ₱10.0 million in cash and in-kind donations. More than 3,090 relief packs were distributed to Barangays Algeciras, Concepcion and Manamoc.

ASF provided more than 200 GI sheets donated by its trustee to residents with partially-damaged houses and school buildings in these barangays. In addition, the Foundation built 300 core shelter units for indigent families whose houses were totally-damaged. All units were completed and turned over in November 2014.

OUTLOOK AND STRATEGY

In 2014, taking our most promising opportunities, we raised our stake in Phelps Dodge International Philippines, Inc.

Through Prople, our business-solutions provider, we also acquired K&A, a US-based accounting firm, to help expand our BPO-services business.

Growing our businesses is vital to Anscor's long-term success. We keep a tight watch on our existing portfolio of businesses and new opportunities as they emerge.

In 2014, we were able to increase revenue, manage expenses, and improve business margins and profitability of most of our operating units.

Our country's most valuable asset is its well educated and industrious people. Filipinos and the Filipino Family values are themselves the strongest drivers of the economy.

Given that the majority of Anscor's businesses compete in technical knowledge-process outsourcing and service-oriented industries, we believe that, we are well placed to take advantage of emerging trends. The improved outlook for both the Philippine and the global economy are encouraging signs.

We are well placed to take advantage of emerging trends and the improved outlook for both the Philippine and the global economy.

It is in this environment that your Company reflects on 2014 with thanks and looks forward to 2015 with the fundamentals in place to be able to grow as a holding company, and for each company in the Group to expand.

ACKNOWLEDGMENT

On behalf of your Board of Directors, our most sincere appreciation to you, our shareholders, for your continued support and to our customers for their patronage.

Our achievements would not have been possible without the dedication and loyal support of all our employees and partners. On behalf of the Board and myself, Thank You.

FINANCIAL HIGHLIGHTS

(In Million Pesos Except for Ratios and Per Share data)

CONSOLIDATED FOR THE YEAR	2014	2013	2012
REVENUES	**4,258.4**	3,525.1	3,716.5
Services	**1,966.1**	1,812.1	1,918.8
Gain on sale of available for sale (AFS) investments and investments in associates	**1,718.0**	1,101.9	1,169.3
Dividend income	**260.9**	238.0	232.0
Equity in net earnings of associates	**147.1**	228.9	155.3
Interest income	**96.4**	95.6	93.5
Management fee	**78.3**	58.9	55.8
Gain (loss) on increase (decrease) in market values of fair value through profit or loss (FVPL) investments	**(9.5)**	(102.8)	67.2
Gain on sale of villa lots	**–**	82.0	–
Other income	**0.9**	10.5	21.0
NET INCOME*	**2,041.1**	1,358.0	1,467.9
EARNINGS PER SHARE**	**1.63**	1.08	1.07

CONSOLIDATED AT YEAR-END	2014	2013	2012
Total Assets	**21,319.5**	17,326.5	13,949.9
Equity Attributable to Equity Holdings of the Parent	**14,835.2**	13,637.9	12,211.7
Investment Portfolio	**14,559.6**	14,721.3	11,551.6
Current Ratio	**1.27**	1.96	1.79
Debt to Equity Ratio	**0.41**	0.24	0.11
Book Value Per Share***	**11.94**	10.82	9.71

* *Attributable to equity holdings of the parent.*

** *Based on weighted average number of shares of 1,254.0 million in 2014, 1,261.0 million in 2013 and 1,374.3 million in 2012.*

*** *Based on outstanding shares of 1,242.1 million, 1,261.0 million and 1,258.2 million as of December 31, 2014, 2013 and 2012, respectively.*

ANSCOR GROUP
KEY FINANCIAL DATA

(In Million Pesos)

	2014	2013
PHELPS DODGE PHILIPPINES ENERGY PRODUCTS CORPORATION (NOTE 1)		
Revenues	6,552	5,726
Net Income	536	432
Total Assets	3,327	2,824
Equity	2,905	2,307
CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES		
Revenues	1,251	1,208
Net Income (Loss)	32	(9)
Total Assets	883	853
Equity	759	731
SEVEN SEAS RESORTS AND LEISURE, INC.		
Revenues	480	445
Net Loss	(32)	(16)
Total Assets	1,655	1,372
Equity	766	800
REVENUES – OTHER AFFILIATES		
KSA Realty Corporation	900	827
Prople Limited	538	168
Enderun Colleges, Inc.	457	406
Island Aviation, Inc.	168	161
Cirrus Global, Inc. (consolidated; formerly IQMAN)	39	27

Available figures as of March 4, 2015.
Note 1: Inclusive of PD Energy International Corporation's financial information.

FIVE-YEAR REVIEW

Consolidated Financial Information

(In Million Pesos Except Per Share Data)

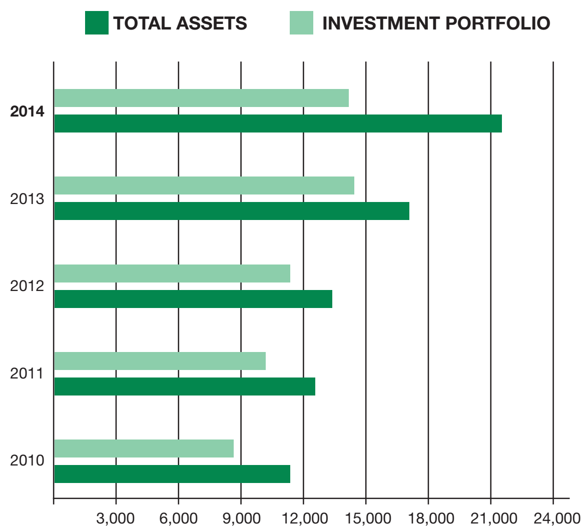
YEAR	NET INCOME	EQUITY ATTRIBUTABLE TO EQUITY HOLDINGS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	EARNINGS PER *SHARE	BOOK VALUE PER **SHARE
2014	**2,041.1**	**14,835.2**	**1,254.0**	**1.63**	**11.94**
2013	1,358.0	13,637.9	1,261.0	1.08	10.82
2012	1,467.9	12,211.7	1,374.3	1.07	9.71
2011	993.4	11,293.3	1,350.7	0.74	8.69
2010	1,975.4	10,776.1	1,351.6	1.46	8.28

YEAR	GROSS REVENUE	TOTAL ASSETS	INVESTMENT PORTPOLIO
2014	**4,258.4**	**21,319.5**	**14,559.6**
2013	3,525.1	17,326.5	14,721.3
2012	3,716.5	13,949.9	11,551.6
2011	2,807.8	12,550.1	10,519.4
2010	3,501.9	11,430.3	8,742.5

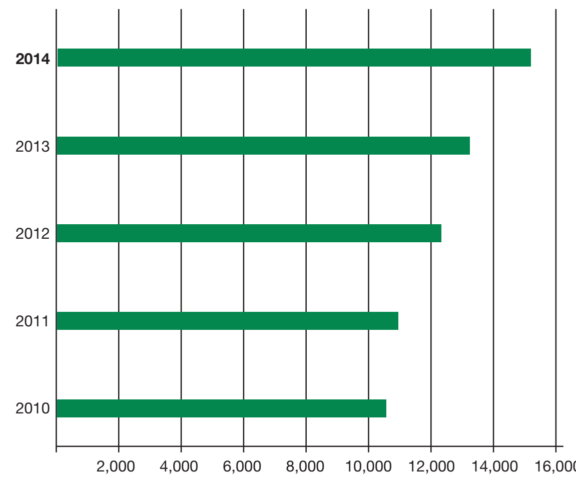
* *Ratio of net income to weighted average number of shares outstanding during the year.*
** *Ratio of equity attributable to equity holdings of the parent to outstanding number of shares as of end-December.*

(In Million Pesos)

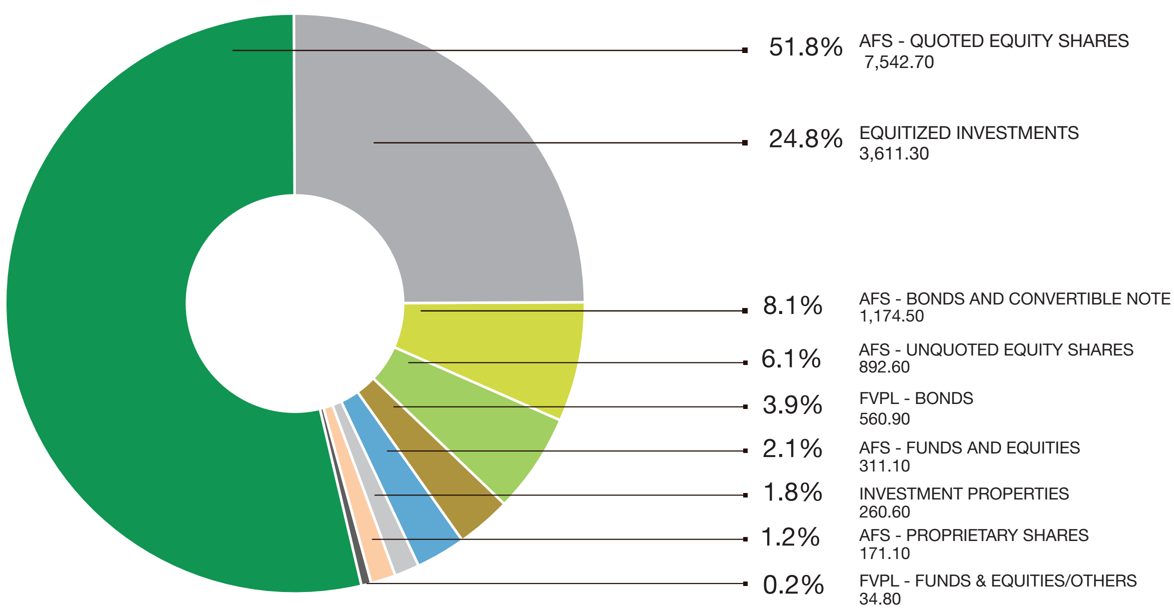
CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO



EQUITY ATTRIBUTABLE TO EQUITY HOLDINGS OF THE PARENT



CONSOLIDATED INVESTMENT PORTFOLIO DETAILS DECEMBER 31, 2014



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2014, 2013 and 2012, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ANDRES SORIANO III Chairman & Chief Executive Officer/President	ERNEST K. CUYEGKENG Executive Vice President & Chief Financial Officer

Signed this 25th day of February 2015

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 25th day of February 2015 affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE OF ISSUE
Andres Soriano III	506368805	Jan. 14 2015 to Jan. 13, 2025/U.S.
Ernest K. Cuyegkeng	EB4390925	Jan. 31, 2015 to Jan. 30, 2020/Manila

Doc. No. 141;
Page No. 30;
Book No. VI;
Series of 2015.

MA. CHRISTINE FEL P. DE VERA
Appointment No. M-521
Notary Public for Makati City
Under December 31, 2015
Penthouse, Liberty Center,
104 H.V. Dela Costa Street, Makati City
Roll of Attorneys No. 62659
PTR No. 4754659/Makati City/01-06-2015
IBP No. 479423/Laguna/01-05-2015

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
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Philippines

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012 valid until November 16, 2015

The Stockholders and the Board of Directors
A. Soriano Corporation

We have audited the accompanying consolidated financial statements of A. Soriano Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of A. Soriano Corporation and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-1 (Group A),
February 2, 2012, valid until March 31, 2015
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751308, January 5, 2015, Makati City

February 18, 2015

Consolidated Balance Sheets

		December 31		
		2014		2013
ASSETS				
Current Assets				
Cash and cash equivalents (Notes 6 and 7)	₱	**1,401,033,659**	₱	743,892,509
Fair value through profit or loss (FVPL) investments (Note 8)		**595,681,712**		479,879,789
Receivables (Notes 6 and 9)		**1,692,829,023**		439,038,918
Inventories (Notes 6 and 10)		**900,214,435**		82,690,608
Available-for-sale (AFS) investments - current (Note 11)		**24,691,343**		48,949,783
Prepayments		**78,043,758**		41,644,515
Other current assets (Note 29)		**85,110,374**		85,115,844
Total Current Assets		**4,777,604,304**		1,921,211,966
Noncurrent Assets				
AFS investments - net of current portion (Note 11)		**10,067,299,976**		10,299,579,269
Investments and advances (Note 12)		**1,541,990,755**		3,078,289,972
Goodwill (Note 6)		**2,069,329,539**		612,333,405
Property and equipment (Notes 6, 13 and 18)		**2,345,505,386**		1,031,160,231
Investment properties (Notes 6, 14 and 29)		**260,569,744**		206,769,100
Retirement plan asset (Notes 6 and 23)		**65,533,724**		53,846,435
Other noncurrent assets (Notes 6, 15 and 29)		**191,624,130**		123,326,239
Total Noncurrent Assets		**16,541,853,254**		15,405,304,651
TOTAL ASSETS	₱	**21,319,457,558**	₱	17,326,516,617
LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable (Note 16)	₱	**1,529,461,840**	₱	125,095,466
Accounts payable and accrued expenses (Notes 6, 17 and 29)		**1,014,496,149**		400,910,183
Dividends payable (Note 19)		**519,664,033**		264,014,626
Customer's deposits for property development (Note 12)		**381,844,350**		156,858,000
Income tax payable		**66,199,040**		2,055,860
Current portion of long-term debt (Notes 6 and 18)		**237,502,643**		31,337,632
Total Current Liabilities		**3,749,168,055**		980,271,767

(Forward)

Consolidated Balance Sheets

		December 31		
		2014		2013
Noncurrent Liabilities				
Long-term debt - net of current portion (Notes 6 and 18)	₱	**1,934,135,533**	₱	2,109,426,619
Deferred revenues (Note 29)		**29,715,303**		28,448,316
Deferred income tax liabilities - net (Notes 6 and 24)		**282,941,998**		108,876,698
Retirement benefits payable (Notes 6 and 23)		**9,054,911**		10,965,263
Other noncurrent liabilities (Notes 6, 15 and 29)		**105,002,529**		80,623,353
Total Noncurrent Liabilities		**2,360,850,274**		2,338,340,249
Total Liabilities		**6,110,018,329**		3,318,612,016
Equity Attributable to Equity Holdings of the Parent (Note 19)				
Capital stock - ₱1 par value		**2,500,000,000**		2,500,000,000
Additional paid-in capital		**1,605,613,566**		1,605,613,566
Equity reserve on acquisition of noncontrolling interest (Note 3)		**(26,356,543)**		(26,356,543)
Cumulative translation adjustment		**10,702,438**		(20,417,578)
Unrealized valuation gains on AFS investments (Note 11)		**3,238,819,432**		3,675,941,998
Remeasurement on retirement benefits (Note 23)		**40,843,333**		35,720,041
Retained earnings:				
Appropriated (Note 19)		**4,600,000,000**		3,000,000,000
Unappropriated (Note 19)		**5,029,204,349**		4,898,587,228
Cost of shares held by a subsidiary (1,257,900,646 shares, 1,238,997,391 shares and 1,241,797,039 shares in 2014, 2013 and 2012, respectively) (Note 19)		**(2,163,648,770)**		(2,031,222,641)
		14,835,177,805		13,637,866,071
Noncontrolling Interests (Note 3)		**374,261,424**		370,038,530
Total Equity		**15,209,439,229**		14,007,904,601
TOTAL LIABILITIES AND EQUITY	₱	**21,319,457,558**	₱	17,326,516,617

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Services (Note 29)	₱ **1,966,139,955**	₱ 1,812,136,972	₱ 1,918,796,648
Dividend income (Note 11)	**260,862,079**	237,966,271	231,958,775
Equity in net earnings of associates (Note 12)	**147,141,103**	228,945,588	155,327,752
Interest income (Notes 7, 8, 11 and 22)	**96,438,999**	95,592,251	93,512,782
Management fee (Notes 9, 26 and 29)	**78,344,162**	58,926,242	55,776,625
Sale of villa lots (Note 14)	**–**	82,033,482	–
Others	**881,793**	10,468,291	21,049,349
	2,549,808,091	2,526,069,097	2,476,421,931
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments (Note 11)	**1,661,985,514**	1,101,883,509	1,169,315,456
Investment in associates (Note 12)	**56,059,176**	–	–
Property and equipment and investment property (Notes 13 and 14)	**–**	–	3,510,150
Gain (loss) on increase (decrease) in market values of FVPL investments (Note 8)	**(9,487,014)**	(102,835,133)	67,242,449
	1,708,557,676	999,048,376	1,240,068,055
TOTAL	**4,258,365,767**	3,525,117,473	3,716,489,986
Costs of services rendered (Note 20)	**(1,361,515,068)**	(1,330,261,339)	(1,288,064,254)
Cost of villa lots sold (Note 14)	**–**	(19,860,844)	–
Operating expenses (Note 20)	**(864,121,022)**	(761,493,193)	(721,118,746)
Interest expense (Note 22)	**(61,361,043)**	(34,877,538)	(18,246,049)
Foreign exchange gain (loss) - net	**(9,962,427)**	32,696,008	(78,729,221)
Other income (charges) - net (Notes 22 and 29)	**102,695,296**	(48,424,613)	(85,702,775)
	(2,194,264,264)	(2,162,221,519)	(2,191,861,045)
INCOME BEFORE INCOME TAX	**2,064,101,503**	1,362,895,954	1,524,628,941
PROVISION FOR INCOME TAX (Note 24)	**29,359,944**	16,113,987	34,986,166
NET INCOME	₱ **2,034,741,559**	₱ 1,346,781,967	₱ 1,489,642,775
Attributable to:			
Equity holdings of the Parent	₱ **2,041,141,959**	₱ 1,358,036,019	₱ 1,467,919,427
Noncontrolling interests	**(6,400,400)**	(11,254,052)	21,723,348
	₱ **2,034,741,559**	₱ 1,346,781,967	₱ 1,489,642,775
Earnings Per Share			
Basic/diluted, for net income attributable to equity holdings of the Parent (Note 25)	₱ **1.63**	₱ 1.08	₱ 1.07

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2014	2013	2012
NET INCOME	₱ **2,034,741,559**	₱ 1,346,781,967	₱ 1,489,642,775
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains on AFS investments (Note 11)	**2,819,454,360**	1,468,825,443	2,171,495,685
Income tax effect	**(15,918,015)**	(18,177,103)	(29,799,220)
	2,803,536,345	1,450,648,340	2,141,696,465
Realized gains on sale of AFS investments, net of impairment losses, recognized in the consolidated statements of income (Note 11)	**(3,264,572,647)**	(1,237,321,771)	(1,182,576,855)
Income tax effect	**23,913,736**	3,815,782	3,694,349
	(3,240,658,911)	(1,233,505,989)	(1,178,882,506)
	(437,122,566)	217,142,351	962,813,959
Cumulative translation adjustment	**31,120,016**	135,752,012	(85,537,035)
	(406,002,550)	352,894,363	877,276,924
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (Note 23)	**6,403,863**	15,440,233	35,549,095
Income tax effect	**(1,921,158)**	(4,747,470)	(10,765,305)
	4,482,705	10,692,763	24,783,790
OTHER COMPREHENSIVE INCOME (LOSS)	**(401,519,845)**	363,587,126	902,060,714
TOTAL COMPREHENSIVE INCOME	₱ **1,633,221,714**	₱ 1,710,369,093	₱ 2,391,703,489
Attributable to:			
Equity holdings of the Parent	₱ **1,640,262,701**	₱ 1,721,447,737	₱ 2,369,849,415
Noncontrolling interests	**(7,040,987)**	(11,078,644)	21,854,074
	₱ **1,633,221,714**	₱ 1,710,369,093	₱ 2,391,703,489

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holdings of the Parent (Note 19)					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on AFS Investments (Note 11)	Cumulative Actuarial Gains (Note 23)
BALANCES AT AT DECEMBER 31, 2011	₱ 2,500,000,000	₱ 1,574,103,911	(₱ 26,356,543)	(₱ 70,632,555)	₱ 2,495,985,688	₱ 549,622
Total comprehensive income (loss) for the year	–	–	–	(85,537,035)	962,813,959	24,653,064
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱1,231.7 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2012	2,500,000,000	1,574,103,911	(26,356,543)	(156,169,590)	3,458,799,647	25,202,686
Total comprehensive income (loss) for the year	–	–	–	135,752,012	217,142,351	10,517,355
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱309.8 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Treasury shares reissued during the year	–	31,509,655	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–
Additional investment in a subsidiary (Note 12)	–	–	–	–	–	–
Appropriation during the year (Note 19)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2013	2,500,000,000	1,605,613,566	(26,356,543)	(20,417,578)	3,675,941,998	35,720,041
Total comprehensive income (loss) for the year	–	–	–	31,120,016	(437,122,566)	5,123,292
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–
Appropriation of retained earnings (Note 19)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2014	**₱ 2,500,000,000**	**₱ 1,605,613,566**	**(₱ 26,356,543)**	**₱ 10,702,438**	**₱3,238,819,432**	**₱40,843,333**

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holdings of the Parent (Note 19)						
		Retained Earnings		Cost of Shares			
	Subtotal*	Appropriated	Unappropriated	Held by a Subsidiary	Total	Noncontrolling Interests	Grand Total
BALANCES AT DECEMBER 31, 2011	₱6,473,650,123	₱2,100,000,000	₱ 4,556,260,395	(₱1,836,655,862)	₱11,293,254,656	₱320,691,429	₱11,613,946,085
Total comprehensive income (loss) for the year	901,929,988	–	1,467,919,427	–	2,369,849,415	21,854,074	2,391,703,489
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱1,231.7 million (Note 19)	–	–	(1,268,302,961)	–	(1,268,302,961)	–	(1,268,302,961)
Shares repurchased during the year (Note 19)	–	–	–	(183,068,737)	(183,068,737)	–	(183,068,737)
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	(516,333)	(516,333)
BALANCES AT DECEMBER 31, 2012	7,375,580,111	2,100,000,000	4,755,876,861	(2,019,724,599)	12,211,732,373	342,029,170	12,553,761,543
Total comprehensive income (loss) for the year	363,411,718	–	1,358,036,019	–	1,721,447,737	(11,078,644)	1,710,369,093
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱309.8 million (Note 19)	–	–	(315,325,652)	–	(315,325,652)	–	(315,325,652)
Shares repurchased during the year	–	–	–	(21,419,406)	(21,419,406)	–	(21,419,406)
Treasury shares reissued during the year	31,509,655	–	–	9,921,364	41,431,019	–	41,431,019
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	(1,939,021)	(1,939,021)
Additional investment in a subsidiary (Note 12)	–	–	–	–	–	41,027,025	41,027,025
Appropriation during the year (Note 19)	–	900,000,000	(900,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2013	7,770,501,484	3,000,000,000	4,898,587,228	(2,031,222,641)	13,637,866,071	370,038,530	14,007,904,601
Total comprehensive income (loss) for the year	(400,879,258)	–	2,041,141,959	–	1,640,262,701	(7,040,987)	1,633,221,714
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	(310,524,838)	–	(310,524,838)	–	(310,524,838)
Shares repurchased during the year (Note 19)	–	–	–	(132,426,129)	(132,426,129)	–	(132,426,129)
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	11,263,881	11,263,881
Appropriation during the year (Note 19)	–	1,600,000,000	(1,600,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2014	**₱7,369,622,226**	**₱4,600,000,000**	**₱ 5,029,204,349**	**₱ 2,163,648,770**	**₱14,835,177,805**	**₱374,261,424**	**₱15,209,439,229**

* *Sum of equity details in page 20.*

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱ 2,064,101,503**	₱ 1,362,895,954	₱ 1,524,628,941
Adjustments for:			
Loss (gain) on sale of:			
AFS investments (Note 11)	**(1,661,985,514)**	(1,101,883,509)	(1,169,315,456)
Investment in associates	**(56,059,176)**	–	–
Property and equipment (Note 13)	**28,151**	–	(3,510,150)
Gain on remeasurement of previously held interest (Note 22)	**(699,011,094)**	–	–
Valuation allowances - net (Note 22)	**683,780,320**	73,678,356	70,521,700
Dividend income (Note 11)	**(260,862,079)**	(237,966,271)	(231,958,775)
Equity in net earnings of associates (Note 12)	**(147,141,103)**	(228,945,588)	(155,327,752)
Depreciation and amortization (Note 13)	**132,907,136**	127,561,862	117,903,279
Interest income (Note 22)	**(96,438,999)**	(95,592,251)	(93,512,782)
Interest expense (Note 22)	**61,361,043**	34,877,538	18,246,049
Unrealized foreign exchange losses - net	**32,420,744**	106,014,593	46,324,451
Retirement benefit costs (Note 23)	**11,722,183**	11,474,829	15,384,331
Loss (gain) on decrease (increase) in market values of FVPL investments (Note 8)	**9,487,014**	102,835,133	(67,242,449)
Operating income before working capital changes	**74,310,129**	154,950,646	72,141,387
Decrease (increase) in:			
FVPL investments	**(124,275,601)**	(54,078,824)	399,344,115
Receivables	**(17,241,769)**	(97,790,402)	(28,626,949)
Inventories	**(39,327,133)**	4,186,191	(5,173,511)
Prepayments and other current assets	**(39,349,178)**	(42,734,568)	12,778,054
Increase (decrease) in:			
Accounts payable and accrued expenses	**282,359,937**	32,152,326	21,326,851
Customer's deposit for property development	**224,986,350**	156,858,000	–
Deferred revenues	**1,266,987**	(1,226,729)	(50,467,544)
Net cash provided by operations	**362,729,722**	152,316,640	421,322,403
Dividends received	**356,062,079**	307,566,271	276,758,775
Interest received	**98,046,778**	97,227,033	96,986,204
Interest paid	**(61,361,043)**	(34,877,538)	(18,246,049)
Retirement benefit contribution (Note 23)	**(13,923,949)**	(15,695,633)	(42,909,632)
Income taxes paid	**(12,094,161)**	(23,226,651)	(24,564,933)
Net cash flows from operating activities	**729,459,426**	483,310,122	709,346,768

(Forward)

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
AFS investments (Note 11)	**₱ 5,650,606,104**	₱ 5,181,601,386	₱ 5,973,486,059
Investment in associates	**56,059,176**	–	–
Property and equipment (Note 13)	**–**	–	8,503,759
Additions to:			
AFS investments (Note 11)	**(4,435,277,618)**	(5,131,238,087)	(5,269,523,768)
Property and equipment (Note 13)	**(196,878,710)**	(283,486,670)	(90,791,210)
Acquisition of subsidiaries, net of cash acquired (Note 6)	**(2,369,366,713)**	–	–
Advances to affiliates (Note 12)	**5,914,823**	(1,886,405)	–
Acquisition of an associate (Note 12)	**–**	(1,737,200,000)	–
Net cash flows from (used in) investing activities	**(1,288,942,938)**	(1,972,209,776)	621,674,840
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable (Note 16)	**1,529,461,840**	176,133,976	432,787,492
Payments of:			
Notes payable (Note 16)	**(78,139,466)**	(389,625,547)	(187,395,000)
Long-term debt (Note 18)	**(30,419,980)**	(24,254,167)	(26,574,114)
Dividends (Note 19)	**(54,875,431)**	(420,473,090)	(1,045,784,954)
Company shares purchased by a subsidiary (Note 19)	**(132,426,129)**	(21,419,406)	(183,068,737)
Increase (decrease) in noncontrolling interests	**504,714**	39,263,412	(542,303)
Proceeds from long-term debt (Note 18)	**–**	1,973,976,357	30,000,000
Proceeds from sale of treasury stock (Note 19)	**–**	41,431,019	–
Net cash flows from (used) in financing activities	**1,234,105,548**	1,375,032,554	(980,577,616)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**674,622,036**	(113,867,100)	350,443,992
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(17,480,886)**	(12,793,005)	(22,318,060)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**743,892,509**	870,552,614	542,426,682
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱ 1,401,033,659**	₱ 743,892,509	₱ 870,552,614

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses. On July 17, 1979, the SEC approved the Company's amended articles of incorporation extending the term of its existence for another fifty years up to February 12, 2030. The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded. The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issue by the Board of Directors (BOD) on February 18, 2015.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for securities at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Group's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

Statement of Compliance

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

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 Interpretations based on IFRIC Interpretation which were adopted as of January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements)*
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no significant impact on the Group's consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group since the Group has no novation of derivatives.

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

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)

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

Annual Improvements to PFRSs (2011-2013 cycle)

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

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

The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB 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 consolidated financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group since it has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

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

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments,* if early adopted). The Group shall consider this amendment for future business combinations.

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

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

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment, and* PAS 41, *Agriculture - Bearer Plants (Amendments)*
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

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

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

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments – Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

  The Group is currently assessing the impact of this standard.

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

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at December 31:

	Nature of Business	Percentage of Ownership 2014	2013	2012
A. Soriano Air Corporation (Note 29)	Services/Rental	**100**	100	100
Pamalican Island Holdings, Inc. (PIHI)	Holding	**62**	62	62
Island Aviation, Inc. (IAI, Notes 18 and 29)	Air Transport	**62**	62	62
Anscor Consolidated Corporation (Anscorcon)	Holding	**100**	100	100
Anscor International, Inc. (AI, Note 12)	Holding	**100**	100	100
IQ Healthcare Investments (IQHIL) Limited (IQHIL, Note 12)	Manpower Services	**100**	100	100
Cirrus Medical Staffing, Inc. (Cirrus, Notes 6 and 12)	Manpower Services	**94**	94	94
Cirrus Holdings USA, LLC (Cirrus LLC, Note 6)	Manpower Services	**94**	94	94
Cirrus Allied, LLC (Cirrus Allied, Note 6) Manpower Services		**94**	94	94
NurseTogether, LLC (NT) (Note 6)	Online Community Management	**94**	94	94
Anscor Property Holdings, Inc. (APHI, Note 14)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	**100**	100	100
Goldenhall Holdings, Inc.	Real Estate Holding	**100**	100	100
Lakeroad Holdings, Inc.	Real Estate Holding	**100**	100	100
Mainroad Holdings, Inc.	Real Estate Holding	**100**	100	100
Makatwiran Holdings, Inc. (Makatwiran)	Real Estate Holding	**100**	100	100
Makisig Holdings, Inc. (Makisig)	Real Estate Holding	**100**	100	100
Malikhain Holdings, Inc. (Malikhain)	Real Estate Holding	**100**	100	100
Mountainridge Holdings, Inc.	Real Estate Holding	**100**	100	100
Rollingview Holdings, Inc.	Real Estate Holding	**100**	100	100
Summerside Holdings, Inc.	Real Estate Holding	**100**	100	100
Timbercrest Holdings, Inc.	Real Estate Holding	**100**	100	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 6, 12 and 29)	Holding	**100**	–	–
Minuet Realty Corporation (Minuet)	Landholding	**100**	–	–
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 6, 12 and 29)	Wire Manufacturing	**100**	–	–
PD Energy International Corporation (PDEIC)	Wire Manufacturing	**100**	–	–
Sutton Place Holdings, Inc. (Sutton)	Holding	**100**	100	100
Cirrus Global, Inc. (CGI, Note 29)	Manpower Services	**93**	93	93
IQ Healthcare Professional Connection, LLC (IQHPC, Notes 15 and 29)	Manpower Services	**93**	93	93
AFC Agribusiness Corporation (ACC) (Note 12)	Real Estate Holding	**81**	–	–
Seven Seas Resorts and Leisure, Inc. (SSRLI, Note 12)	Villa Project Development	**62**	62	62
Pamalican Resort, Inc. (PRI, Note 12)	Resort Operations	**62**	62	62

Except for AI, IQHIL, Cirrus and its subsidiaries and IQHPC, the above companies are all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while Cirrus and its subsidiaries and IQHPC are based in the United States of America (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheet.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If these is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

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

The following are the Group's associates:

	Nature of Business	Percentage of Ownership 2014	2013	2012
Vicinetum Holdings, Inc. (VHI, Note 12)	Holding	**32**	32	32
AGP International Holdings Ltd. (AGPI, Note 12)***	Holding	**27**	27	–
NewCo., Inc. (Newco, Note 12)*	Real Estate	**–**	45	45
AFC Agribusiness Corporation	Real Estate	**–**	45	45
Anscor-Casto Travel Corporation*	Travel Agency	**–**	44	44
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 12 and 29)**	Holding	**–**	40	40
Minuet Realty Corporation (Minuet)	Landholding	**–**	60	60
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 12 and 29)**	Wire Manufacturing	**–**	40	40
PD Energy International Corporation (PDEIC)	Wire Manufacturing	**–**	40	40

* *Sold in 2014 (see Note 12)*
** *Became subsidiaries as of December 31, 2014 (see Note 6)*
*** *Its associate is engaged in modular steel fabrication.*

In 2013, Minuet was excluded in the consolidated financial statements as special voting requirements adopted by its shareholders manifested that the Company's 60% holdings in Minuet is not sufficient to carry major business decisions. With the acquisition of PDIPI as discussed in Note 6, Minuet became a wholly-owned subsidiary of the Company and is included in the consolidated financial statements as of December 31, 2014.

On June 28, 2013, AI converted its Convertible Bridge Notes from AGPI to Series B voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI for the subscription to series C voting preferred shares. The subscription increases its holdings to 27%, making AGPI an associate of the Group.

Except for AGPI, the above companies are all based in the Philippines. The principal business location of AGPI is in the British Virgin Islands.

Business Combinations and Goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of income.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences 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 closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to AFS equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and AFS investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

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

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

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

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

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

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

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

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

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

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Classification of financial instruments

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

As of December 31, 2014 and 2013, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of December 31, 2014 and 2013.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in “Gain (loss) on increase (decrease) in market values of FVPL investments”. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of December 31, 2014 and 2013, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives amounting to ₱595.7 million and ₱479.9 million, respectively. No financial liability at FVPL is outstanding as of December 31, 2014 and 2013.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as “Recoveries (valuation allowances) - net” account under “Other income (charges) - net” in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to officers and employees and other receivables.

(c) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as “Gain on sale of AFS investments”. Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized as such in the consolidated statement of income when the right of payment has been established.

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within twelve months after the reporting period.

As of December 31, 2014 and 2013, the Group’s AFS investments include investment in equity securities and bond and convertible notes.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of December 31, 2014 and 2013, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of December 31, 2014 and 2013, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

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 or removed from the consolidated balance sheet where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

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

Impairment of Financial Assets

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables 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.

For individually significant financial assets, 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 the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective evidence of impairment exists for 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 for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. 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 reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

AFS investments

In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. The losses arising from impairment of such investments are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income.

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

Day 1 Difference

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of goods

Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on villa development project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method. Under this method, revenue is recognized only when the villa clusters have been constructed, turned over to, and accepted by the buyer.

Rendering of services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses
Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Construction costs
Construction costs are recognized by reference to the stage of completion of the construction activity as of reporting date. Since the Group subcontracted the work to third parties, the construction costs equal the construction revenue.

Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold using the average costing method.

The cost of real estate sold includes the acquisition cost of the land and total development costs upon completion. Cost of lots sold is determined based on average method while cost of villa is accounted for using specific identification.

Costs of services rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

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

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments
Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment
Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises 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. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight, ground, machinery and other equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

** or lease term, whichever is shorter*

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

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

<u>Property Development in Progress</u>

Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

<u>Investment Properties</u>

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes 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. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed:

Category	Number of Years
Land improvements	25
Buildings	20 - 30
Condominium units	20

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

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

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Customer's Deposit for Property Development

Customer's deposit for property development is recorded at cost. The deposit is an advance payment by a villa buyer which is required to start and complete the villa development. Upon sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

The Group as Lessee

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

The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits

The Group has a non-contributory 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.

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

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

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

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 tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of December 31, 2014, 2013 and 2012.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of 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.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in 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.

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 amounts recognized in the consolidated financial statements.

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition 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 balance sheets (see Note 28).

Operating lease commitments - the Group as Lessee

The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating lease commitments - the Group as Lessor

The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

Financial assets not in an active market

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, 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.

Impairment losses on loans and receivables

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

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For 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. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received. Allowance for doubtful accounts as of December 31, 2014 and 2013 amounted to ₱606.3 million and ₱625.3 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱1,692.8 million and ₱443.5 million as of December 31, 2014 and 2013, respectively (see Notes 9 and 12).

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data (see Note 28).

Unquoted equity investments amounted to ₱892.6 million and ₱969.3 million as of December 31, 2014 and 2013, respectively (see Note 11).

Impairment of AFS equity investments

The Group recognizes impairment losses on AFS equity investments 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. In 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).

In 2014, impairment loss was recognized totaling ₱161.4 million on its equity instruments (nil in 2013). AFS equity investments amounted to ₱8,917.5 million and ₱9,504.7 million as of December 31, 2014 and 2013, respectively (see Note 11).

Impairment of AFS debt investments

For AFS debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment. In 2014, impairment loss was recognized totaling ₱98.5 million. No impairment was noted in 2013. The carrying value of AFS debt investments amounted to ₱1,174.5 million and ₱843.9 million as of December 31, 2014 and 2013, respectively (see Note 11).

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. 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 inventory and impairment losses would increase recorded expenses and decrease current assets.

As of December 31, 2014 and 2013, allowance for inventory losses and obsolescence amounted to ₱60.8 million and ₱5.7 million, respectively. The carrying amount of the inventories amounted to ₱900.2 million and ₱82.7 million as of December 31, 2014 and 2013, respectively (see Note 10).

Estimation of useful lives of the Group's property and equipment

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

As of December 31, 2014 and 2013, the carrying value of property and equipment amounted to ₱2,345.5 million and ₱1,031.2 million, respectively (see Note 13).

Investments carried at equity method

Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In 2014, an impairment loss which amounted to ₱440.4 million was recognized due to losses incurred by the investee and the revenue and earnings trend are relatively lower as compared with budget. As of December 31, 2014 and 2013, allowance for decline in value of investments amounted to ₱462.5 million and ₱27.3 million, respectively. The carrying amounts of the investments amounted to ₱1,542.0 million and ₱3,073.8 million as of December 31, 2014 and 2013, respectively (see Note 12).

Impairment of non-financial assets

(a) Property and equipment and investment properties

The Group assesses impairment on assets 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.

As of December 31, 2014 and 2013, the carrying value of property and equipment and investment properties amounted to ₱2,606.1 million and ₱1,237.9 million, respectively (see Notes 13 and 14).

There is no impairment loss on property and equipment and investment properties as of and for each of the three years in the period ended December 31, 2014 (see Notes 13 and 14).

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value-in-use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱100.0 million since December 31, 2009 on its investment in Cirrus.

As of December 31, 2014 and 2013, the carrying value of goodwill excluding provisional goodwill of ₱1,452.5 million, amounted to ₱612.3 million (see Note 6).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management 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 profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As of December 31, 2014 and 2013, the Group recognized deferred income tax assets amounting to ₱64.8 million and ₱13.6 million, respectively (see Note 24).

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Retirement plan asset as of December 31, 2014 and 2013 amounted to ₱65.5 million and ₱53.8 million, respectively. Retirement benefits payable as of December 31, 2014 and 2013 amounted to ₱9.1 million and ₱11.0 million, respectively. Further details are provided in Note 23.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 23.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in the preceding notes and in Note 30.

Determination of absence of significant influence over Enderun

The Company determined that it has no significant influence over Enderun. Management assessed that it does not exercise significant influence over the financial and operating policy decisions of the investee. Accordingly, Enderun is considered an AFS investment (see Note 11).

Determining whether an acquisition represents a business combination or an asset purchase

Determining whether the acquisition meets the definition of a business combination requires judgment to be applied on a case by case basis. The Company acquired AAC, a subsidiary. At the time of acquisition, the Company considers whether the acquisition represents an acquisition represents an acquisition of a business or an asset acquisition. At acquisition date, the subsidiary owns a parcel of land which is idle and as such, the acquisition is accounted for as an asset acquisition (see Note 12).

Purchase price allocation in business combinations and goodwill

The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated statement of financial position or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The Company's acquisitions of certain subsidiaries have resulted in recognition of goodwill. In 2014, the acquisition of PDIPI and its subsidiary, PDP Energy, has resulted in recognition of goodwill which amounted to ₱1,452.5 million based on provisional purchase price allocation (see Note 6). The total carrying value of goodwill amounted to ₱2,069.3 million and ₱612.3 million as of December 31, 2014 and 2013, respectively.

5. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered. Prior to 2008, the Group has no geographical segments (except for IQHPC's operations) as majority of the companies within the Group were incorporated and are operating within the Philippines. The Group has no inter-segment sales and transfers. The amounts disclosed were determined consistent with the measurement basis under PFRS.

Holding company segment pertains to the operations of the Company.

Nurse/Physical Therapist (PT) staffing companies segment pertains to the subsidiaries providing healthcare and allied services operating in the United States.

Resort operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others (see Note 3).

Amounts for the investments in associates comprise the Group's equity in net earnings of the associates.

Other operations include wire manufacturing, air transportation, hangarage, real estate holding and management, and recruitment services.

The following tables present the financial information of the business segments as of and for the years ended December 31, 2014, 2013 and 2012 (in thousands).

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Co. (Note 6)	Holding Co. (Parent)	Resort Operations (Note 6)	*Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2014								
Revenues, excluding interest income	₱ 1,250,017	₱ 760,785	₱ 494,071	₱ 545,505	₱ –	₱ 3,050,378	(₱ 597,009)	₱ 2,453,369
Interest income	9,349	80,214	3,353	3,523	–	96,439	–	96,439
Investment gains	–	1,708,776	–	(218)	–	1,708,558	–	1,708,558
Interest expense	1,981	53,840	1,912	3,628	–	61,361	–	61,361
Income tax expense	19,511	(3,777)	6,754	6,872	–	29,360	–	29,360
Net income (loss)	30,352	1,602,622	(27,280)	326,979	147,141	2,079,814	(45,072)	2,034,742
Total assets	3,631,986	18,534,609	1,646,336	4,019,918	–	27,832,849	(6,513,391)	21,319,458
Investments and advances	2,012,400	7,743,783	–	35,827	–	9,792,010	(8,250,019)	1,541,991
Property and equipment	4,275	32,974	860,177	616,574	–	1,514,000	831,505	2,345,505
Total liabilities	3,452,932	4,356,736	881,577	764,866	–	9,456,111	(3,346,093)	6,110,018
Depreciation and amortization	7,101	2,235	92,390	31,181	–	132,907	–	132,907
Impairment loss	2,599	700,348	352	5,034	–	708,333	–	708,333
Cash flows from (used in):								
Operating activities	42,297	568,772	218,641	18,432	–	848,142	(118,683)	729,459
Investing activities	(1,269)	(2,041,432)	(151,145)	(38,976)	–	(2,232,822)	943,879	(1,288,943)
Financing activities	40,425	1,445,125	5,106	(12,397)	–	1,478,259	(244,153)	1,234,106

** Included in "Other Operations" are the balance sheet accounts pertaining to wire manufacturing business. Details in thousand pesos follow:*

Total assets - ₱3,326,645

Property and equipment - ₱543,922

Total liabilities - ₱421,764

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Co. (Note 6)	Holding Co. (Parent)	Resort Operations (Note 6)	Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2013								
Revenues, excluding interest income	₱ 1,201,024	₱ 696,067	₱ 527,783	₱ 533,183	₱ –	₱ 2,958,057	(₱ 527,580)	₱ 2,430,477
Interest income	227	88,867	3,737	2,761	–	95,592	–	95,592
Investment gains	–	1,000,607	–	(1,559)	–	999,048	–	999,048
Interest expense	1,448	27,422	1,744	4,264	–	34,878	–	34,878
Income tax expense	(4,514)	(4,553)	20,192	4,989	–	16,114	–	16,114
Net income (loss)	6,909	1,534,524	(21,302)	307,254	228,946	2,056,331	(709,549)	1,346,782
Total assets	3,505,636	16,049,801	1,376,518	962,796	–	21,894,751	(4,568,234)	17,326,517
Investments and advances	1,997,775	5,146,562	51,850	23,477	–	7,219,664	(4,141,374)	3,078,290
Property and equipment	6,854	39,628	791,162	69,611	–	907,255	123,905	1,031,160
Total liabilities	3,358,962	2,416,691	582,645	219,370	–	6,577,668	(3,259,056)	3,318,612
Depreciation and amortization	7,001	5,684	87,003	27,874	–	127,562	–	127,562
Other non-cash expenses	–	71,357	–	2,321	–	73,678	–	73,678
Cash flows from (used in):								
Operating activities	34,278	463,909	194,594	551,565	–	1,244,346	(761,036)	483,310
Investing activities	(16,346)	(1,712,414)	(222,407)	54,390	–	(1,896,777)	(75,433)	(1,972,210)
Financing activities	(2,884)	974,853	(104,542)	49,327	–	916,754	458,278	1,375,032

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Co. (Note 6)	Holding Co. (Parent)	Resort Operations (Note 6)	Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2012								
Revenues, excluding interest income	₱ 1,145,739	₱1,381,293	₱ 545,195	₱ 610,414	₱ –	₱ 3,682,641	(₱ 1,299,732)	₱ 2,382,909
Interest income	–	86,708	3,726	3,079	–	93,513	–	93,513
Investment gains	–	1,239,370	–	698	–	1,240,068	–	1,240,068
Interest expense	1,386	8,058	3,449	5,353	–	18,246	–	18,246
Income tax expense	7,379	3,664	16,000	7,943	–	34,986	–	34,986
Net income (loss)	(7,219)	2,360,578	50,141	208,445	155,328	2,767,273	(1,277,630)	1,489,643
Total assets	1,322,602	13,273,011	1,231,103	296,452	–	16,123,168	(2,173,263)	13,949,905
Investments and advances	–	3,093,516	–	–	–	3,093,516	(2,174,233)	919,283
Property and equipment	6,002	36,294	614,062	94,399	–	750,757	123,906	874,663
Total liabilities	1,193,600	793,912	524,018	41,465	–	2,552,995	(1,156,851)	1,396,144
Depreciation and amortization	3,487	5,660	72,697	36,059	–	117,903	–	117,903
Other non-cash expenses	–	65,287	–	5,235	–	70,522	–	70,522
Cash flows from (used in):								
Operating activities	(37,578)	1,683,830	98,417	14,100	–	1,758,769	(1,049,422)	709,347
Investing activities	(10,392)	673,331	(74,859)	(13,769)	–	574,311	47,364	621,675
Financing activities	40,717	(2,027,482)	32,620	(4,319)	–	(1,958,464)	977,886	(980,578)

6. Business Combination

a. Step-acquisition

On December 19, 2014, the Company acquired 60% shares and voting interest in PDIPI, and its subsidiary, PDP Energy (collectively referred to as "PDP Group"). As a result, the Company's equity interest in PDP Group increased from 40% to 100%, obtaining control of PDP Group. The primary reason for the additional investment is that the Company believes in the continuing success of PDP Group and in its ability to give an attractive rate of return.

The previous carrying values and provisional fair values of identifiable assets and liabilities of PDP Group at the date of acquisition were (in millions):

		Previous Carrying Values		Provisional Fair Values Recognized on Acquisition
Cash and cash equivalents	₱	661.0	₱	661.0
Receivables		1,241.5		1,241.5
Inventories		778.2		778.2
Property, plant and equipment		543.9		1,251.5
Other assets		102.7		102.7
Total assets		3,327.3		4,034.9
Accounts payable and accrued expenses		(358.5)		(358.5)
Other payables		(63.9)		(63.9)
Deferred income tax liability		–		(212.3)
Total identifiable net assets acquired		2,904.9		3,400.2
Provisional goodwill arising from the acquisition				1,452.5
Total consideration			₱	4,852.7
Cash paid (presented as investing activities)			₱	2,995.7
Fair value of previously held interest				1,857.0
Total consideration			₱	4,852.7

The fair values of trade receivables amounted to ₱1,241.5 million. The gross amount of trade receivables is ₱1,307.5 million, of which ₱66.0 million is expected to be uncollectible.

The deferred tax liability mainly comprises the tax effect of the excess of fair value over cost of property, plant and equipment.

The provisional goodwill which amounted to ₱1,452.5 million comprises the trademark, which is not separately recognized. Goodwill is allocated entirely to the PDP Energy, the cash generating unit. None of the provisional goodwill recognized is expected to be deductible for income tax purposes.

There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets.*

Acquisition-related costs of ₱6.5 million have been charged to operations in 2014.

Since the change in ownership occurred towards the end of the year, for purposes of consolidation, the Company treated PDP Group as a consolidated subsidiary at the end of the year. As such, no revenue nor profit of PDP Group is included in the consolidated statement of comprehensive income in 2014. Had PDP Group been consolidated from January 1, 2014, the consolidated statement of income would show an increase in pro-forma revenue of ₱6,552.4 million and increase in net income of ₱535.5 million in 2014.

The Company recognized a gain of ₱699.0 million as a result of measuring at fair value its 40% equity interest in PDP Group held before the business combination. The gain is included in "Other income (charges) - net" account in the 2014 consolidated statement of income (see Note 22).

b. Goodwill represents the excess of acquisition cost of the following subsidiaries over the Parent's share in the fair value of their net assets. The carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) follows (in millions):

		2014		2013
PDP (see Note 6a)	₱	**1,452.5**	₱	–
Cirrus		**517.5**		513.0
SSRLI		**99.3**		99.3
	₱	**2,069.3**	₱	612.3

The goodwill allocated to Cirrus of ₱577.9 million, before exchange differences amounting to ₱45.4 million and ₱40.9 million as of December 31, 2014 and 2013, respectively, and valuation allowance amounting to ₱105.8 million as of December 31, 2014 and 2013, comprises the value of the acquired companies' customer and staff base and existing market share in the healthcare staffing industry. There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets.* The goodwill from Cirrus increased by ₱4.5 million and ₱46.6 million in 2014 and 2013, respectively, due to foreign exchange differences.

c. Impairment Testing of Goodwill

i. Cirrus

The recoverable amount of the investments in Cirrus has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The key assumptions used to determine the recoverable amount as of December 31, 2014 and 2013 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections is 12% in 2014 and 2013.

Terminal value
Management has used the most recent healthcare staffing transaction price earnings multiple in determining the terminal value.

Growth rate
Cirrus assumed a growth rate of 9% to 10% in 2014 and 2013. Management has used the average industry growth rate for the forecast.

Sensitivity to changes in assumptions
A reduction to 7% in the revenue growth rate in 2014, assuming all other assumptions remain constant, would result in further impairment. In 2013, no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

As to other key assumptions, management believes that no reasonably possible change in these key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

ii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The key assumptions used to determine the recoverable amount as of December 31, 2014 and 2013 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections is 10% in 2014 and 2013.

Growth rate
Growth rate assumptions for the five year cash flow projections in 2014 and 2013 are supported by the different initiatives of SSRLI. The Company used 5% growth rate in revenue in its cash flow projection in both years.

Terminal value
Cash flows beyond the five-year period in 2014 and 2013 are based on earnings before interest and taxes, depreciation and amortization multiples of entities deemed similar to SSRLI.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

7. Cash and Cash Equivalents

	2014	2013
Cash on hand and with banks	₱ **1,341,444,528**	₱ 516,432,925
Short-term investments	**59,589,131**	227,459,584
	₱ **1,401,033,659**	₱ 743,892,509

Cash with banks earn interest at the respective bank deposit rates ranging from 0.25% to 1.25% and 0.13% to 0.35% in 2014 and 2013, respectively (see Note 22). Short-term investments with interest rates ranging from 0.30% to 2.00% in 2014 and 2013 are made for varying periods of up to three months depending on the immediate cash requirements of the Group.

8. Fair Value Through Profit or Loss (FVPL) Investments

		2014		2013
Bonds	₱	560,889,748	₱	410,431,087
Funds and equities		8,621,964		53,378,702
Others		26,170,000		16,070,000
	₱	595,681,712	₱	479,879,789

This account consists of investments that are designated as FVPL and held-for-trading investments. Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g. call and put options) that significantly modify the security's cash flow. These investments are classified under bonds and others. Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 5.25% to 13.13% in 2014, 4.88% to 13.13% in 2013 and 2.50% to 11.50% in 2012.

Net gains (losses) on increase (decrease) in market value of FVPL investments as of December 31 are as follows (in millions):

	Unrealized valuation gains (losses) in market values as of December 31				Gain (loss) on increase (decrease) in market value of FVPL Investments	
		2014		2013		in 2014
Bonds	(₱	22.7)	(₱	16.3)	(₱	6.4)
Funds and equities		0.3		(2.3)		2.6
Others		1.2		1.1		0.1
Total		(21.2)		(17.5)		(3.7)
Add realized loss on sale of FVPL investments						(5.8)
Net loss on decrease in market value of FVPL investments					(₱	9.5)

	Unrealized valuation gains (losses) in market values as of December 31				Gain (loss) on increase (decrease) in market value of FVPL Investments	
		2013		2012		in 2013
Bonds	(₱	16.3)	₱	19.4	(₱	35.7)
Funds and equities		(2.3)		2.6		(4.9)
Others		1.1		0.2		0.9
Total		(17.5)		22.2		(39.7)
Add realized loss on sale of FVPL investments						(63.1)
Net loss on decrease in market value of FVPL investments					(₱	102.8)

	Unrealized valuation gains (losses) in market values as of December 31 2012	2011	Gain (loss) on increase (decrease) in market value of FVPL Investments in 2012
Bonds	₱ 19.4	(₱ 20.8)	₱ 40.2
Funds and equities	2.6	(5.1)	7.7
Others	0.2	1.4	(1.2)
Total	22.2	(24.5)	46.7
Add realized gain on sale of FVPL investments			20.5
Net gain on increase in market value of FVPL investments			₱ 67.2

In 2014, 2013 and 2012, the Group entered into non-deliverable currency forward contracts to manage foreign currency risk. These contracts were all settled during the year and resulted to a realized gain of ₱0.9 million in 2014, realized loss of ₱80.1 million in 2013 and realized gain of ₱22.9 million in 2012. There were no outstanding forward transaction as of December 31, 2014 and 2013.

9. Receivables

	2014	2013
Trade (Note 26)	₱ **1,548,437,227**	₱ 294,275,140
Notes receivable	**40,000,000**	60,803,463
Interest receivable	**19,585,300**	23,878,602
Tax credits/refunds	**68,174,021**	50,032,391
Advances to employees	**10,170,075**	5,061,723
Receivables from villa owners	**10,872,107**	5,744,725
Advances to suppliers	**290,733**	16,560,398
Others	**36,826,515**	18,644,194
	1,734,355,978	475,000,636
Less allowance for doubtful accounts	**41,526,955**	35,961,718
	₱ **1,692,829,023**	₱ 439,038,918

Trade receivables are non-interest bearing and are normally settled on 30 days' term.

In 2013, the Company has notes receivables from Maybank ATR Kim Eng which amounted to ₱40.0 million as of December 31, 2014 and 2013 for the latter's working capital requirements. The loan is unsecured, interest-bearing and currently due demandable.

Notes receivable from Tayabas Geothermal Power Corp. (Tayabas Power) amounting to ₱20.8 million noninterest-bearing and is guaranteed in full by SKI Construction Group, Inc., parent company of Tayabas Power and any obligation of guarantor not paid when due will bear interest of 12% per annum. In January 2011, these were collected.

Interest receivable pertains to accrued interest income from cash and cash equivalents, FVPL and AFS investments in debt instruments.

Advances to suppliers include total cost of fuel tanks and pipelines to be recovered from a supplier over the supply contract period agreed upon by the parties.

Other receivables represent accruals of revenue from client hospitals of a subsidiary.

Movement in the allowance for doubtful trade and other receivable accounts are as follows:

	Trade	Others	2014 Total
At January 1	₱ **34,128,560**	₱ **1,833,158**	₱ **35,961,718**
Provision for the year (Note 22)	**6,174,132**	**–**	**6,174,132**
Writeoff	**(608,895)**	**–**	**(608,895)**
At December 31	₱ **39,693,797**	₱ **1,833,158**	₱ **41,526,955**

	Trade	Others	2013 Total
At January 1	₱ 31,722,447	₱ 1,833,158	₱ 33,555,605
Provision for the year (Note 22)	5,018,782	–	5,018,782
Recoveries (Note 22)	(2,612,669)	–	(2,612,669)
At December 31	₱ 34,128,560	₱ 1,833,158	₱ 35,961,718

10. Inventories

	2014	2013
At cost:		
Food and beverage	₱ **13,019,981**	₱ 15,866,037
Spare parts and supplies	**6,141,835**	–
Reels inventory	**4,458,476**	–
Materials in transit	**759,453**	–
Aircraft parts in transit	**–**	849,822
Others	**12,371,119**	–
	36,750,864	16,715,859
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of ₱13.5 million in 2014	**361,740,556**	–
Raw materials - net of allowance for monthly obsolescence of ₱7.6 million in 2014	**195,131,872**	–
Operating supplies - net of allowance for inventory obsolescence of ₱36.0 million in 2014 and ₱3.4 million in 2013	**125,317,916**	41,207,864
Work in process - net of allowance for inventory obsolescence of ₱7.1 million in 2014	**109,840,108**	–
Construction-related materials - net of allowance for inventory obsolescence of ₱1.2 million in 2014 and ₱0.9 million in 2013	**51,209,276**	3,552,531
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱2.2 million in 2014 and ₱1.1 million in 2013	**20,223,843**	20,930,265
Residential units held for sale - net of allowance for impairment losses of ₱0.3 million in 2014 and 2013	**–**	284,089
	863,463,571	65,974,749
	₱ **900,214,435**	₱ 82,690,608

Provision for inventory losses recognized in 2014 and 2013 amounted to ₱1.5 million and ₱0.5 million, respectively (see Note 22).

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as of December 31, 2014 and 2013.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Phase 2 Villa Development Project (the Project). These are held for use in other construction projects and villa operations.

11. Available for Sale (AFS) Investments

	2014	2013
Quoted equity shares	₱ 7,542,719,341	₱ 7,915,173,765
Bonds and convertible note	1,174,457,942	843,878,978
Unquoted equity shares	892,643,443	969,301,199
Funds and equities	311,119,241	442,936,860
Proprietary shares	171,051,352	177,238,250
	10,091,991,319	10,348,529,052
Less current portion of AFS bonds	24,691,343	48,949,783
	₱ 10,067,299,976	₱ 10,299,579,269

Quoted equity shares consist of marketable equity securities that are listed and traded on the Philippine Stock Exchange (PSE). The fair market values of these listed shares are based on their quoted market prices as of December 31, 2014 and 2013 which are assessed to be the exit prices.

AFS investments in bonds represent foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 4.22% to 9.88% in 2014, 3.88% to 9.75% in 2013 and 3.38% to 13.13% in 2012. Maturity dates range from March 15, 2014 to January 13, 2037 in 2014, January 18, 2013 to October 24, 2037 in 2013.

In 2014, 2013 and 2012, gain on sale of AFS investments amounted to ₱1,662.0 million, ₱1,101.9 million and ₱1,169.3 million, respectively.

The Group's AFS unquoted equity investments, bonds, and convertible note include the following:

a. Prople, Inc. and Prople Limited

In December 2007, the Company entered into a subscription agreement with Prople, Inc. (Prople; formerly Gralce Holdings, Inc.) for the acquisition of 6,665 shares of stock of the latter (equivalent to 20% of the outstanding shares).

Prople is a domestic corporation that owns Prople BPO, Inc. (formerly, Summersault, Inc.), Prople KPO, Inc. and Prople Content, Inc., jointly called the Prople Group. The Prople Group is into business process outsourcing, specializing in finance and accounting, human resource administration and industry-focused transaction processing services.

In 2011, the Company made additional investment in Prople amounting to ₱4.4 million. The additional investment enabled the Company to maintain its 20% equity share in Prople. As of December 31, 2012, the total cost of the investment in Prople amounted to ₱42.2 million. Investment in Prople is accounted for as AFS investments because management believes that the Company does not have the ability to exercise significant influence on Prople. Furthermore, the Company does not have any involvement in the operations of Prople. The investment is measured at cost less impairment rather than at fair value as the shares of stock of Prople are not publicly-traded, such that there is no reliable basis of fair value.

In 2013, the Company sold all its investment in Prople to Prople Limited, a corporation incorporated and existing under the laws of Hong Kong, for ₱24.7 million. In 2013, Prople Limited acquired 100% of the non-audit business of U.S.-based Kellogg and Andelson Accountancy Corporation (K&A). Founded in 1939, K&A is a well-established accounting firm that provides tax, general accounting and consulting services to thousands of small-to-medium sized company in California and the Midwest.

In November 2013, AI invested $4.0 million (₱175.9 million) convertible notes in Prople Limited. These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first 3 years and if not converted on the 3rd anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five year US Dollar Republic of the Philippine (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

b. Enderun College, Inc. (Enderun)

In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor's degree and non-degree courses in the fields of hotel administration, culinary arts and business administration. The total cost of the investment in Enderun amounting to ₱286.2 million approximates its fair value as of December 31, 2013. Investment in Enderun is classified as AFS investments because the Company does not exercise significant influence and its holding in Enderun is not sufficient to carry major business decisions (see Note 4).

The carrying value of the investment in Enderun amounted to ₱286.2 million as of December 31, 2014 and 2013.

c. Alphion Corporation (Alphion)

In March 2009, AI invested US$900,000 (₱43.7 million) for 387,297 Series E Preference shares of Alphion convertible into 645,485 shares of common stock. Alphion is a fiber optic network company based in New Jersey, with sales, marketing, procurement and R&D offices in India. Alphion develops, manufactures and markets high-speed fiber optic access and switching systems that enable "triple play" services, or voice, video, and data transmission in a single line. In 2011, AI invested US$1.0 million (₱42.6 million) for 713,158 Series G preference shares convertible into the same number of common stock and 140,817 Series G warrants convertible into the same number of common stock. As of December 31, 2014 and 2013, the total investment in Alphion amounted to ₱78.0 million which is fully provided with allowance.

d. Predictive Edge Technologies, LLC (Predictive)

In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constitute 10% of the total Series A preferred units outstanding. In the first quarter of 2012, the Company's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics, that allow it to measure and quantify emotions associated with digital content.

As of December 31, 2014 and 2013, the net carrying value of AI's investment in Predictive amounted to ₱22.0 million and ₱116.0 million, respectively. In 2014, AI provided impairment loss of ₱140.0 million.

e. Leopard Cambodia Investments (BVI) Ltd. (Leopard)

In 2012, AI purchased 525 shares of Leopard. Leopard is a limited company established in the British Virgin Islands (BVI). The objective is to achieve capital appreciation through investments primarily in businesses with significant operations in Cambodia and in real estate located in Cambodia.

f. KSA Realty Corporation (KSA)

The Group has a 11% stake in KSA, the owner of The Enterprise Center, an office building. The Group received cash dividends from KSA amounting to ₱91.4 million in 2014, ₱40.0 million in 2013 and ₱28.6 million in 2012.

The Company recognized ₱28.3 million and ₱382 million gain on fair value adjustment in its investment in KSA in 2014 and 2013, respectively. As of December 31, 2014 and 2013, the Company's investment in KSA amounted to ₱417.2 million and ₱388.9 million, respectively.

g. ATR KIM ENG Capital

On October 21, 2013, the Company entered into a Memorandum of Agreement with Maybank ATR KimEng Capital Partners, Inc. and other parties to incorporate an entity that shall serve as the holding company of the parties for their investments in a stand-alone trust company. In 2013, the Company invested ₱18.75 million in 15,000,000 common shares and ₱18.75 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares of the new entity. These investments give the Company a total of 12.5% interest in the new entity. As of December 31, 2014 and 2013, the cost of the Company's investment amounted to ₱37.5 million.

h. SKI Construction Group, Inc. (SKI)

On January 10, 2014, the Company entered into a loan and investment agreement with SKI, Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power), and San Juan Geothermal Power, Inc. (San Juan Power) to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Reneweable Energy Service Contract (GRESC). Under this agreement, the Company committed to fund $4 million (₱172 million) through zero-coupon notes for exploration phase of the three sites. In 2014, total amount drawn down amounted to ₱116.4 million.

The Company may choose to convert each Note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company will not convert the note with in the agreed time frame, these notes will be changed into a medium term note with a coupon to be repaid as soon as possible.

Below is the rollforward of the unrealized valuation gains (losses) on AFS investments recognized in equity:

	2014	2013
Beginning balance	₱ 3,675,941,998	₱ 3,458,799,647
Gain recognized directly in equity - net of tax	2,802,948,358	1,450,648,340
Amount removed from equity and recognized in profit and loss - net of tax	(3,240,070,924)	(1,233,505,989)
Ending balance	₱ 3,238,819,432	₱ 3,675,941,998

In 2014, 2013 and 2012, the Group recognized impairment losses on its quoted and unquoted AFS debt and equity investments amounting to ₱260.3 million, ₱71.2 milion and ₱156.1 million, respectively (see Note 22).

12. Investments and Advances

	2014	2013
Investments at equity - net	₱ 1,541,990,755	₱ 3,073,832,835
Advances - net of allowance for doubtful accounts of ₱564.8 million in 2014 and ₱589.3 million in 2013 (Note 26)	–	4,457,137
	₱ 1,541,990,755	₱ 3,078,289,972

Investments at equity consist of:

	2014	2013
Acquisition cost:		
Common shares	₱ 186,538,207	₱ 314,905,622
Preferred shares	1,997,775,000	1,997,775,000
Total	2,184,313,207	2,312,680,622
Accumulated equity in net earnings:		
Balances at beginning of year	788,411,955	629,066,367
Equity in net earnings for the year	147,141,103	228,945,588
Dividends received	(95,200,000)	(69,600,000)
Step acquisition of an associate (Note 6)	(1,034,819,534)	–
Balances at end of year	(194,466,476)	788,411,955
Valuation allowance (Note 22)	(462,480,976)	(27,259,742)
Effect of foreign exchange differences	14,625,000	–
	₱ 1,541,990,755	₱ 3,073,832,835

The significant transactions involving the Group's investments in associates for 2014 and 2013 follow:

PDIPI and Subsidiaries

a. PDP Energy established PDEIC, a PEZA-registered company engaged in manufacturing wires, mainly for export.

b. Cash dividends received by the Company amounted to ₱95.2 million at ₱40.3 per share in 2014, ₱69.6 million at ₱29.5 per share in 2013 and ₱44.8 million at ₱19.0 per share in 2012.

As discussed in Note 6, PDP Group became subsidiaries of the Company towards the end of the 2014. Prior to that, PDP Group is accounted for as an associate. The summarized financial information of the significant associates (PDP Energy and PDEIC) follows (in millions):

		As of December 31, 2013
Balance Sheets:		
Current assets	₱	2,175
Noncurrent assets		627
Current liabilities		443
Equity		2,359
Proportion of the Group's ownership interest in		40%
carrying amount of the investment		944

		2014		2013
Statements of Comprehensive Income:				
Net sales	₱	**6,552**	₱	5,587
Gross profit		**1,123**		955
Income from continuing operations, before tax		**728**		596
Net income		**536**		434
Other comprehensive income		**–**		–
Total comprehensive income		**536**		434
Proportion of the Group's ownership interest		**40%**		40%
Group's share in the total comprehensive income		**214**		174

The associate has no contingent liabilities or capital commitments as of December 31, 2013.

AGP International Holdings Ltd. (AGPI)

In December 2011, AI entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note. The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a British Virgin Islands business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P). AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, AI converted the US$5.0 million Convertible Bridge Notes to 16.4 million series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI for the subscription to 83.9 million series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increases AI's holdings to 26.86% giving the Group significant influence over AGPI.

The principal place of business of AGPI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola British Virgin Island.

The total cost of the investment in AGPI amounted to ₱2.0 billion and is presented under investment in associate as of December 31, 2013 (see Note 11). In 2014, the Group recognized an allowance for probable losses on the investment which amounted to ₱440.4 million. As of December 31, 2014 and 2013, the carrying value of the investment amounted to ₱1,542.0 million and ₱1,566.0 million, respectively.

Significant details of the balance sheet as of December 31, 2014 and 2013 and statement of comprehensive income for the year ended December 31, 2014 and for the six months-period July 1 to December 31, 2013 of AGPI are enumerated below as of December 31 (in millions):

	2014	2013
Balance Sheets:		
Current assets	₱ 2,727.8	₱ 716.0
Noncurrent assets	9,581.2	6,841.0
Current liabilities	6,831.8	2,730.0
Noncurrent liabilities	3,240.3	2,273.0
Equity	2,236.9	2,554.0
Proportion of the Group's ownership interest	27%	27%
Group's share in the net assets	599.5	684.5
Excess of cost over book value	1,368.3	1,368.3
Valuation allowance	(440.4)	-
Foreign exchange difference	14.6	-
Carrying amount of the investment	1,542.0	2,052.8

	2014	2013
Statements of Comprehensive Income:		
Revenue	₱ 9,589.4	₱ 3,358.05
Income (loss) from continuing operations, before tax	(171.2)	285.9
Net income (loss)	(250.4)	206.3
Other comprehensive income (loss)	–	–
Total comprehensive income	(250.4)	206.3
Proportion of the Groups ownership interest	27%	27%
Group's share in the total comprehensive income	(67.1)	55.3

The associate has no contingent liabilities or capital commitments as of December 31, 2014 and 2013.

<u>Anscor-Casto Travel Corporation</u>

In 2014, the Company sold its 44% interest in Anscor-Casto Travel Corporation for ₱9.5 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

<u>Newco</u>

In 2014, the Company sold its 45% interest in Newco for ₱46.6 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

AAC

In July 2014, the company acquired 81% interest in AAC, a real estate entity incorporated in the Philippines, for ₱43 million. AAC's asset significantly consists of a parcel of land which is idle and not used in business. As such, the Company accounted for this transaction as an asset purchase.

SSRLI and PRI

a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation on PEZA-covered registered activities under the Registration Agreement.

   On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is $5.89 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million.

c. On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as an Ecozone Tourism Enterprise. SSRLI also transferred in the name of PRI all resort-operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank (see Note 18).

d. On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for period of 20 years beginning July 1, 2011.

   As of December 31, 2013, all contracts with related parties that are related to resort operations were transferred to PRI except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is non-transferrable.

   On February 20, 2013, the BOD and stockholders authorized the increase in PRI's authorized capital stock from ₱1.0 million, divided into 10,000 common shares with par value of ₱100 per share, to ₱200.0 million, divided into 1,500,000 preferred shares and 500,000 common shares, both with par value of ₱100 per share. On August 28, 2013, SEC approved the increase in the authorized capital stock. On the same date, SSRLI has subscribed to 850,000 preferred shares.

   On October 10, 2013, SSRLI subscribed to additional 150,000 preferred shares of PRI at an issue price of ₱666.67 and assigned its outstanding receivable amounting to ₱100 million as payment for such subscription. The excess of the assigned receivables of ₱85.0 million over the par value of shares subscribed of ₱15.0 million was recorded as additional paid in capital.

In December 2013, the remaining 53,366,400 Class A preferred shares and 35,577,600 Class B preferred shares of SSRLI were subscribed at ₱1.22 per share for a total amount of ₱108.8 million by its existing stockholders via conversion of the SSRLI's shareholders' advances into preferred stock equity based on their proportionate shareholdings in SSRLI. The excess of the consideration received over par value amounting to ₱19.9 million was recorded as additional paid in capital.

e. On November 8, 2013, the Amanpulo Resort sustained property damages brought by Typhoon Yolanda. Because of these damages, its operations was temporarily suspended and resumed only on December 15, 2013. In 2013, the Company applied for insurance claims for property damages, business interruption and cost of debris clearing.

   In August and September 2014 the Company received from its insurance a total amount of ₱46.23 million for business interruption (see Note 22).

f. SSRLI entered into a memorandum of agreement with the buyers of villa who made a total deposit of ₱381.8 million and ₱156.9 million as of December 31, 2014 and 2013, respectively. This is presented as "Customer's deposits for property development" in the consolidated balance sheets.

Material Partly-Owned Subsidiaries (SSRLI and PRI)

Set out below are the summarized financial information of entities that has non-controlling interest that is material to the Group. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Significant details of the balance sheets and statements of comprehensive income of SSRLI and PRI are enumerated below as of December 31 (in millions):

		2014		2013
Balance Sheets:				
Current assets	₱	**699.0**	₱	437.9
Noncurrent assets		**956.1**		934.1
Current liabilities		**734.7**		387.9
Noncurrent liabilities		**154.8**		184.4
Equity		**765.7**		799.7
Attributable to NCI		**288.7**		301.5

		2014		2013
Statements of Comprehensive Income (loss):				
Revenue	₱	**480.1**	₱	445.3
Income (loss) from continuing operations, before tax		**(26.4)**		3.6
Net loss		**(32.3)**		(16.4)
Other comprehensive income (loss)		**(1.7)**		0.4
Total comprehensive loss		**(34.0)**		(16.1)
Allocated loss to NCI during the year		**(12.8)**		(6.06)

		2014		2013
Statements of Cash Flows				
Cash flows from operations	₱	**243.6**	₱	186.8
Cash flows used in investing activities		**(151.2)**		(214.6)
Cash flows from (used in) financing activities		**(19.8)**		104.5
Dividends paid to NCI		**-**		-

13. Property and Equipment

	2014					
	Land, Buildings and Improvements	**Flight, Ground, Machinery and Other Equipment**	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
January 1	₱ 1,224,349,307	₱ 426,330,273	₱ 255,713,613	₱ 133,815,042	₱ 109,584,012	₱ 2,149,792,247
Additions	194,950	24,429,466	43,796,227	701,961	127,756,106	196,878,710
Reclassification	236,085,101	–	–	–	(236,085,101)	–
Retirement/ disposals	(88,406,044)	(18,863,294)	(12,622,177)	–	–	(119,891,515)
Foreign exchange adjustment	19,301	–	126,360	–	–	145,661
Property and equipment of acquired subsidiary (Note 6)	915,277,296	275,597,088	8,331,163	12,629,566	39,686,642	1,251,521,755
December 31	2,287,519,911	707,493,533	295,345,186	147,146,569	40,941,659	3,478,446,858
Accumulated Depreciation and Amortization						
January 1	532,699,503	289,337,826	204,208,266	92,386,421	–	1,118,632,016
Depreciation and amortization	63,915,074	19,251,807	39,468,468	10,271,787	–	132,907,136
Retirement/ disposals	(88,406,046)	(18,863,294)	(12,594,024)	–	–	(119,863,364)
Foreign exchange adjustment	(66,773)	–	1,332,465	(8)	–	1,265,684
December 31	508,141,758	289,726,339	232,415,175	102,658,200	–	1,132,941,472
Net Book Value	₱ 1,779,378,153	₱ 417,767,194	₱ 62,930,011	₱ 44,488,369	₱ 40,941,659	₱ 2,345,505,386

	2013					
	Land, Buildings and Improvements	**Flight, Ground Machinery and Other Equipment**	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
January 1	₱ 1,122,766,217	₱ 419,540,634	₱ 210,936,205	₱ 131,486,780	₱ 48,800,216	₱ 1,933,530,052
Additions	135,067,901	6,789,639	43,543,011	11,840,729	86,245,390	283,486,670
Reclassification	25,461,594	–	–	–	(25,461,594)	–
Retirement/ disposals	(59,096,850)	–	–	(9,512,467)	–	(68,609,317)
Foreign exchange adjustment	150,445	–	1,234,397	–	–	1,384,842
December 31	1,224,349,307	426,330,273	255,713,613	133,815,042	109,584,012	2,149,792,247
Accumulated Depreciation and Amortization						
January 1	534,425,214	260,319,775	171,334,586	92,787,881	–	1,058,867,456
Depreciation and amortization	56,560,316	29,018,051	32,872,492	9,111,003	–	127,561,862
Retirement/ disposals	(59,079,961)	–	–	(9,512,463)	–	(68,592,424)
Foreign exchange adjustment	793,934	–	1,188	–	–	795,122
December 31	532,699,503	289,337,826	204,208,266	92,386,421	–	1,118,632,016
Net Book Value	₱ 691,649,804	₱ 136,992,447	₱ 51,505,347	₱ 41,428,621	₱ 109,584,012	₱ 1,031,160,231

As of December 31, 2014 and 2013, land with improvements and structures thereon with appraised value of ₱2,218.5 million were used as collateral for the loan obtained in 2005 by a subsidiary (see Note 18). The carrying value of the related property amounted to ₱442.1 million and ₱584.7 million as of December 31, 2014 and 2013, respectively.

Depreciation charged to operations amounted to ₱132.9 million, ₱127.6 million and ₱117.9 million in 2014, 2013 and 2012, respectively.

14. Investment Properties

	2014	2013
January 1	₱ 206,769,100	₱ 216,432,223
Additions	53,800,644	–
Reclassifications	–	(6,377,579)
Disposals	–	(3,285,544)
December 31	₱ 260,569,744	₱ 206,769,100

The Group's investment properties include 144 hectares of land in Palawan, 875 hectares of land in Cebu, and 97.4 hectares in Guimaras. Based on the valuation performed by independent appraisers as of November and December 2013 and January 2014, the aggregate fair market values of these properties amounted to ₱471.3 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties and no contractual obligation to either purchase, construct or develop investment properties.

Portion of APHI's land in Palawan amounting to ₱3.5 million was seized by the Philippine Government under the Comprehensive Agrarian Reform Program or Republic Act 6657, and thus was reclassified to noncurrent assets.

In 2014, 2013 and 2012, the Group derived no income from these investment properties. The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2014, 2013 and 2012.

15. Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets as of December 31 include:

		2014		2013
Property development in progress	₱	**98,778,684**	₱	43,730,447
Fund for villa operations and capital expenditures		**45,321,429**		45,513,171
Deferred nurse cost		**13,089,154**		11,172,599
Refundable deposits		**9,828,903**		3,860,489
Deposit to supplier		**8,414,815**		12,911,989
Others		**16,191,145**		6,137,544
	₱	**191,624,130**	₱	123,326,239

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and association dues and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated balance sheets (see Note 29).

Property development in progress pertains to the development costs incurred on Phase 3 and Phase 4 projects started in 2009 by SSRLI.

Other noncurrent liabilities also include ₱25.6 million and ₱23.4 million fund for future infrastructure and utility development of villas as of December 31, 2014 and 2013, respectively, which is an allocated charge to the villa owners. The fund is intended to be used for putting up new infrastructure or utilities such as power generating units, roads, potable water, and sewer and irrigation lines, electrical and auxiliary lines essential for a villa to be operable. The fund also includes the villa's share in the future expansion of the existing back-of-house facilities (power generation, potable water production, sewage treatment plant, etc.) of PRI so that the resort's utilities' capacity can accommodate the additional demand that arises from the proposed new villa.

16. Notes Payable

Notes payable represent unsecured (unless otherwise stated), short-term, interest-bearing liabilities of the following companies in the Group to various local banks:

		2014		2013
Bank loans availed by:				
Anscor	₱	**1,500,000,000**	₱	–
Cirrus		**29,461,840**		67,381,966
IAI		**–**		57,713,500
	₱	**1,529,461,840**	₱	125,095,466

a. On December 15, 2014, Anscor obtained an unsecured, short-term loan which amounted to ₱1.5 billion from a local bank to finance the acquisition of PDP Group. The loan carried interest rate of 3.5% with a term of 6 months (see Note 18).

b. Cirrus has obtained a loan with Branch Banking and Trust Company, a foreign bank domiciled in the United States of America, with interest payable monthly at LIBOR plus 2.5%. Cirrus has to abide by certain loan covenants on eligible accounts receivable and minimum net income requirements. Loans payable outstanding as of December 31, 2014 and 2013 amounted to $0.7 million (₱29.5 million) and $1.5 million (₱67.4 million), respectively. As of December 31, 2014 and 2013, Cirrus has an available credit line which amounted to $1.8 million (₱82.3 million) and $1.0 million (₱43.6 million), respectively. As of December 31, 2014 and 2013, Cirrus is in compliance with the debt covenants.

c. IAI availed of a short-term loan from a local bank which amounted to $1.0 million (₱43.8 million) in 2010 and bears an annual interest rate of 3-month LIBOR + 2% per annum. In June 2011, IAI availed of an additional $0.5 million (₱21.9 million) loan. The note has a maturity of 90 days, with option to extend for another 90 days and was subsequently extended in March, June, September and December 2011. IAI paid US$0.2 million (₱8.2 million) in December 2012. In June 2013, IAI paid $0.2 million (₱8.5 million). In December 2013, IAI availed an additional $0.2 million (₱8.8 million) loan. The maturity of the remaining US$1.3 million (₱57.7 million) was extended and is payable in March 2014.

   In March 2014, IAI paid $250 thousand ((₱11.16 million) of the above loan and converted the remaining $1.05 million (₱46.96 million) short-term loan to long-term loan (see Note 18).

d. In 2013, the Company availed of loans from a local bank totaling to ₱100.0 million with terms of 14 to 30 days with 4.0% interest rate in 2013 and terms of 18 to 200 days subject to 4.0%-4.4% interest rate for 2012. As of December 31, 2013, the loan was fully paid. The Company's unavailed loan credit line from banks amounted to ₱500.0 million in 2014 and ₱800.0 million in 2013.

Total interest expense recognized in the consolidated statements of income amounted to ₱17.7 million in 2014 and ₱11.5 million in 2013 and 2012 (see Note 22).

17. Accounts Payable and Accrued Expenses

	2014	2013
Trade payables	₱ **506,644,800**	₱ 132,208,923
Accrued expenses	**249,480,035**	146,913,058
Payable to contractors	**86,540,285**	48,501,411
Refundable deposits	**78,164,538**	53,885,779
Payable to villa owners	**41,161,813**	1,039,721
Payable to government agencies	**24,160,340**	8,664,605
Advances from customers	**22,483,320**	1,724,119
Other payables (Note 6)	**5,861,018**	7,972,567
	₱ **1,014,496,149**	₱ 400,910,183

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Accrued expenses include unpaid operating costs of the Group.

Refundable deposits pertain to the advance payments made by resorts' guests.

Payable to contractors are amount due to suppliers for ongoing construction projects.

18. Long-term Debt

Long-term debt pertains to the following:

	2014	2013
Long-term debt availed by:		
Anscor	₱ **2,012,400,000**	₱ 1,997,775,000
PRI	**112,282,176**	142,989,251
IAI	**46,956,000**	–
	2,171,638,176	2,140,764,251
Less current portion	**237,502,643**	31,337,632
	₱ **1,934,135,533**	₱ 2,109,426,619

a. On June 24, 2013, the Company obtained a loan from a local bank amounting US$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AG&P (see Note 12). The loan is payable quarterly in seven (7) years, inclusive of a 2-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱4,121.9 million and ₱4,680.9 million as of December 31, 2014 and 2013, respectively (see Note 11). This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 200% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness.

   To finance the acquisition of PDP Group, the Company secured a short-term loan with a local bank as discussed in Note 16. As a result, the Company's current ratio declined but such decline is not considered a breach of covenant. As of December 31, 2014 and 2013, the Company is in compliance with the debt covenant.

b. Loans payable of PRI amounting to US$2.0 million (₱108.0 million) and US$1.0 million (₱53.0 million) were obtained from local banks on November 29, 2005 and December 22, 2011. The $2.0 million loan, which was transferred from SSRLI through an execution of Deed of Assumption of Loan and Mortgage dated June 2, 2011, is subject to Mortgage Trust Indenture (MTI), covering the assets of SSRLI which were also transferred to PRI pursuant to the Deed of Transfer dated December 7, 2011 but reverted to SSRLI upon rescission of the Deed of Transfer on October 3, 2012. The mortgage participating certificates or "MTC" issued to creditor bank represents 12% of the appraised value of the properties that were used as collateral, with carrying value of ₱442.1 million and ₱584.7 million as of December 31, 2014 and 2013, respectively (see Note 13). Both loans have a floating interest rate per quarter equivalent to the average quarterly LIBOR plus 2% spread. The US$2.0 million loan has a maximum term of seven years, including three years grace period while the US$1.0 million loan has a maximum term of five years. Both loans are payable in 17 equal quarterly installments starting October 2012 to 2016. Current portion of loans payable is recognized amounting to ₱31.57 million and ₱31.3 million as of December 31, 2014 and 2013, respectively.

   On October 3, 2012, PRI obtained a loan from its stockholder amounting to ₱30.0 million. The loan has a grace period of five years and is payable in seven equal annual installments commencing in the year 2018 up to 2024. In lieu of the interest, PRI waives the landing and take-off charges on the said stockholder's use of PRI's runway in Amanpulo. In 2013, PRI obtained an additional loan from the stockholder amounting to ₱19.0 million with the same terms from the previous loan.

c. In 2014, IAI converted the short-term loan amounting to $1.05 million (₱46.56 million) to long-term loan (see Note 16). The term of the loan is six (6) years, inclusive of one (1) year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

   The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering the assets of SSRLI.

   The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

Total interest expense recognized in the consolidated statements of income amounted to ₱43.4 million, ₱23.1 million and ₱3.4 million in 2014, 2013 and 2012, respectively (see Note 22).

19. Equity

Equity holdings of the Parent

Capital stock consists of the following common shares:

	Number of Shares	Amount
Authorized	3,464,310,958	₱ 3,464,310,958
Issued	2,500,000,000	2,500,000,000

Outstanding shares, net of shares held by a subsidiary, as of December 31, 2014 and 2013 totaled 1,242,099,354 and 1,261,002,609, respectively. The Company's number of equity holders as of December 31, 2014 and 2013 is 11,363 and 11,460, respectively.

The SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.0 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2014, 2013 and 2012, the Company declared the following cash dividends:

	2014	2013	2012
Cash dividends per share	**₱ 0.25**	₱ 0.25	₱ 1.00
Month of declaration	**November**	October	February/ October/ December
Total cash dividends	**₱625 million**	₱625 million	₱2,500 million
Share of a subsidiary	**₱314.5 million**	₱309.8 million	₱1,231.7 million

As of December 31, 2014 and 2013, the Company had dividends payable amounting to ₱519.7 million and ₱264.0 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as of December 31, 2014 and 2013 due to problematic addresses of some of the Company's stockholders.

On December 6, 2011, the BOD approved the appropriation of the Company's unrestricted retained earnings amounting to ₱2.1 billion for expansion projects and investments in 2012 onwards in the areas of tourism, business process outsourcing (BPOs), manpower services, education and manufacturing. On February 21, 2013, the BOD approved the additional appropriation of the Company's unrestricted retained earnings amounting to ₱0.9 billion. The appropriated retained earnings will be used for the Company's investment program within three years on business activities gearing towards service sector, tourism and manufacturing whose operations are based within and outside the Philippines.

On September 15 and November 20, 2014, the BOD approved the appropriation of the Company's unrestricted retained earnings which amounted to ₱1,100 million and ₱500 million, respectively, for future investment programs within three years on business activities related to the service sector, tourism, manufacturing, or such other areas of activities as the Board may deem fit for the best interest of the Corporation.

The unrestricted retained earnings is restricted for the dividend declaration by the following:

- Cost of treasury shares amounting ₱2,163.6 million and ₱2,031.2 million as of December 31, 2014 and 2013, respectively.
- Balance of gross deferred income tax assets amounting ₱64.8 million and ₱13.6 million as of December 31, 2014 and 2013, respectively.
- Shares in the undistributed retained earnings of subsidiaries and associates amounting to ₱3.3 billion and ₱2.6 billion as of December 31,2014 and 2013, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary

As of December 31, 2014 and 2013, a subsidiary held 1,257,900,646 shares and 1,238,997,391 shares, respectively, of the Company. Cost of shares of the Company purchased by the subsidiary in 2014 and 2013 amounted to ₱132.4 million and ₱21.4 million, respectively.

In March and July 2013, the subsidiary reissued 6,100,000 shares with cost of ₱9.9 million for a total consideration of ₱41.4 million. The excess of consideration over cost of these shares were recognized in additional paid in capital. The total shares of the Company purchased by the subsidiary amounted to 18,903,255 and 3,300,352 in 2014 and 2013, respectively. The costs of these shares are ₱132.4 million and ₱21.4 million, respectively.

20. Cost of Services Rendered and Operating Expenses

Cost of services rendered consists of:

	2014	2013	2012
Salaries, wages and employee benefits (Note 21)	₱ **821,596,656**	₱ 777,847,614	₱ 738,597,992
Other operating costs - resort	**73,385,305**	49,928,640	46,561,911
Recruitment services (Note 29)	**70,470,909**	86,641,772	61,261,630
Insurance	**66,864,333**	60,731,220	61,456,431
Outside services	**60,019,196**	81,430,086	60,167,009
Fuel cost	**55,147,646**	53,372,798	59,139,070
Dues and subscriptions	**40,091,648**	36,372,003	27,128,143
Housing cost	**30,794,148**	32,904,260	48,352,649
Depreciation and amortization (Note 13)	**27,154,445**	27,959,509	32,979,188
Transportation and travel	**25,025,021**	40,504,432	50,200,922
Materials and supplies - resort operations	**24,656,357**	19,512,872	24,430,154
Repairs and maintenance	**22,207,388**	26,189,570	23,461,678
Commissions	**13,154,514**	14,522,250	15,296,158
Variable nurse costs (Note 29)	**3,388,812**	6,533,706	5,985,349
Others	**27,558,690**	15,810,607	33,045,970
	₱ **1,361,515,068**	₱1,330,261,339	₱ 1,288,064,254

Operating expenses consist of:

	2014	2013	2012
Salaries, wages and employee benefits (Note 21)	₱ 276,776,685	₱ 259,827,943	₱ 268,383,255
Depreciation and amortization (Note 13)	105,752,691	99,602,353	84,924,091
Utilities	92,803,138	77,624,748	69,128,581
Professional and directors' fees	76,167,744	57,166,449	49,950,583
Advertising	58,940,372	48,717,931	45,138,276
Taxes and licenses	43,522,272	29,702,051	17,012,666
Repairs and maintenance	41,723,110	24,518,181	27,301,224
Transportation and travel	29,395,090	20,765,317	23,415,490
Commissions	22,151,535	22,698,413	22,727,304
Security services	14,258,848	16,441,181	16,963,432
Insurance	13,094,357	11,670,093	11,820,313
Rental (Note 29)	13,052,306	12,185,879	12,108,519
Entertainment, amusement and recreation	12,779,121	10,304,915	10,351,752
Communications	9,645,650	8,220,006	9,644,724
Association dues	5,867,816	7,600,981	6,472,807
Donation and contribution	5,480,051	12,338,670	3,496,779
Office supplies	4,295,975	4,932,614	5,223,791
Computer programming	3,303,519	1,258,880	1,487,647
Meetings and conferences	3,174,816	2,884,291	3,406,502
Operating and financial charges-net	1,327,754	1,101,064	797,861
Shipping and delivery expenses	977,353	809,087	924,687
Contract maintenance	239,196	2,477,233	–
Others	29,391,623	28,644,913	30,438,462
	₱ 864,121,022	₱ 761,493,193	₱ 721,118,746

In 2014, 2013 and 2012, the Company paid bonus to its non-executive directors amounting to ₱6.4 million, ₱6.6 million and ₱6.8 million, respectively.

21. Personnel Expenses

	2014	2013	2012
Salaries and wages	₱ 1,059,316,132	₱1,005,928,575	₱ 975,278,317
Pension costs (Note 23)	11,722,183	11,474,829	15,384,331
Social security premiums, meals and other employees' benefits	27,335,026	20,272,153	16,318,599
	₱ 1,098,373,341	₱1,037,675,557	₱ 1,006,981,247

In 2014, 2013 and 2012, the Company declared and paid bonuses to its executive officers amounting to ₱29.3 million, ₱23.8 million and ₱33.7 million, respectively.

22. Interest Income, Interest Expense and Other Income (Charges)

Interest income consists of:

		2014		2013		2012
Debt instruments (Notes 8 and 11)	₱	**75,149,914**	₱	78,681,235	₱	79,951,188
Cash and cash equivalents (Note 7)		**17,439,665**		16,606,664		8,587,147
Others		**3,849,420**		304,352		4,974,447
	₱	**96,438,999**	₱	95,592,251	₱	93,512,782

Interest income on debt instruments is net of bond discount amortization amounting to ₱2.8 million in 2014, ₱0.6 million in 2013 and ₱0.2 million in 2012.

Interest expense consists of:

		2014		2013		2012
Long-term debt (Note 18)	₱	**43,408,333**	₱	23,069,785	₱	3,449,465
Notes payable (Note 16)		**17,722,053**		11,494,158		11,523,547
Others		**230,657**		313,595		3,273,037
	₱	**61,361,043**	₱	34,877,538	₱	18,246,049

Other income (charges) consists of:

		2014		2013		2012
Gain on remeasurement of previously held interest (Note 6)	₱	**699,011,094**	₱	–	₱	–
Valuation allowances on:						
Investment in associate (Note 12)		**(440,407,829)**		–		–
AFS investments (Note 11)		**(259,940,637)**		(71,245,484)		(156,131,473)
Receivables (Note 9)		**(6,174,132)**		(5,018,782)		(4,477,026)
Other current and noncurrent assets (Note 10)		**(1,811,227)**		(515,316)		(380,433)
Insurance claims (Note 12)		**46,228,744**		–		–
Recovery of allowances for impairment losses (Notes 9, 10 and 11)		**24,553,505**		3,101,226		90,467,232
Others		**41,235,778**		25,253,743		(15,181,075)
	₱	**102,695,296**	(₱	48,424,613)	(₱	85,702,775)

Others included ASAI's reimbursement from lessees and cost of PRI charged to villa owners.

"Recovery (valuation allowance)" and "other income (charges)" accounts were previously presented as separate line items in the 2013 and 2012 consolidated statements of comprehensive income.

23. Pension and Other Post-employment Benefit Plans

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641. The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

The Company contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Company contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group's plan assets and investments as of December 31, 2014 and 2013 consist of the following:

a. Cash and cash equivalents, which include regular savings and time deposits;
b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 2.13% to 9.13% in 2014 and 4.4531% to 8.75% in 2013 and have maturities from September 24, 2016 to October 24, 2037 in 2013 and 2012;
c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 4.38% to 8.46% in 2014, 4.375% to 8.461% in 2013 and have maturities from November 10, 2017 to January 30, 2024 in 2013 and from February 23, 2013 to November 23, 2019 in 2012; and
d. Investments in equity securities; which consist of unlisted and actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

As of December 31, 2014 and 2013, the Company's defined benefit retirement fund has investments in shares of stock of the Company with a cost of ₱30.2 million. All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total gains arising from the changes in market prices amounted to ₱13.3 million and ₱12.7 million in 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the fund's carrying value and fair value amounted to ₱409.6 million and ₱330.8 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

		2014		2013		2012
Retirement benefit cost:						
Current service cost	₱	**13,730,445**	₱	12,918,528	₱	13,331,361
Net interest		**(2,008,262)**		(1,730,706)		1,427,364
Past service cost - plan amendment and others		**–**		287,007		625,606
Net benefit expense	₱	**11,722,183**	₱	11,474,829	₱	15,384,331
Actual return on plan assets	₱	**23,538,784**	₱	35,316,020	₱	44,206,068

Changes in net retirement plan asset are as follows:

	2014	2013	2012
Net retirement plan asset (retirement benefits payable), beginning	₱ 53,846,435	₱ 38,369,388	(₱ 18,128,318)
Current service cost	(10,316,336)	(9,738,438)	(9,328,437)
Net interest	2,383,337	2,442,611	(22,996)
	(7,932,999)	(7,295,827)	(9,351,433)
Actuarial changes arising from:			
Remeasurement of plan asset	9,836,624	20,320,127	31,443,541
Experience adjustments	1,357,122	(1,079,240)	1,431,234
Changes in financial assumptions	657,490	(1,709,165)	2,884,533
Changes in the effect of asset ceiling	(2,982,175)	(2,482,016)	(5,383,274)
	8,869,061	15,049,706	30,376,034
Contribution	7,723,131	7,723,168	35,473,105
Net plan assets of acquired subsidiary (Note 6)	3,028,096	–	–
Net retirement plan asset, end	₱ 65,533,724	₱ 53,846,435	₱ 38,369,388

Changes in net retirement benefits payable are as follows:

	2014	2013	2012
Retirement benefits payable, beginning	(₱ 10,965,263)	(₱ 14,846,513)	(₱ 21,729,567)
Current service cost	(3,414,109)	(3,180,090)	(4,002,924)
Past service cost	–	–	(512,202)
Net interest	(375,075)	(711,905)	(1,404,368)
	(3,789,184)	(3,891,995)	(5,919,494)
Actuarial changes arising from:			
Experience adjustments	(795,535)	(699,009)	1,434,718
Remeasurement of plan asset	190,861	667,478	(67,328)
Changes in financial assumptions	(922,028)	(167,689)	504,113
Changes in demographic assumptions	–	–	3,452,360
	(1,526,702)	(199,220)	5,323,863
Contribution	6,200,818	7,972,465	7,436,527
Benefits paid directly by the Group	1,025,420	–	42,158
Net retirement benefits payable, end	(₱ 9,054,911)	(₱ 10,965,263)	(₱ 14,846,513)

Computation of net retirement plan assets:

2014:

	Retirement plan asset	Retirement liability	Total
Present value of defined benefit obligation	(₱ 307,945,604)	(₱ 33,824,951)	(₱ 341,770,555)
Fair value of plan asset	384,808,111	24,770,040	409,578,151
Surplus (deficit)	76,862,507	(9,054,911)	67,807,596
Effect of the asset ceiling	(11,328,783)	–	(11,328,783)
Retirement plan asset (liability)	₱ 65,533,724	(₱ 9,054,911)	₱ 56,478,813

2013:

		Retirement plan asset		Retirement liability		Total
Present value of defined benefit obligation	(₱	249,579,338)	(₱	30,470,153)	(₱	280,049,491)
Fair value of plan asset		311,291,063		19,504,890		330,795,953
Surplus (deficit)		61,711,725		(10,965,263)		50,746,462
Effect of the asset ceiling		(7,865,290)		–		(7,865,290)
Retirement plan asset (liability)	₱	53,846,435	(₱	10,965,263)	₱	42,881,172

Changes in the present value of defined benefit obligation:

		2014		2013
Opening defined benefit obligation	₱	**280,049,491**	₱	250,813,630
Interest cost		**12,176,349**		13,172,342
Current service cost		**13,730,445**		12,918,528
Benefits paid from plan assets		**(4,806,179)**		(510,112)
Benefits paid directly by the Group		**(1,025,420)**		–
Remeasurement in other comprehensive income:				
Actuarial loss - changes in financial assumptions		**500,618**		1,876,854
Actuarial loss - change in demographic assumptions		**–**		1,778,249
Actuarial gain - experience		**(1,809,482)**		–
Benefit obligation of acquired subsidiary (Note 6)		**42,954,733**		–
	₱	**341,770,555**	₱	280,049,491

Changes in the fair value of plan assets:

		2014		2013
Opening fair value of plan assets	₱	**330,795,953**	₱	279,719,779
Contributions		**13,923,949**		15,695,633
Interest income		**14,519,672**		14,903,048
Benefits paid from plan assets		**(4,806,179)**		(510,112)
Remeasurement gain		**9,015,670**		20,987,605
Plan assets of acquired subsidiary (Note 6)		**46,129,086**		–
	₱	**409,578,151**	₱	330,795,953

Changes in the effect of asset ceiling:

		2014		2013
Beginning balance	₱	**7,865,290**	₱	5,383,274
Interest on the effect of asset ceiling		**335,061**		276,162
Changes in the effect of asset ceiling		**2,982,175**		2,205,854
Effect of asset ceiling of the new subsidiary (Note 6)		**146,257**		–
	₱	**11,328,783**	₱	7,865,290

The fair value of plan assets as of December 31 are as follows:

	2014	2013
Cash and cash equivalents	₱ 10,238,644	₱ 51,866,204
Equity instruments:		
Holding	59,989,694	57,704,686
Industrial	9,922,684	6,197,707
Real estate	8,652,479	6,755,418
Financial institutions	8,504,274	8,113,345
Food and beverage	6,480,020	1,834,236
Telecommunications	6,141,636	3,025,910
Construction	1,459,538	3,741,288
Retail	1,334,970	2,179,250
Energy, oil and gas	945,224	18,838,945
Others	5,419,532	9,545,593
	108,850,051	117,936,378
Debt instruments:		
Government securities	98,375,825	67,245,423
AAA rated debt securities	46,981,867	9,961,820
Not rated debt securities	42,293,351	24,982,412
	187,651,043	102,189,655
Unit investment trust funds	97,204,156	56,879,792
Others	5,634,257	1,923,924
	₱ 409,578,151	₱ 330,795,953

The financial instruments with quoted prices in active market amounted to ₱195.7 million and ₱127.9 million as of December 31, 2014 and 2013, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the Parent Company and PDP Group as of the end of the reporting period, assuming all other assumptions were held constant:

2014	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	+0.5% to 0.7%	(₱4,127,199)
	-0.5 to -0.7%	4,517,193
Future salary increases	+1.0% to 1.2%	8,151,977
	-1.0% to -1.2%	(7,043,507)

2013	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	+1.0%	(₱1,953,165)
	-1.0%	2,141,311
Future salary increases	+2.0%	3,693,033
	-2.0%	(3,234,702)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the subsidiaries, except PDP Group, as of the end of the reporting period, assuming all other assumptions were held constant:

2014	**Increase (decrease)**	**Effect on present value of defined benefit obligation Increase (decrease)**
Discount rates	**+1.0% to 2.0%**	**(₱2,559,838)**
	-1.0% to 2.0%	**3,194,930**
Future salary increase	**+1.0% to 2.0%**	**1,611,867**
	-1.0% to 2.0%	**(1,454,847)**

2013	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	+1.0% to 2.0%	(₱4,145,125)
	-1.0% to 2.0%	4,830,471
Future salary increase	+1.0% to 2.0%	5,131,953
	-1.0% to 2.0%	(4,547,042)

The Group expects to make contributions amounting to ₱12.1 million to its defined benefit pension plans in 2015 (₱14.8 million in 2014).

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2014	2013
Discount rate	**4% to 6%**	4% to 6%
Future salary increases	**5% to 6%**	4% to 5%

The weighted average duration of the defined benefit obligation as of December 31, 2014 and 2013 ranges from 1.6 years to 17.8 years.

24. Income Taxes

The provision for income tax consists of:

		2014		2013		2012
Current	₱	**12,927,935**	₱	26,586,615	₱	24,212,279
Deferred		**16,432,009**		(10,472,628)		10,773,887
	₱	**29,359,944**	₱	16,113,987	₱	34,986,166

The components of the net deferred income tax assets (liabilities) are as follows:

	2014	2013
Fair value adjustment	**(₱ 249,451,521)**	(₱ 37,171,557)
Unrealized valuation gains on AFS investments	**(40,309,639)**	(44,099,238)
Allowance for doubtful accounts	**19,801,875**	–
Retirement plan assets	**(19,660,118)**	(16,153,931)
Allowance for inventory losses	**18,214,493**	248,702
Goodwill amortization	**(15,596,816)**	(15,483,467)
Unrealized foreign exchange gains	**(12,213,730)**	(402,370)
Unrealized foreign exchange loss	**10,766,182**	6,903,595
Market adjustment on FVPL	**6,366,630**	2,614,968
Uncollected management fee	**(6,306,567)**	(4,978,321)
Accrued expenses	**3,811,258**	–
Unamortized past service cost	**3,117,180**	2,316,950
Retirement benefits payable	**2,716,473**	1,525,668
Others	**(4,197,698)**	(4,197,697)
Net deferred tax liability	**(₱ 282,941,998)**	(₱108,876,698)

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not certain. These deductible temporary differences are as follows:

	2014	2013
Allowances for:		
Doubtful accounts	**₱1,032,743,947**	₱ 853,808,300
Impairment losses	**220,820,097**	301,972,133
Inventory losses	**6,625,786**	4,679,415
NOLCO	**318,657,950**	281,126,216
MCIT	**5,697,745**	5,988,085
Accrued pension benefits and others	**45,996,319**	47,779,261

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% % in 2014, 2013 and 2012 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2014, 2013 and 2012.

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

	2014	2013	2012
Provision for income tax at statutory tax rates	₱ 619,230,451	₱ 408,868,786	₱ 457,388,682
Additions to (reductions from) income taxes resulting from:			
Gain on sale of AFS investments, marketable equity securities and other investments subjected to final tax	(515,638,967)	(336,528,398)	(330,046,783)
Movement in unrecognized deferred income tax assets	239,693,660	59,566,099	11,956,422
Gain on remeasurement of previously held interest	(209,703,328)	–	–
Dividend income not subject to income tax	(78,258,624)	(61,258,810)	(67,000,858)
Equity in net earnings of associates not subject to income tax	(44,142,332)	(68,683,677)	(46,598,326)
Interest income already subjected to final tax	(2,427,063)	(4,787,788)	(1,582,545)
Nondeductible expenses	1,822,242	481,617	1,677,283
Others	18,783,905	18,456,158	9,192,291
	₱ 29,359,944	₱ 16,113,987	₱ 34,986,166

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

NOLCO

The following table summarizes the NOLCO as of December 31, 2014 of the Company and its subsidiaries domiciled in the Philippines:

Period of Recognition	Availment period	Amount	Applied	Expired	Balance
2011	2012-2014	₱ 93,326,465	(₱ 908,856)	(₱ 92,417,609)	₱ –
2012	2013-2015	66,077,438	–	–	66,077,438
2013	2014-2016	121,722,313	–	–	121,722,313
2014	2015-2017	130,858,199	–	–	130,858,199
		₱ 411,984,415	(₱ 908,856)	(₱ 92,417,609)	₱ 318,657,950

As of December 31, 2014 and 2013, a foreign subsidiary has NOLCO for federal and income tax purposes of approximately $7.6 million (₱337.4 million) and US$6.5 million (₱288.6 million), respectively. Portion of NOLCO incurred in prior year will begin to expire in 2028. No deferred income tax assets were recognized on this NOLCO as its future realizability is not certain.

MCIT

Period of Recognition	Availment period		Amount		Applied		Expired		Balance
2011	2012-2014	₱	1,513,619	(₱	270,000)	(₱	1,243,619)	₱	–
2012	2013-2015		2,147,145		–		–		2,147,145
2013	2014-2016		2,327,321		–		–		2,327,321
2014	2015-2017		1,223,279		–		–		1,223,279
		₱	7,211,364	(₱	270,000)	(₱	1,243,619)	₱	5,697,745

25. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

		2014		2013		2012
Net income attributable to equity holdings of the parent	₱	**2,041,141,959**	₱	1,358,036,019	₱	1,467,919,427
Weighted average number of shares (Note 19)		**1,253,952,678**		1,261,027,565		1,374,250,079
Earnings per share	₱	**1.63**	₱	1.08	₱	1.07

The Company does not have potentially dilutive common stock equivalents in 2014, 2013 and 2012.

26. Related Party Transactions

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

In the normal course of business and in addition to those disclosed in Notes 12 and 29, the Group grants/receives cash advances to/from its associates and affiliates.

The consolidated balance sheets include the following transactions and account balances as of December 31 with related parties:

2014		Amount Volume		Outstanding Balance Receivable (Payable)	Terms	Conditions
Associates						
Vicinetum:						
Advances (Note 12)	₱	**229,517**	₱	**1,084,898**	Non-interest bearing no impairment	Unsecured, with allowance for doubtful accounts of ₱564.8 million

2014	Amount Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Stockholder				
Loan (Note 18)	₱ –	**(₱48,976,357)**	Non-interest bearing, payable in seven equal annual installment commencing in year 2018-2024	Unsecured

2013	Amount Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Associates				
PDP Energy:				
Management fees (Notes 9 and 29)	₱ 58,926,242	₱ 18,585,729	Non-interest bearing	Unsecured, no impairment
Advances (Note 12)	–	240,651	Non-interest bearing	Unsecured, no impairment
Vicinetum:				
Advances (Note 12)	–	855,363	Non-interest bearing	Unsecured, with allowance for doubtful accounts of ₱564.8 million
AFC Agribusiness Corporation:				
Advances (Note 12)	–	1,500,000	Non-interest bearing	Unsecured, no impairment
Others:				
Advances (Note 12)	–	1,861,123	Non-interest bearing	Unsecured with allowance for doubtful accounts of ₱24.5 million
Stockholder				
Loan (Note 18)	11,000,000	(48,976,357)	Non-interest bearing payable in seven equal annual installment commencing in year 2018-2024	Unsecured

Compensation of the Group's key management personnel:

		2014		2013		2012
				(In Millions)		
Short-term employee benefits (Note 21)	₱	**112.0**	₱	100.1	₱	108.1
Post-employment benefits (Note 23)		**7.1**		6.3		6.8
Total	₱	**119.1**	₱	106.4	₱	114.9

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

27. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. These meetings occur at least every quarter.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk

The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures

The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2014	2013
Cash in banks	₱ 1,341,444,528	₱ 516,248,672
Short-term investments	59,589,131	277,459,584
FVPL investments - bonds	560,889,748	410,431,087
AFS investments - debt instruments	1,174,457,942	843,878,978
	3,136,381,349	2,048,018,321
Loans and receivables:		
Trade	1,508,743,430	260,146,580
Notes receivable	40,000,000	60,803,463
Interest receivable	19,585,300	23,878,602
Receivable from villa owners	10,872,107	5,744,725
Advances to employees	10,170,075	5,061,723
Others	34,993,357	16,811,036
	1,624,364,269	372,446,129
	₱ 4,760,745,618	₱ 2,420,464,450

The Group has no collateral held as security nor credit enhancements as of December 31, 2014 and 2013, except for the notes receivable amounting to ₱20.8 million in 2013 from Tayabas Power guaranteed in full by SKI Construction Group, Inc., its parent company.

Credit quality per class of financial assets

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy. The table below shows the credit quality by class of financial asset based on the Group's credit rating system:

	Financial Assets that are Neither Past Due nor Impaired				
2014	**High Grade**	**Standard Grade**	**Substandard Grade**	**Past Due or Impaired**	**Total**
Cash in banks	₱ 1,341,444,528	₱ –	₱ –	₱ –	₱ 1,341,444,528
Short-term investments	59,589,131	–	–	–	59,589,131
FVPL investments					
- Bonds	9,701,915	551,187,833	–	–	560,889,748
AFS investments -					
Debt instruments	54,467,526	1,119,990,416	–	–	1,174,457,942
Receivables:					
Trade	–	1,000,711,761	–	547,725,466	1,548,437,227
Notes receivables	–	40,000,000	–	–	40,000,000
Interest receivable	–	19,585,300	–	–	19,585,300
Receivables from					
villa owners	–	10,872,107	–	–	10,872,107
Advances to employees	–	10,170,075	–	–	10,170,075
Others	–	34,993,357	–	1,833,158	36,826,515
	₱ 1,465,203,100	₱2,787,510,849	₱ –	₱ 549,558,624	₱ 4,802,272,573

2013	Financial Assets that are Neither Past Due nor Impaired: High Grade	Standard Grade	Substandard Grade	Past Due or Impaired	Total
Cash in banks	₱ 516,248,672	₱ –	₱ –	₱ –	₱ 516,248,672
Short-term investments	227,459,584	–	–	–	227,459,584
FVPL investments -					
Bonds	13,868,554	387,741,246	–	8,821,287	410,431,087
AFS investments -					
Debt instruments	128,140,305	715,738,673	–	–	843,878,978
Receivables:					
Trade	18,585,729	219,198,845	–	56,490,566	294,275,140
Notes receivables	20,803,463	40,000,000	–	–	60,803,463
Interest receivable	–	11,953,640	–	11,924,962	23,878,602
Receivables from villa owners	–	5,744,725	–	–	5,744,725
Advances to employees	–	5,061,723	–	–	5,061,723
Others	–	1,833,158	–	16,811,036	18,644,194
	₱ 925,106,307	₱ 1,387,272,010	₱ –	₱ 94,047,851	₱ 2,406,426,168

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Financial assets that are past due but not impaired

The table below shows the aging analysis of past due but not impaired loans/receivables per class that the Group held. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

December 31, 2014	Financial Assets that are Past Due but Not Impaired: Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Trade and others	**₱ 248,174,745**	**₱ 142,265,529**	**₱ 91,435,013**	**₱ 26,156,383**	**₱ 508,031,670**

December 31, 2013	Financial Assets that are Past Due but Not Impaired: Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Trade and others	₱ 27,880,278	₱ 4,301,526	₱ 2,886,392	₱ 2,271,688	₱ 37,339,884
Interest receivable	5,560,943	6,364,019	–	–	11,924,962
	₱ 33,441,221	₱ 10,665,545	₱ 2,886,392	₱ 2,271,688	₱ 49,264,846

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The tables below summarize the maturity profile of the Group's financial liabilities at December 31 based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2014	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Cash in banks	₱ 1,341,444,528	₱ –	₱ –	₱ –	₱ 1,341,444,528
Short-term investments	59,589,131	–	–	–	59,589,131
FVPL investments -					
Bonds	–	9,701,915	–	551,187,833	560,889,748
AFS investments -					
Bonds	24,691,343	–	772,790,720	376,975,879	1,174,457,942
Receivables	1,535,882,523	88,481,746	-	–	1,624,364,269
	₱ 2,961,607,525	₱ 98,183,661	₱ 772,790,720	₱ 928,163,712	₱ 4,760,745,618
Notes payable	₱ 1,529,461,840	₱ –	₱ –	₱ –	₱ 1,529,461,840
Accounts payable and					
accrued expenses*	990,335,808	–	–	–	990,335,808
Long-term debt	–	237,502,643	1,934,135,533	–	2,171,638,176
Interest payable	61,705,069	31,629,919	195,659,481	–	288,994,469
Dividends payable	519,664,033	–	–	–	519,664,033
	₱ 3,101,166,750	₱ 269,132,562	₱2,129,795,014	₱ –	₱ 5,500,094,326

Excluding other payables to government amounting to ₱24.2 million

December 31, 2013	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Cash in banks	₱ 516,248,672	₱ –	₱ –	₱ –	₱ 516,248,672
Short-term investments	227,459,584	–	–	–	227,459,584
FVPL investments -					
Bonds	22,689,841	387,741,246	–	–	410,431,087
AFS investments -					
Bonds	39,831,707	9,118,076	512,142,061	282,787,134	843,878,978
Receivables	181,389,440	227,018,407	–	–	408,407,847
	₱ 987,619,244	₱ 623,877,729	₱ 512,142,061	₱ 282,787,134	₱ 2,406,426,168
Notes payable	₱ 125,095,466	₱ –	₱ –	₱ –	₱ 125,095,466
Accounts payable and					
accrued expenses*	354,108,924	–	–	–	354,108,924
Long-term debt	–	31,337,632	111,651,619	1,997,775,000	2,140,764,251
Interest payable	23,573,284	25,838,400	277,656,202	5,068,916	332,136,802
Dividends payable	264,014,626	–	–	–	264,014,626
	₱ 766,792,300	₱ 57,176,032	₱ 389,307,821	₱2,002,843,916	₱ 3,216,120,069

Excluding other payables to government amounting to ₱46.8 million

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency risk and equity price risks.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

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

The following tables demonstrate management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant:

2014	**Change in interest rates (in bps*)**	**Effect on income before tax - Increase (decrease)**
Floating debt instrument	**+150**	**(₱22,980,846)**
	-150	**22,980,846**

2013	**Change in interest rates (in bps*)**	**Effect on income before tax - Increase (decrease)**
Floating debt instrument	+150	(₱27,115,300)
	-150	27,115,300

**basis points*

The sensitivity analysis shows the effect on the consolidated statements of income of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and liabilities held at December 31, 2014 and 2013. There is no other impact on equity other than those affecting profit and loss.

Fair value interest rate risk
Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The tables below show the impact on income before income tax and equity of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit and loss are bonds classified as FVPL and items affecting equity account are bonds classified as AFS.

		Increase (Decrease)	
2014	**Change in interest rates (in bps*)**	**Effect on income before tax**	**Effect on equity**
AFS investments	**+100**	**₱ –**	**(₱ 28,378,092)**
	-100	**–**	**31,149,871**
FVPL investments	**+100**	**(34,582,614)**	**–**
	-100	**39,559,799**	**–**

2013	Change in interest rates (in bps*)	Increase (Decrease) Effect on income before tax	Effect on equity
AFS investments	+100	₱ –	(₱ 19,435,471)
	-100	–	20,888,538
FVPL investments	+100	(20,646,172)	–
	-100	23,777,633	–

** basis points*

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

The tables below show the impact on income before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach.

2014	**Change in PSE price index**	**Increase (Decrease) Effect on income before tax**	**Effect on equity**
AFS investments	**+28.02%**	₱ **–**	₱ **1,080,930,597**
	-28.02%	**–**	**(1,080,930,597)**

2013	Change in PSE price index	Increase (Decrease) Effect on income before tax	Effect on equity
AFS investments	+55.33%	₱ –	₱ 2,225,907,439
	-55.33%	–	(2,225,907,439)

The annual standard deviation of the PSE price index is approximately 12.04% and 23.88% and with 99% confidence level, the possible change in PSE price index could be +/-28.02% and +/-55.33% in 2014 and 2013, respectively. There are no outstanding stock investments listed in PSE that are classified as FVPL as of December 31, 2014 and 2013.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The tables below show the impact on income before income tax and equity of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity.

		Increase (Decrease)	
2014	**Change in NAV**	**Effect on income before tax**	**Effect on equity**
Mutual funds	**+10%**	**₱ 526,875**	**₱ 22,897,682**
	-10%	**(526,875)**	**(22,897,682)**

		Increase (Decrease)	
2013	**Change in NAV**	**Effect on income before tax**	**Effect on equity**
Mutual funds	+10%	₱ 2,256,159	₱ 23,079,108
	-10%	(2,256,159)	(23,079,108)

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso. It assumes that all other variables remain constant. A negative amount in the table reflects a potential reduction in income before income tax or equity, while a positive amount reflects a net potential increase in income before income tax or equity.

2014	**Change in currency rate**	**Effect on income before tax Increase (Decrease)**
Japanese Yen	**+8.39%**	**₱5,758,452**
	-8.39%	**(5,758,452)**
US Dollar	**+4.41%**	**(400,428)**
	-4.41%	**400,428**

2013	Change in currency rate	Effect on income before tax Increase (Decrease)
Japanese Yen	+13.28%	₱28,439,018
	-13.28%	(28,439,018)
US Dollar	+5.71%	2,729,891
	-5.71%	(2,729,891)

d. Copper price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to ₱311.15 million with an average quantity of about 952 metric tons in 2014.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market. The following table represents the effect on income before tax of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant:

	% Change in copper rod prices	Effect on income before tax Increase (Decrease)
2014	**+1.26% to 1.52%**	**(₱6,151,036)**
	-1.26% to 1.52%	**6,151,036**

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

Capital Management

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiaries and associate:

a. The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2014 and 2013.

b. Cirrus' and CGI's capital management objectives are:

- To ensure its ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

CGI monitors capital on the basis of the carrying amount of equity as presented on the face of its balance sheet.

CGI sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

28. Financial Instruments

Categorization of Financial Instruments

December 31, 2014	**Loans and Receivables**	**Financial Assets at FVPL**	**AFS Investments**	**Total**
Cash and cash equivalents	₱ **1,401,033,659**	₱ **–**	₱ **–**	₱ **1,401,033,659**
FVPL investments	**–**	**595,681,712**	**–**	**595,681,712**
AFS investments	**–**	**–**	**10,091,991,319**	**10,091,991,319**
Receivables	**1,624,364,269**	**–**	**–**	**1,624,364,269**
	₱ **3,025,397,928**	₱ **595,681,712**	**₱10,091,991,319**	₱ **13,713,070,959**

December 31, 2013	**Loans and Receivables**	**Financial Assets at FVPL**	**AFS Investments**	**Total**
Cash and cash equivalents	₱ 743,892,509	₱ –	₱ –	₱ 743,892,509
FVPL investments	–	479,879,789	–	479,879,789
AFS investments	–	–	10,348,529,052	10,348,529,052
Receivables	372,446,129	–	–	372,446,129
	₱ 1,116,338,638	₱ 479,879,789	₱10,348,529,052	₱ 11,944,747,479

Other Financial Liabilities	**2014**	2013
Notes payable	₱ **1,529,461,840**	₱ 125,095,466
Accounts payable and accrued expenses*	**990,335,808**	354,108,924
Long-term debt, including current portion	**2,171,638,176**	2,140,764,251
Dividends payable	**519,664,033**	264,014,626
	₱ **5,211,099,857**	₱ 2,883,983,267

** Excluding other payables to government agencies amounting to ₱24.2 million and ₱46.8 million in 2014 and 2013, respectively.*

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

	December 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FVPL investments:				
Bonds	₱ **560,889,748**	₱ **560,889,748**	₱ 410,431,087	₱ 410,431,087
Funds and equities	**8,621,964**	**8,621,964**	53,378,702	53,378,702
Others	**26,170,000**	**26,170,000**	16,070,000	16,070,000
	595,681,712	**595,681,712**	479,879,789	479,879,789
AFS investments:				
Bonds and convertible note	**1,174,457,942**	**1,174,457,942**	843,878,978	843,878,978
Quoted equity shares	**7,542,719,341**	**7,542,719,341**	7,915,173,765	7,915,173,765
Funds and equities	**311,119,241**	**311,119,241**	442,936,860	442,936,860
Proprietary shares	**171,051,352**	**171,051,352**	177,238,250	177,238,250
Unquoted shares	**703,437,468**	**703,437,468**	675,137,535	675,137,535
	9,902,785,334	**9,902,785,334**	10,054,365,388	10,054,365,388
	₱ **10,498,467,046**	₱ **10,498,467,046**	₱10,534,245,177	₱ 10,534,245,177

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As of December 31, 2014 and 2013, AFS investments amounting to ₱189.2 million and ₱256.7 million were carried at cost since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities and others are derived from quoted market prices in active markets.

- AFS investments in bonds, quoted equity shares and funds and equities and proprietary shares are derived from quoted market prices in active markets.

- AFS investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following table provides the Group's fair value measurement hierarchy of its assets:.

As of December 31, 2014:

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
FVPL investments:				
Bonds	**₱ 560,889,748**	**₱ 560,889,748**	**₱ –**	**₱ –**
Funds and equities	**8,621,964**	**8,621,964**	**–**	**–**
Others	**26,170,000**	**26,170,000**	**–**	**–**
	595,681,712	**595,681,712**	**–**	**–**
AFS investments:				
Bonds	**1,174,457,942**	**1,174,457,942**	**–**	**–**
Quoted equity shares	**7,542,719,341**	**7,542,719,341**	**–**	**–**
Funds and equities	**311,119,241**	**311,119,241**	**–**	**–**
Proprietary shares	**171,051,352**	**171,051,352**	**–**	**–**
Unquoted shares	**703,437,468**	**–**	**–**	**703,437,468**
	9,902,785,344	**9,199,347,876**	**–**	**703,437,468**
	₱ 10,498,467,056	**₱ 9,795,029,588**	**₱ –**	**₱ 703,437,468**

As of December 31, 2013:

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
FVPL investments:				
Bonds	₱ 410,431,087	₱ 410,431,087	₱ –	₱ –
Funds and equities	53,378,702	53,378,702	–	–
Others	16,070,000	16,070,000	–	–
	479,879,789	479,879,789	–	–
AFS investments:				
Bonds	843,878,978	843,878,978	–	–
Quoted equity shares	7,915,173,765	7,915,173,765	–	–
Funds and equities	442,936,860	442,936,860	–	–
Proprietary shares	177,238,250	177,238,250	–	–
Unquoted shares	675,137,535	–	–	675,137,535
	10,054,365,388	9,379,227,853	–	675,137,535
	₱ 10,534,245,177	₱ 9,859,107,642	₱ –	₱ 675,137,535

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

2014	**Valuation technique**	**Significant unobservable inputs**	**Range**	**Sensitivity of input to fair value**
Enderun	DCF Model	Student growth rate of 5%	**5% to 15%**	**5%: fair value of ₱248** **15%: fair value of ₱279**
		Tuition fee increase by 5%	**0% to 5%**	**0%: fair value of ₱286** **5% fair value of ₱257**
		Cost of capital of 11%	**8% to 12%**	**8%: fair value of ₱290** **12%: fair value of ₱282**
KSA	DCF Model	Dividend payout is ₱40 million	**-5% to 10%**	**-5%: fair value of ₱402** **10% fair value of ₱446**
		Liquidity discount of 20%	**10% to 30%**	**10%: fair value of ₱425** **30% fair value of ₱409**
		Cost of capital of 11%	**10% to 12%**	**10%: fair value of ₱447** **12% fair value of ₱389**

2013	**Valuation technique**	**Significant unobservable inputs**	**Range**	**Sensitivity of input to fair value**
Enderun	DCF Model	Student growth rate of 10%	5% to 15%	5%: fair value of ₱267 15%: fair value of ₱327
		Tuition fee increase by 2%	0% to 5%	0%: fair value of ₱256 5%: fair value of ₱337
		Cost of capital of 11%	8% to 12%	8%: fair value of ₱357 12%: fair value of ₱239
KSA	DCF Model	Dividend payout is ₱40 million	-5% to 1%	-5%: fair value of ₱375 1%: fair value of ₱392
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱396 30% fair value of ₱382
		Cost of capital of 11%	10% to 12%	10%: fair value of ₱419 12% fair value of ₱362

An increase in the percentage of EBITDA over revenue would increase the fair value of the investment in Enderun.

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of AFS assets in unquoted equity shares (in millions):

		Enderun		KSA		Total
As at 1 January 2013	₱	286	₱	7	₱	293
Re-measurement recognized in OCI		–		382		382
Realized gains (losses) in profit or loss		–		–		–
Unrealized gains (losses) in profit or loss		–		–		–
Purchases		–		–		–
Reclassified in discontinued operations		–		–		–
Transfer into/out of Level 3		–		–		–
Sales		–		–		–
As at 31 December 2013		286		389		675
Re-measurement recognized in OCI		–		28		28
Realized gains (losses) in profit or loss		–		–		–
Unrealized gains (losses) in profit or loss		–		–		–
Purchases		–		–		–
Reclassified in discontinued operations		–		–		–
Transfer into/out of Level 3		–		–		–
Sales		–		–		–
As at 31 December 2014	**₱**	**286**	**₱**	**417**	**₱**	**703**

For the years ended December 31, 2014 and 2013, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

29. Contracts and Agreements

Sutton

a. On February 26, 2009, CGI's BOD ratified the new Service Agreement with IQHPC with a revised fee equivalent to 3% of all billed expenses effective January 1, 2009.

b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

As of December 31, 2014 and 2013, IQHPC has outstanding Service Agreements with different U.S. hospitals and one with a staffing agency. Service income recognized in 2014, 2013 and 2012 amounted to ₱3.4 million, ₱14.8 million and ₱14.4 million, respectively.

c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. Upon its maturity on July 31, 2010, the lease was renewed for a two-year term ending July 31, 2012. In 2012, the same was again renewed for a one-year term ending July 31, 2013. In 2013, the same was again renewed for a one year term ending July 31, 2014.

The future minimum rentals payable under the non-cancellable operating lease within one year from the balance sheet date amounted to ₱1.7 million and ₱1.6 million as of December 31, 2014 and 2013, respectively.

Rent expense in 2014, 2013 and 2012 amounted to ₱2.8 million, ₱2.6 million and ₱2.5 million, respectively.

d. In May 2010, CGI entered into a sublease agreement with a third party covering its office space. The sublease has a term of one year ending April 30, 2011 renewable upon mutual agreement of both parties. Upon its maturity, the sublease agreement was renewed for several periods. The extended sublease agreement ended last July 31, 2014.

In October 2014, CGI entered into sublease agreement with another third party covering its office space renewable upon mutual agreement of both parties. The sublease agreement is for a period of eight months ending July 15, 2015.

Rent income from the sublease agreement in 2014, 2013 and 2012 amounted to ₱0.6 million, ₱0.8 million and ₱0.8 million, respectively.

e. In December 2014 and 2013, advances to CGI amounting to ₱6.0 million and ₱7.6 million were assigned to Sutton in exchange for its 948 common shares and 2,528 common shares, respectively.

Cirrus

a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱1,250.0 million, ₱1,252.7 million and ₱1,145.7 million in 2014, 2013 and 2012, respectively.

b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

As of December 31, 2014 and 2013, future minimum lease payments associated with these agreements with terms of one year or more are as follows:

	2014	2013
Within one year	₱ **9,770,918**	₱ 9,907,321
After one year but not more than five years	**31,350,732**	22,299,209
	₱ **41,121,650**	₱ 32,206,530

Rent expense in 2014, 2013 and 2012 amounted to ₱10.9 million, ₱11.4 million and ₱7.5 million, respectively.

c. On December 10, 2010, Cirrus acquired NT, a company maintaining web domains for nurses and physical therapist, and agreed to pay a maximum total consideration amounting to $1.06 million for the net assets of NT as of purchase date. Of the amount, $0.51 million will be paid by Cirrus provided certain revenue and earnings target are met. To facilitate the transaction, the Company made advances to AI in the amount of $840,000 (₱37.09 million).

ASAC

ASAC enters into a lease agreement for ground handling equipment in the conduct of its operations. The lease agreement is in force for a period of not more than one year unless all parties formally extend the said term. Rent expense charged to operations amounted to ₱0.1 million in 2012 (nil in 2014 and 2013).

IAI

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell effective for five years for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary, by a Honeywell authorized service center. The contract was renewed under the same terms in 2011. Deposits for the MSP as of December 31, 2014 and 2013 amounted to ₱45.81 million and ₱52.7 million, respectively, and included as part of "Other current assets" account in the consolidated balance sheets.

b. IAI conducts its operations from leased facilities which include the aircraft hangar, parking lots and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and is subsequently renewed for another two years upon its termination in 2011 and 2013. The renewed lease agreement will terminate in August 2015.

The same shall be renewable upon mutual agreement if either party receives no notice of termination. Rent expense recognized in operations amounted to ₱2.8 million in 2014, ₱2.7 million in 2013 and ₱2.4 million in 2012.

Future minimum annual rentals payable under this lease are as follows:

		2014		2013
Not later than one year	₱	**1,857,143**	₱	2,785,714
Later than one year but not later than 5 years		**–**		1,857,143
	₱	**1,857,143**	₱	4,642,857

SSRLI and PRI

a. Since 1995, the Company charges SSRLI a monthly fee amounting to US$4,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to SSRLI. In addition, the Company also made advances to SSRLI for the latter's operating expenses. Due from SSRLI, which has been eliminated in the consolidated financial statements, amounted to ₱0.02 million as of December 31, 2014 and 2013 (see Note 12).

b. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of resort and a reserve cash funding equivalent to 4% of gross revenues which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment. On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as management fee. In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

Likewise, marketing services and license contracts with AMBV were entered into by PRI in the past, providing marketing fee of 3% of the resort's annual gross hotel revenues and US$1,000 monthly fee, respectively. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort.

The OMA, marketing and license contracts will expire on the 31st day of December of the 5th full calendar year following their commencement. Further, AMBV has the option to extend the operating term for a period of 5 years from the date of its expiration. Total fees related to these agreements amounted to ₱34.8 million, ₱17.9 million and ₱25.4 million in 2014, 2013, and 2012, respectively.

c. SSRLI has an agreement with IAI for the latter to provide regular air service. IAI shall charge SSRLI a fixed round trip rate per passenger, subject to an annual review by both parties, with a guarantee that all of IAI's operating costs will be covered.

As a result of the transfer of resort operations from SSRLI to PRI (see Note 12), the latest renewal of the air service agreement was made between PRI and IAI covering a three-year period from July 1, 2011 to June 30, 2014. The duration of the contract may be extended upon such terms and conditions as may be mutually agreed by both parties

d. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years and was executed in September 2013. The agreement provides that the Company is not allowed to sublease any part of the leased premises.

Rent relating to the lease amounted to ₱1.9 million in 2014, 2013 and 2012.

e. In January 2007, APHI and SSRLI entered into a consultancy agreement whereby APHI will provide project management, general and specific administration and supervision over pre-construction and post-construction stages of SSRLI's Amanpulo Phase 2 and other capital expenditure projects for a certain fee agreed by the two parties. As of December 31, 2011, the consultancy contract is still in effect but at a reduced fee.

On May 31, 2013, APHI and SSRLI entered into a management contract in which APHI will provide technical advice, supervision and management services and general administration for various Phase 3-A villa projects, such as but not limited to other Amanpulo special capital expenditure projects. SSRLI shall pay a fixed monthly fee amounting to ₱615,000 exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI.

f. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein PRI shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds amounted to ₱63.2 million, ₱57.2 million and ₱55.7 million in 2014, 2013, and 2012, respectively, and is presented as part of "Services revenue" in the consolidated statements of income.

As part of the agreement, PRI will also maintain a fund which shall be used for future maintenance requirements of the villas. As of December 31, 2014 and 2013, the restricted fund amounted to ₱39.8 million and ₱40.6 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 15).

g. In November 2005, the DENR awarded to SSRLI the exclusive use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.

On October 3, 2012, PRI entered into a lease agreement with SSRLI covering the land where PRI operates and certain resort-related assets for a period of 20 years. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter.

Future minimum lease payments under these lease agreements as of December 31 are as follows:

		2014		2013
Within one year	₱	**54,904,336**	₱	55,628,692
After one year but not more than five years		**267,500,000**		268,904,837
More than five years		**561,658,453**		615,250,000
	₱	**884,062,789**	₱	939,783,529

h. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and post-construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2014, SSRLI recognized handling fee, included under "Other income (charges)" account which amounted to ₱17.71 million.

PDIPI and Subsidiaries

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy amounted to ₱16.9 million (eliminated in the consolidated financial statements) and ₱12.6 million as of December 31, 2014 and 2013, respectively (see Notes 9 and 26). Management fees amounted to ₱62.2 million, ₱58.9 million and ₱55.8 million in 2014, 2013 and 2012, respectively.

b. Beginning January 2004, PDP Energy entered into a new technical assistance contract with Phelps Dodge International Corporation which provides an annual payment of technical fees amounting to a certain percentage of audited income before tax (VAT inclusive). Technical fees amounted to ₱57.7 million, ₱52.5 million and ₱45.3 million in 2014, 2013 and 2012, respectively. These are included in "Management fee" in the Group's consolidated statements of income. On December 19, 2014, PDP Energy entered into a technical assistance and support agreement with General Cable Corporation (GC). The agreement provides that GC shall make available to PDP Energy technical assistance and support services which include, among others the availability of technical and qualified resource persons with expertise in materials, technologies and manufacturing processes to be made available to PDP Energy through periodic consultation meetings with PDP Energy personnel and technical visits to PDP Energy.

c. On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GC) wherein GC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GC) which provides, among others, the exclusive distributor, reseller and representative for the sale of GC products to customers within the Philippines.

d. In 2008, PDP Energy entered into a contract of lease with a third party covering the lease of its office building. The contract is for a two year lease period and renewable at the option of both parties. The contract ended in 2012 and was no longer renewed. In line with this, PDP Energy entered into a contract of lease with another third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties.

The future aggregate minimum lease payments under the new operating lease are as follows:

Not later than 1 year	₱ 5,593,233
More than 1 year but not later than 5 years	10,440,703
	₱ 16,033,936

30. Other Matters

a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As of December 31, 2014, the refund process has remained pending.

With no quick resolution in sight and in view of the change in the MIAA administration, the Company is planning to enter into a new lease contract with the MIAA, with the Company as the lessor and IAI as sublessor. The Company has accumulated provisions for losses amounting to ₱1.93 million as of December 31, 2014 and 2013.

b. ASAC is a defendant in labor lawsuits and claims. As of December 31, 2014 and 2013, management has recognized provisions for losses amounting to ₱3.79 million (see Note 17) that may be incurred from these lawsuits.

c. SSRLI has commitments, litigations and contingent liabilities that arise in the normal course of the SSRLI's operations which are not reflected in the consolidated financial statements. Management is of the opinion that as of December 31, 2014 and 2013, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

31. Subsequent Events

On February 18, 2015 the BOD of the Company approved the appropriation from unrestricted retained earnings the amount of ₱500.0 million The appropriated retained earnings will be used for the Company's investment program within next three years on investment programs related to the services sector, tourism and manufacturing which operations are based within and outside the Philippines.

On February 17, 2015, PDP Energy's BOD approved the declaration of cash dividends amounting to ₱1.5 billion to PDIPI which will be paid on or before March 31, 2015. Proceeds from cash dividends to be received by PDIPI amounting to ₱1.5 billion was approved on the same date by the PDIPI BOD to be paid to the Company on or before March 31, 2015.

BOARD OF **DIRECTORS**


ANDRES SORIANO III
Chairman of the Board/
Chief Executive Officer/President


EDUARDO J. SORIANO
Vice Chairman/
Treasurer


ERNEST K. CUYEGKENG


JOHN L. GOKONGWEI, JR.


OSCAR J. HILADO


JOSE C. IBAZETA


ROBERTO R. ROMULO

OFFICERS & CORPORATE DIRECTORY

OFFICERS

ERNEST K. CUYEGKENG
Executive Vice President & Chief Financial Officer

WILLIAM H. OTTIGER
Senior Vice President & Corporate Development Officer

NARCISA M. VILLAFLOR
Vice President & Comptroller

LORENZO D. LASCO
Vice President

JOSHUA L. CASTRO
Assistant Vice President & Assistant Corporate Secretary

LORNA P. KAPUNAN
Corporate Secretary

SUBSIDIARIES

A. Soriano Air Corporation
AFC Agribusiness Corporation
Anscor Consolidated Corporation
Anscor International, Inc.
Anscor Property Holdings, Inc.
Cirrus Allied, LLC
Cirrus Global, Inc.
Cirrus Holdings USA, LLC
Cirrus Medical Staffing, Inc.
IQ Healthcare Investments Limited
IQ Healthcare Professional Connection, LLC
Island Aviation, Inc.
Minuet Realty Corporation
NurseTogether, LLC
Pamalican Island Holdings, Inc.
Pamalican Resort, Inc.
PD Energy International Corporation
Phelps Dodge International Philippines, Inc.
Phelps Dodge Philippines Energy Products Corporation
Seven Seas Resorts and Leisure, Inc.
Sutton Place Holdings, Inc.

AFFILIATES

AG&P International Holdings Ltd.
DirectWithHotels, Inc.
Enderun Colleges, Inc.
KSA Realty Corporation.
Predictive Edge Technologies, LLC
Prople Limited
Vicinetum Holdings, Inc.

CORPORATE DIRECTORY

Corporate Social Responsibility Arm
The Andres Soriano Foundation, Inc.
Andrews Avenue, Pasay City
(632) 831-99-41 • (632) 851-55-07
www.asorianofdn.org

Address
7th Floor Pacific Star Building,
Makati Ave. cor Gil Puyat Ave. Ext.,
1209 Makati City, Philippines

Post Office Box
1304 Makati Central Post Office
1252 Makati City, Philippines

Websites
www.anscor.com.ph
www.sorianogroup.com.ph

Telephone Numbers
(632) 819-02-51 to 60

Fax Number
(632) 811-50-68

External Auditors
SyCip Gorres Velayo & Co.

Stock Transfer Agent
Stock Transfer Services, Inc.
34th Floor, Unit D, Rufino Pacific Tower
6784 Ayala Avenue, Makati City

Legal Counsels
Kapunan Garcia & Castillo
Picazo Buyco Tan Fider & Santos
Tan Acut Lopez & Pison

A. SORIANO CORPORATION
7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat Avenue Ext.,
1209 Makati City, Philippines

COVER SHEET

PW2

SEC Registration Number

A SORIANO CORPORATION

(Company's Full Name)

7/F PACIFIC STAR BLDG.
COR. MAKATI AVE. & G. PUYAT AVE.
MAKATI CITY

(Business Address: No. StreetCity/Town/Province)

MS. NARCISA M. VILLAFLOR

(Contact Person)

819-0251

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Fiscal Year)

SEC 17-Q

(Form Type)

THIRD WEDNESDAY 0 4 | 1 7

Month *Day*

(Annual Meeting)

Not Applicable

(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

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 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 March 31, 2014

2. Commission identification number: PW-2   3. BIR Tax Identification No. 000-103-216

A. SORIANO CORPORATION

4. Exact name of issuer as specified in its charter

Philippines

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

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

7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City

7. Address of issuer's principal office   Postal Code

8190251

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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

....

....

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

SECForm 17Q
May 14, 2014

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 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, 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 [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein.

Please see SEC FORM 17-Q - Table of Contents

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

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex "C".

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

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

Issuer: A. SORIANO CORPORATION

Signature and Title: (Sgd.) JOSHUA CASTRO
AVP- Asst. Corporate Secretary

Date: May 14, 2014

Principal Financial/Accounting Officer/Controller:
Signature and Title

(Sgd.) NARCISA M. VILLAFLOR
VP - Comptroller

Date: May 14, 2014

SECForm17-Q
May 14, 2014

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PART I – FINANCIAL INFORMATION

A. SORIANO CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Thousand Pesos)

	March 31 2014	December 31 2013
ASSETS		
Current Assets		
Cash and cash equivalents	**457,866**	743,893
Fair value through profit and loss (FVPL) investments	**429,149**	479,880
Receivables	**563,087**	439,039
Inventories	**77,329**	82,691
Available-for-sale (AFS) investments - current	**51,164**	48,950
Prepayments	**58,252**	41,645
Other current assets	**96,330**	85,116
Total Current Assets	**1,733,177**	1,921,212
Noncurrent Assets		
AFS investments – net of current portion	**10,839,402**	10,299,579
Investments and advances	**3,198,144**	3,078,290
Goodwill	**620,710**	612,333
Property and equipment	**1,064,802**	1,031,160
Investment properties	**206,769**	206,769
Retirement plan asset	**54,014**	53,846
Other noncurrent assets	**219,823**	123,326
Total Noncurrent Assets	**16,203,664**	15,405,305
TOTAL ASSETS	**17,936,841**	17,326,517

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**160,235**	125,095
Accounts payable and accrued expenses	**442,473**	400,910
Dividends payable	**210,297**	264,015
Customer's deposits for property development	**223,820**	156,858
Income tax payable	**5,695**	2,056
Current portion of long-term debt	**24,107**	31,338
Total Current Liabilities	**1,066,626**	980,272

	March 31	December 31
	2014	2013
Noncurrent Liabilities		
Long-term debt – net of current portion	**2,137,146**	2,109,427
Deferred revenues	**29,058**	28,448
Deferred income tax liabilities	**102,957**	108,877
Retirement benefits payable	**9,888**	10,965
Other noncurrent liabilities	**77,445**	80,623
Total Noncurrent Liabilities	**2,356,495**	2,338,340
Total Liabilities	**3,423,121**	3,318,612
Equity Attributable to Equity Holdings of the Parent		
Capital stock - 1 par value	**2,500,000**	2,500,000
Additional paid-in capital	**1,605,614**	1,605,614
Cumulative translation adjustment	**22,736**	(20,418)
Equity reserve on acquisition of minority interest	**(26,357)**	(26,357)
Unrealized valuation gains on AFS investments	**3,045,826**	3,675,942
Cumulative actuarial gains	**37,331**	35,720
Retained Earnings		
Appropriated	**3,000,000**	3,000,000
Unappropriated	**5,988,801**	4,898,587
Cost of shares held by a subsidiary	**(2,037,650)**	(2,031,223)
	14,136,301	13,637,866
Noncontrolling interests	**377,419**	370,039
Total Equity	**14,513,720**	14,007,905
TOTAL LIABILITIES AND EQUITY	**17,936,841**	17,326,517

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2014	2013
REVENUES		
Services	**514,756**	522,131
Equity in net earnings of associates	**93,088**	41,844
Interest income	**18,159**	32,406
Management fee	**14,228**	14,382
Dividend income	**70,427**	83,811
	710,657	694,574
INVESTMENT GAINS (LOSSES)		
Gain on sale of AFS investments	**986,551**	451,297
Gain (loss) on increase (decrease) in market values of FVPL investments	**2,009**	(2,863)
	988,560	448,434
	1,699,218	1,143,008
Cost of services rendered	**(335,784)**	(316,185)
Operating expenses	**(246,297)**	(220,861)
Interest expense	**(15,227)**	(4,306)
Foreign exchange loss	**(6,088)**	(7,412)
Valuation allowances - net	**(147)**	(113)
Other income – net	**9,959**	975
	(593,583)	(547,903)
INCOME BEFORE INCOME TAX	**1,105,634**	595,105
PROVISION FOR INCOME TAX - net	**7,205**	16,757
NET INCOME	**1,098,429**	578,348
Attributable to:		
Equity holdings of the parent	**1,090,214**	562,370
Minority interest	**8,215**	15,978
	1,098,429	578,348
EARNINGS PER SHARE		
Basic/diluted, for net income attributable to equity holdings of the parent	**0.87**	0.45

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2014	2013
NET INCOME FOR THE PERIOD	**1,098,429**	578,348
OTHER COMPREHENSIVE INCOME		
Gain (Loss) on Increase (Decrease) in Market Value of Available for sale (AFS) investments	**(636,222)**	683,796
Unrealized Actuarial Gain	**2,302**	-
Exchange Differences on Translating Foreign Operations	**43,154**	(5,659)
Income tax relating to components of other comprehensive income	**5,415**	1,151
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**(585,351)**	679,287
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**513,078**	1,257,635

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	Attributable to Equity Holders of the Parent						Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on AFS Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interest	Total
Balance at 12/31/2012	**2,500,000**	**1,574,104**	**(26,357)**	**3,458,315**	**-**	**(155,685)**	**2,100,000**	**4,757,264**	**(2,019,725)**	**338,817**	**12,526,734**
Comprehensive income	-	-	-	684,947	-	(5,659)	-	562,370	-	15,978	1,257,635
Appropriation of retained earnings	-	-	-	-	-	-	900,000	(900,000)	-	-	-
Sale of shares held by a subsidiary	-	15,262	-	-	-	-	-	-	5,042	-	20,304
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(458)	(458)
Balance at 03/31/2013	**2,500,000**	**1,589,366**	**(26,357)**	**4,143,262**	**0**	**(161,345)**	**3,000,000**	**4,419,634**	**(2,014,683)**	**354,337**	**13,804,215**
Balance at 12/31/2013	**2,500,000**	**1,605,614**	**(26,357)**	**3,675,942**	**35,720**	**(20,418)**	**3,000,000**	**4,898,587**	**(2,031,223)**	**370,039**	**14,007,905**
Comprehensive income	-	-	-	(630,116)	1,611	43,154	-	1,090,214	-	8,215	513,078
Sale of shares held by a subsidiary	-	-	-	-	-	-	-	-	(6,427)	-	(6,427)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(835)	(835)
Balance at 03/31/2014	**2,500,000**	**1,605,614**	**(26,357)**	**3,045,826**	**37,331**	**22,736**	**3,000,000**	**5,988,801**	**(2,037,650)**	**377,419**	**14,513,720**

A. SORIANO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousand Pesos)

	Periods Ended March 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**1,105,634**	595,105
Adjustment for:		
Depreciation and amortization	**31,283**	29,257
Interest expense	**15,227**	4,306
Foreign exchange loss - net	**7,644**	5,359
Valuation allowances - net	**147**	113
Gain on sale of AFS investments	**(986,551)**	(451,297)
Equity in net earnings of associates	**(93,088)**	(41,844)
Interest income	**(18,159)**	(32,406)
Dividend income	**(70,427)**	(83,811)
Loss (gain) on decrease (increase) in market values of FVPL investments	**(2,009)**	2,863
Operating income (loss) before working capital changes	**(10,299)**	27,647
Decrease (increase) in:		
FVPL investments	**58,318**	(147,317)
Receivables	**(104,100)**	(24,414)
Inventories	**5,362**	17,479
Increase (decrease) in:		
Accounts payable and accrued expenses	**21,468**	(40,042)
Retirement benefits payable	**(3,376)**	(1,710)
Customer' deposit for property development	**66,962**	-
Net cash generated from (used in) operations	**34,335**	(168,357)
Dividend received	**70,427**	83,811
Interest received	**18,676**	32,576
Interest paid	**(15,227)**	(4,306)
Income taxes paid	**(4,022)**	(14,252)
Net cash flows from (used in) operating activities	**104,189**	(70,529)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of AFS investments	**2,889,232**	1,868,949
Addition to:		
AFS investments	**(3,056,868)**	(660,521)
Long-term investments	**-**	(4)
Property and equipment	**(64,925)**	(96,638)

	Periods Ended March 31	
	2014	2013
Decrease (increase) in:		
Other assets	**(124,318)**	(6,975)
Other noncurrent liabilities	**(3,178)**	28,506
Advances to affiliates	**278**	911
Net cash flows from (used in) investing activities	**(359,778)**	1,134,228
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	**(6,556)**	(254,081)
Proceeds from (payment of):		
Notes payable	**35,139**	(7,675)
Dividends	**(53,718)**	(105,147)
Sale shares held by a subsidiary	**(6,427)**	20,304
Increase (decrease) in:		
Deferred revenue	**610**	(3,658)
Minority interest	**(835)**	(458)
Net cash flows from (used in) financing activities	**(31,788)**	(350,714)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**1,350**	(6,505)
NET INCREASE IN (DECREASE) CASH AND CASH EQUIVALENTS	**(286,026)**	706,479
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**743,893**	870,553
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**457,866**	1,577,032

A. SORIANO CORPORATION
PARENT COMPANY BALANCE SHEETS
(In Thousand Pesos)

	March 31 2014	December 31 2013
ASSETS		
Cash and Cash Equivalents	**157,382**	387,823
Fair Value through Profit and Loss (FVPL) Investments	**419,754**	470,778
Available for Sale (AFS) Investments	**10,289,512**	9,809,819
Receivables - net	**272,058**	140,548
Investments and Advances- net	**5,203,840**	5,146,562
Property and Equipment - net	**38,461**	39,628
Retirement Plan Asset	**53,846**	53,846
Other Assets	**1,081**	796
TOTAL ASSETS	**16,435,934**	16,049,801
LIABILITIES AND EQUITY		
Liabilities		
Notes Payable	**55,000**	-
Accounts Payable and Accrued Expenses	**84,509**	97,344
Dividends Payable	**210,297**	264,015
Long-term Debt	**2,024,820**	1,997,775
Deferred Income Tax Liabilities	**55,151**	57,558
Total Liabilities	**2,429,777**	2,416,691
Equity		
Capital Stock - 1 Par Value	**2,500,000**	2,500,000
Additional Paid-in Capital	**1,589,800**	1,589,800
Unrealized Valuation Gains on AFS Investments	**3,010,146**	3,641,239
Unrealized Actuarial Gains	**30,400**	30,400
Retained Earnings		
Appropriated	**3,000,000**	3,000,000
Unappropriated	**3,875,812**	2,871,671
Total Equity	**14,006,157**	13,633,110
TOTAL LIABILITIES AND EQUITY	**16,435,934**	16,049,801

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2014	2013
REVENUES		
Dividend income	**90,427**	83,811
Interest Income	**16,310**	31,642
Management fees	**14,228**	14,382
	120,965	129,835
INVESTMENT GAINS (LOSSES)		
Gain on sale of AFS investments	**987,042**	451,339
Gains (Losses) on increase (decrease) in market values of FVPL investments	**1,840**	(2,910)
	988,882	448,429
	1,109,847	578,264
Operating expenses	**(86,575)**	(66,848)
Interest expense	**(13,300)**	(2,625)
Foreign exchange loss	**(6,206)**	(8,017)
Other income – net	**63**	966
	(106,018)	(76,524)
INCOME BEFORE INCOME TAX	**1,003,828**	501,740
PROVISION FOR (BENEFIT FROM) INCOME TAX - (NET)	**(312)**	(1,605)
NET INCOME	**1,004,141**	503,345
Earnings Per Share – basic/diluted	**0.40**	0.20

A. SORIANO CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(In Thousand Pesos)

	Periods Ended March 31	
	2014	2013
NET INCOME FOR THE PERIOD	**1,004,141**	503,345
OTHER COMPREHENSIVE INCOME (LOSS)		
Gain (Loss) on Increase (Decrease) in Market Value of Available for sale (AFS) investments	**(633,187)**	684,209
Income tax effect	**2,094**	1,887
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**(631,093)**	686,097
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**373,047**	1,189,442

A. SORIANO CORPORATION

PARENT STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments	Unrealized Actuarial Gain	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total
Balance at 12/31/2012	**2,500,000**	**1,589,800**	**3,407,481**	**-**	**2,100,000**	**2,863,535**	**12,460,815**
Appropriation of retained earnings	-	-	-	-	900,000	(900,000)	-
Comprehensive income	-	-	686,097	-	-	503,345	1,189,442
Balance at 03/31/2013	**2,500,000**	**1,589,800**	**4,093,577**	**-**	**3,000,000**	**2,466,880**	**13,650,257**
Balance at 12/31/2013	**2,500,000**	**1,589,800**	**3,641,239**	**30,400**	**3,000,000**	**2,871,671**	**13,633,110**
Comprehensive income	-	-	(631,093)	-	-	1,004,141	373,047
Balance at 03/31/2014	**2,500,000**	**1,589,800**	**3,010,146**	**30,400**	**3,000,000**	**3,875,812**	**14,006,157**

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended March 31	
	2 014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**1,003,828**	501,740
Adjustment for:		
Interest expense	**13,300**	2,625
Net foreign exchange loss	**6,206**	8,017
Depreciation and amortization	**1,707**	1,644
Gain on sale of AFS investments	**(987,042)**	(451,339)
Dividend income	**(90,427)**	(83,811)
Interest income	**(16,310)**	(31,642)
Loss (gain) on decrease (increase) in market values of FVPL investments	**(1,840)**	2,910
Operating loss before working capital changes	**(70,576)**	(49,856)
Increase in receivables	**(111,415)**	(8,951)
Decrease (increase) in FVPL investments	**58,442**	(147,340)
Increase (decrease) in accounts payable and accrued expenses	**(32,929)**	(62,626)
Net cash used in operations	**(156,479)**	(268,774)
Dividend received	**90,427**	83,811
Interest received	**16,310**	31,642
Interest paid	**(13,300)**	(2,625)
Income tax paid	**-**	(220)
Net cash flows used in operating activities	**(63,043)**	(156,166)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of AFS investments	**2,878,948**	1,851,920
Additions to:		
AFS investments	**(2,991,562)**	(658,898)
Property and equipment	**(26)**	(19)
Increase in:		
Advances to affiliates	**(57,278)**	(30,481)
Other assets	**(285)**	514
Net cash flows from (used in) investing activities	**(170,203)**	1,163,032

	Periods Ended March 31	
	2 014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	**55,000**	(250,000)
Payment of cash dividends	**(53,718)**	(105,147)
Increase in due to affiliates	**-**	20,319
Net cash flows from (used in) financing activities	**1,282**	(334,829)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**1,523**	(7,168)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(230,441)**	664,868
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**387,823**	669,127
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**157,382**	1,333,995

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations						After Eliminations
	US-based Nurse/PT Staffing Co.**	Resort Operation	Other Operations (Note 1)	Holding Co. (Parent)	Total	Eliminations	**Consolidated**
03/31/2014							
REVENUE	292,663	170,707	64,913	1,109,847	1,638,129	61,088	**1,699,218**
NET INCOME (LOSS)	175	15,305	5,653	1,004,141	1,025,274	73,155	**1,098,429**
TOTAL ASSETS	860,967	1,505,765	3,353,835	16,435,934	22,156,502	(4,219,661)	**17,936,841**
INVESTMENTS AND ADVANCES	0	103,119	3,036,007	15,913,107	19,052,233	(4,327,604)	**14,724,629**
PROPERTY & EQUIPMENT	5,382	834,593	62,462	38,461	940,897	123,905	**1,064,802**
TOTAL LIABILITIES	129,422	696,722	3,526,282	2,429,777	6,782,203	(3,359,082)	**3,423,121**
DEPRECIATION AND AMORTIZATION	1,226	19,968	8,895	1,194	31,283	-	**31,283**

	Before Eliminations						After Eliminations
	US-based Nurse/PT Staffing Co. **	Resort Operation	Other Operations (Note 1)	Holding Co. (Parent)	Total	Eliminations	**Consolidated**
March 31, 2013							
REVENUES	283,352	178,372	127,613	578,264	1,167,601	(24,593)	**1,143,008**
NET INCOME (LOSS)	(8,581)	39,022	60,868	503,345	594,653	(16,305)	**578,348**
TOTAL ASSETS	782,221	1,116,545	1,148,071	14,035,165	17,082,002	(2,262,574)	**14,819,428**
INVESTMENT PORTFOLIO *	-	100,288	801,700	12,554,192	13,456,180	(2,358,121)	**11,098,059**
PROPERTY, PLANT & EQUIPMENT	8,299	687,906	87,096	34,836	818,138	123,905	**942,043**
TOTAL LIABILITIES	116,770	374,237	1,341,041	384,908	2,216,956	(1,201,743)	**1,015,213**
DEPRECIATION AND AMORTIZATION	796	18,403	8,582	1,476	29,257	-	**29,257**

** Inclusive of FVPL investments, AFS investments, advances & investments and investment properties.*

*** Excluding IQHPC operations which were consolidated into IQMAN, the latter formed part of other operations.*

***Note 1** Other than Cirrus Global, Inc. (formerly IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Property Holdings, Inc.*

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on IFRIC Interpretation which were adopted as of January 1, 2013.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is resented 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 balance sheet;
  c) The net amounts presented in the consolidated balance sheet;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments have no impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements, 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 SIC 12, Consolidation - Special Purpose Entities. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

This new standard has no impact on the Group's financial position or performance. A reassessment of control was performed by the Company on all its subsidiaries and associates in accordance with the provisions of PFRS 10. Following the reassessment, the Company determined that there are no additional entities that need to be consolidated nor are there subsidiaries that need to be deconsolidated.

- Amendments to PAS 27, *Separate Financial Statements. As a consequence of the issuance of the new PFRS 10 and PFRS 12, Disclosure of Interest in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, joint ventures, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The adoption of the amended PAS 27 has no significant impact on the separate financial statements of the Group.

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

  The Group does not have any jointly controlled entities so the adoption of this new standard has no significant impact on the consolidated financial statements of the Group.

- PFRS 12, *Disclosure of Interests in Other Entities, includes all of the disclosures related to financial statements that were previously in PAS 27*, as well as all the disclosures that were previously included in PAS 31 and PAS 28, Investments in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

  The adoption of PFRS 12 affects disclosures only and has no impact on the Group's financial position or performance. The additional disclosures required are presented in Note 12 to the financial statements.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*. As a consequence of the issuance of the new PFRS 11 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 Group does not have any joint venture so the adoption of this amendment has no significant impact on its consolidated financial statements.

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

  The Group has assessed its policies for measuring fair values of its financial instruments and changes were applied prospectively. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

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

- Amendments to PAS 19, *Employee Benefits*, range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity 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.

  On January 1, 2013, the Group adopted the Revised PAS 19, *Employee Benefits*.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period be recognized immediately in profit or loss when incurred.

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

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

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

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

	December 1,2013
	(In Millions)
Increase (decrease) in:	
Consolidated Balance sheets	
Net defined benefit liability	**(₱ 11.0)**
Net defined benefit asset	**40.9**
Deferred tax assets	**(15.2)**
Cumulative actuarial gains	**35.7**
Retained earnings	**(2.2)**
Noncontrolling interests	**3.2**

	Years Ended December 31
	2013
	(In Millions)
Increase (decrease) in:	
Consolidated Statements of Income	
Cost of services rendered	**₱–**
Operating expenses	**(0.8)**
Income before income tax	**0.8**
Income tax benefits	**(0.2)**
Net income	**(1.0)**
Attributable to equity holdings of the Parent Company	**(0.8)**
Attributable to noncontrolling interests	**(0.2)**
Basis/diluted earnings per share	**–**

Consolidated Statement of Comprehensive Income	
Unrealized actuarial gains	**₱15.4**
Income tax effect	**(4.7)**
Other comprehensive income for the year, net of tax	**10.7**
Attributable to equity holdings of the Parent Company	**10.5**
Attributable to noncontrolling interests	**0.2**

The additional disclosures required are presented in Note 23 to the consolidated financial statements.

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

The adoption did not have a significant impact on consolidated statements of cashflows.

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

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

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

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

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

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes. The Group assessed that this amendment has no impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*, clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to December 31, 2013

The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Effective in 2014

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, 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 to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and have no impact on the Group’s financial position or performance.

- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*, remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The Group did not early adopt these amendments. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.

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

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*, provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- Amendments to PFRS 10, PFRS 12 and PAS 27 - *Investment Entities*, provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are effective for annual periods beginning on or after January 1, 2014. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

Effective in 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. It is not expected that this amendment would be relevant to the Group since the Group has no contributory defined benefit retirement plan.

Annual Improvements to PFRSs (2010-2012 cycles)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS2, *Share-based Payment - Definition of Vesting Condition*, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, requires entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

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

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

    The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance since the Group does not have any revalued property, plant and equipment.

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

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarifies that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

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

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*, clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. This amendment is not applicable to the Group as the Group currently does not have any joint arrangements.

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

- PAS 40, *Investment Property*, clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Effectivity date to be determined

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

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

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project. The Group shall conduct another impact evaluation in early 2014 using the consolidated financial statements for the year ended December 31, 2013.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This 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, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at December 31:

		Percentage of Ownership	
	Nature of Business	**2014**	**2013**
A. Soriano Air Corporation	Services/Rental	100	100
Pamalican Island Holdings, Inc. (PIHI)	Holding	62	62
Island Aviation, Inc. (IAI)	Air Transport	62	62
Anscor Consolidated Corporation (Anscorcon)	Holding	100	100
Anscor International, Inc. (AI)	Holding	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	100	100
Cirrus Medical Staffing, Inc. (Cirrus)	Manpower Services	94	94
Cirrus Holdings USA, LLC (Cirrus LLC)	Manpower Services	94	94
Cirrus Allied, LLC (Cirrus Allied)	Manpower Services	94	94
NurseTogether, LLC (NT)	Online Community Management	94	94
Anscor Property Holdings, Inc. (APHI)	Real Estate Holding	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	100	100
Goldenhall Corp.	Real Estate Holding	100	100
Lakeroad Corp.	Real Estate Holding	100	100
Mainroad Corp.	Real Estate Holding	100	100
Makatwiran Holdings, Inc. (Makatwiran)	Real Estate Holding	100	100
Makisig Holdings, Inc. (Makisig)	Real Estate Holding	100	100
Malikhain Holdings, Inc. (Malikhain)	Real Estate Holding	100	100
Mountainridge Corp.	Real Estate Holding	100	100
Rollingview Corp.	Real Estate Holding	100	100
Summerside Corp.	Real Estate Holding	100	100
Timbercrest Corp.	Real Estate Holding	100	100
Sutton Place Holdings, Inc. (Sutton)	Holding	100	100
Cirrus Global, Inc. (CGI)	Manpower Services	93	93
IQ Healthcare Professional Connection LLC (IQHPC)	Manpower Services	93	93
Seven Seas Resorts and Leisure, Inc. (SSRLI)	Villa Project Development	62	62
Pamalican Resort, Inc. (PRI)	Resort Operations	62	62

In 2012, Goldenhall, Lakeroad, Mainroad, Mountainridge, Rollingview, Summerside and Timbercast, wholly-owned subsidiaries of APHI, were incorporated as real estate holding companies.

Except for AI, IQHIL, Cirrus and its subsidiaries and IQHPC, the above companies are all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while Cirrus and its subsidiaries and IQHPC are based in the United States of America (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheets.

<u>Investments in Associates</u>
Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

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

The following are the Group's associates:

		Percentage of Ownership	
	Nature of Business	**2012**	**2011**
NewCo., Inc. (Newco)	Real Estate	45	45
AFC Agribusiness Corporation	Real Estate	45	45
Anscor-Casto Travel Corporation	Travel Agency	44	44
Phelps Dodge International Philippines, Inc. (PDIPI)	Holding	40	40
Minuet Realty Corporation (Minuet)	Landholding	60	60
Phelps Dodge Philippines Energy Products Corporation (PDP Energy)	Wire Manufacturing	40	40
PD Energy International Corporation (PDEIC)	Wire Manufacturing	40	40
Vicinetum Holdings, Inc. (VHI	Holding	32	32
AGP International Holdings Ltd. (AGPI)	Holding	27	-

Minuet has been excluded in the consolidated financial statements as special voting requirements adopted by its shareholders manifested that the Company's 60% holdings in Minuet is not sufficient to carry major business decisions.

On June 28, 2013, AI converted its Convertible Bridge Notes from AGPI to Series B voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI for the subscription to series C voting preferred shares. The subscription increases its holdings to 26.8 %, making AGPI an associate of the Group.

Except for AGPI, the above companies are all based in the Philippines. The principal business location of AGPI is in the British Virgin Islands.

On December 2, 2011, a deed of assignment was executed for the sale of the Company's 60% holdings in Vesper Industrial and Development Corporation. Gain recognized from the sale amounted to E16.7 million recorded under gains on sale of long-term investments in 2011.

Business Combinations and Goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of income.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences 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 closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to AFS equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and AFS investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

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

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

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

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

The Group’s management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group’s external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value

The fair value of instruments that are actively traded in organized financial markets is determined by reference to market prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Classification of financial instruments

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

As of March 31, 2014, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of March 31, 2014 and December 31, 2013.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the

embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheets at fair value. Changes in fair value are recorded in "Gain (loss) on increase (decrease) in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.
As of March 31, 2014 and December 31, 2013, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of March 31, 2014 and December 31, 2013.

(b) Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as "Recoveries (valuation allowances) - net" in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to officers and employees and other receivables.

(c) AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statements of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as "Gain on sale of AFS investments". Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate.

Dividends earned on holding AFS investments are recognized as such in the consolidated statements of income when the right of payment has been established.

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within twelve months after the reporting period.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of March 31, 2014 and December 31, 2013, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of March 31, 2014 and December 31, 2013, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

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 or removed from the consolidated balance sheet where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

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

Impairment of Financial Assets

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables 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.

For individually significant financial assets, 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 the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective

evidence of impairment exists for 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 for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statements of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. 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 reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" in the consolidated statement of income.

AFS investments
In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. The losses arising from impairment of such investments are recognized as “Recoveries (valuation allowances) - net” in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income.

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

Day 1 Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statements of income only 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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of Goods

Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on Villa Development Project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method. Under this method, revenue is recognized only when the villa clusters have been constructed, turned over to, and accepted by the buyer.

Cost of Goods Sold

The cost of goods sold is recognized as expense when the related goods are sold using the average costing method.

The cost of real estate sold includes the acquisition cost of the land and total development costs upon completion. Cost of lots sold is determined based on average method while cost of villa is accounted for using specific identification.

Rendering of Services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Costs of Services Rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

Cost and expenses related to room services are charged to operations when incurred.

Selling, General and Administrative Expenses
All selling and general and administrative expenses are expensed as incurred.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

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

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises 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. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5-20
Machinery and equipment	5-25
Flight and ground equipment	5-10
Furniture, fixtures and office equipment	3-5
Transportation equipment	3-5

* or lease term, whichever is shorter

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.
Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress
Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes 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. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed:

Category	Number of Years
Land improvements	25
Buildings	20 - 30
Condominium units	20

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

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

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statements of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Noncurrent Assets Held for Sale and Discontinued Operations

Noncurrent assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Depreciable assets are no longer depreciated once they are classified as noncurrent assets held for sale and discontinued operations.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a noncontrolling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately from the consolidated statement of income.

Customer's Deposit for Property Development

Customer's deposit for property development is recorded at cost. The deposit is an advance payment by a villa buyer which is required to start and complete the villa development. Upon sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statements of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

The Group as Lessee

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

The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Borrowing Costs</u>

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

<u>Pension Benefits</u>

The Group has a non-contributory defined benefit retirement plan.

Defined benefit 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.

Defined benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

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

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

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 tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign subsidiaries and associates, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of March 31, 2014 and 2013.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of 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.

Segment Reporting

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in 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.

<u>Judgments</u>
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 amounts recognized in the consolidated financial statements.

Determination of functional currency
The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments
The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition 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 balance sheets.

Operating Lease Commitments - The Group as Lessee
The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating Lease Commitments - The Group as Lessor
The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, 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.

Impairment losses on loans and receivables

The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statements 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 advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For 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. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of AFS equity investments

The Group recognizes impairment losses on AFS equity investments 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. In 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).

Impairment of investments carried at equity method

Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

Estimation of useful lives of the Group's property and equipment

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

Impairment of non-financial assets
(a) Property and equipment and investment properties

The Group assesses impairment on assets 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.

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the “value-in-use” of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of contingent consideration
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Recognition of deferred income tax assets
The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management 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 profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and equity price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's

Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. The evaluation and meetings occur at least every quarter.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being able to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a customer that accounts for more than 10% of the consolidated revenue.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures
The carrying amounts of the assets represent maximum credit exposure.

Credit quality per class of financial asset
For the Group's receivables, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Financial assets that are past due but not impaired
Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

Liquidity risk
Liquidity risk is defined as the risk that the fund may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.
The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due, this is done by primarily investing in highly liquid investments.

The Group's total financial liabilities due to be settled within one year includes notes payable that management considers s working capital. Account payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency risk and equity price risks.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

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

   Fair value interest rate risk
   Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

b. Equity price risk
   Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's investment in stocks listed in the PSE index (PSEi).

c. Price interest risk of mutual funds
   The Group is exposed to the risks of changes in the fund's net asset value due to its market risk exposures.

d. Foreign exchange risks
   Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

   The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar and Euro. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company and a subsidiary occasionally engage in foreign currency forward contracts as a defensive measure against foreign currency volatility.

   On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, SSRLI and IQMAN can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

Capital Management
Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiary and associate:

a. The primary objective of the Company's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Company establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Company establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

No changes were made in the objectives, policies or process for the period ended March 31, s014 and December 31, 2013.

b. Cirrus' and CGI's capital management objectives are:

- To ensure its ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

CGI monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

CGI sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

6. Financial Instruments

Fair Value of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

	March 31, 2014		December 31, 2013	
(In Thousand Pesos)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds	**356,893**	**356,893**	410,431	410,431
Funds and equities	**55,590**	**55,590**	53,378	53,378
Others	**16,666**	**16,666**	16,070	16,070
	429,149	**429,149**	479,880	479,880
AFS investments:				
Bonds	**1,168,683**	**1,168,683**	843,879	843,879
Quoted equity shares	**8,074,002**	**8,074,002**	7,915,174	7,915,174
Funds and equities	**453,739**	**453,739**	442,937	442,937
Proprietary shares	**177,238**	**177,238**	177,238	177,238
Unquoted shares	**675,138**	**675,138**	675,138	675,138
	10,548,800	**10,548,800**	10,054,365	10,054,365
	10,977,949	**10,977,949**	10,534,245	10,534,245

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As of March 31, 2014 and December 31, 2013, AFS investments amounting to P341.8 million and P294.2 million were carried at cost since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities and others are derived from quoted market prices in active markets.
- AFS investments in bonds, quoted equity shares and funds and equities and proprietary shares are derived from quoted market prices in active markets.
- AFS investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following table provides the Group's fair value measurement hierarchy of its assets:

March 31, 2014

(In Thousand Pesos)		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 2)
FVPL investments:				
Bonds	410,431	410,431	-	-
Funds and equities	53,378	53,378	-	-
Others	16,070	16,070	-	-
	479,880	479,880	-	-
AFS investments:				
Bonds	843,879	843,879	-	-
Quoted equity shares	7,915,174	7,915,174	-	-
Funds and equities	442,937	442,937	-	-
Proprietary shares	177,238	177,238	-	-
Unquoted shares	675,138	-	-	675,138
	10,054,365	9,379,228	-	675,138
	10,534,245	9,859,108	-	675,138

December 31, 2013

(In Thousand Pesos)

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 2)
FVPL investments:				
Bonds	356,893	356,893	-	-
Funds and equities	55,590	55,590	-	-
Others	16,666	16,666	-	-
	429,149	429,149	-	-
AFS investments:				
Bonds	1,168,683	1,168,683	-	-
Quoted equity shares	8,074,002	8,074,002	-	-
Funds and equities	453,739	453,739	-	-
Proprietary shares	177,238	177,238	-	-
Unquoted shares	675,138	-	-	675,138
	10,548,800	9,873,662	-	675,138
	10,977,949	10,302,811	-	675,138

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

	Valuation technique	**Significant unobservable inputs**	**Range**	**Sensitivity of input to fair value**
Enderun	DCF Model	Student growth rate of 10%	5% - 15%	5%: fair value of P267
				15%: fair value of P327
		Tuition fee increase by 2%	0% - 5%	0%: fair value of P256
				5%: fair value of P337
		Other income growth rate of 15%	5% - 20%	5%: fair value of P270
				20%: fair value of P297

	Valuation technique	**Significant unobservable inputs**	**Range**	**Sensitivity of input to fair value**
KSA	DCF Model	Cost of capital of 11%	8% - 12%	8%: fair value of P357
				12%: fair value of P239
		Dividend payout is =40 million	(5%) - 1%	(5%): fair value of P375
				1%: fair value of P392
		Cost of capital of 11%	10% - 30%	10%: fair value of P396
				30% fair value of P382
		Cost of capital of 11%	10% - 12%	10%: fair value of P419
				12% fair value of P362

An increase in the percentage of EBITDA over revenue would increase the fair value of the investment in Enderun.

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of AFS assets in unquoted equity shares (in millions):

	Enderun	KSA	Total
As at 1 January 2014	**P286**	**P7**	**P293**
Re-measurement recognized in OCI	-	382	382
Realized gains (losses) in profit or loss	-	-	-
Unrealized gains (losses) in profit or loss	-	-	-
Purchases	-	-	-
Reclassified in discontinued operations	-	-	-
Transfer into/out of Level 3	-	-	-
Sales	-	-	-
As at 31 March 2014	**P286**	**P389**	**P675**

For the period ended March 31, 2014 and December 31, 2013, there were no transfer from level 1, Level 2 and level 3 fair value measurements.

7. Financial Condition

There was no significant change in the Company's Balance Sheet as of March 31, 2014 versus December 31, 2013.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash flows used in investing activities amounting to P359.8 million offset by cash generated from operating and financing activities.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements.)

Fair Value Through Profit and Loss (FVPL) Investments

The decrease in the account can be attributed to the net disposal for the period of about P58.3 million. The market value of foreign denominated investment in bonds, stocks and funds increased by P2.0 million vs. December 31, 2013 market values. Unrealized foreign exchange gain related to FVPL investments amounted to P5.6 million.

Receivables
The increase in receivables was mainly due to Parent Company's advances to an associate and dividend receivable from Aboitiz Group subsequently collected in April 2014.

Inventories
The decrease is traced to spare parts and supplies utilized for three months by the aviation and resort subsidiaries.

Prepayments
Increase in this account can be attributed mainly to prepaid expenses related to resort operation.

Other Current Assets
Increase in this account can be attributed mainly to additional deposits made by aviation subsidiary in relation to the maintenance service plan for its aircrafts. Also, the resort made additional deposits related to construction related materials.

Available for Sale (AFS) Investments
Net increase in this amount amounted to P542.0 million. Additions were mostly in bonds, equity funds and traded equities. There was a decrease in market value of AFS investments, offset by foreign exchange gain from translation of foreign currency-denominated AFS investments.

Investments and Advances
The increase in investments and advances was mainly due to equity in net earnings of associates for the period amounting to P93.1 million. Unrealized foreign exchange gain related to foreign equity investment amounted to P27.0 million.

Goodwill
The goodwill from US-based staffing business increased by P8.4 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net
Depreciation charged to operations amounted to P31.3 million while additions to property and equipment amounted to P64.9 million, mainly attributable to special capital expenditures of the resort subsidiary.

Other Noncurrent Assets
Change in the account balance can be attributed to the increase in cash fund of the resort subsidiary for villa operation.

Notes Payable

The increase in the balance was mainly due to short-term loan availed by the Parent Company as of March 31, 2014.

Accounts Payable and Accrued Expenses

The increase was mainly attributable to the recorded liabilities for ongoing projects of the resort subsidiary.

Customer's Deposits for Property Development

The increase in the account was due additional deposits made by villa buyers.

Income Tax Payable

Movement in the account was attributable to income tax accrued by the group for three months of 2014 offset by tax payment made as of March 31, 2014.

Long-term Debt (current and noncurrent)

The increase in the account can be attributed mainly to unrealized foreign exchange loss related dollar denominated loan by the Parent Company amounting to P27.0 million.

Deferred Income Tax Liabilities

Decrease in the account was mainly due to the deferred tax effect on the decline in value of AFS investments.

Retirement Benefits Payable

Movement in the retirement benefit payable pertains to the amount funded by the group.

Cumulative Translation Adjustment

This account includes translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary IQHPC.

Unrealized valuation gains on AFS investments (equity portion)

The decrease in market values of AFS investments from December 31, 2013 to March 31, 2014 amounted P630.1 million, net of deferred income taxes. When the assets are sold, the gain or loss is realized and will be reflected in the consolidated statements of income.

Noncontrolling interests (equity portion)

The increase in minority interest was mainly due to share of minority shareholders on income of the resort and aviation subsidiaries net of share in losses of minority shareholders of Cirrus Global, Inc. for the period ended March 31, 2014.

Others

There were no commitments for major capital expenditures in 2014.

8. Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

The following are the key performance indicators for the Parent Company (In thousand pesos except earnings per share and market price per share):

	Periods ended March 31	
	2014	*2013*
Revenues (excluding investment gains or losses)	***53,217***	*129,835*
Investment Gains	***988,882***	*448,429*
Net Income	***936,393***	*503,345*
Earnings Per Share	***0.37***	*0.20*
Market Price Per Share (PSE)	***6.75***	*6.95*

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues
This year's consolidated gross revenues of P1.6 billion was 42.7% higher than last year's revenue of P1.1 billion. Anscor posted higher investment gain (P448.4 million to P988.9 million) due to increased number of equities sold in the stock market. It also generated increase of equity in net earnings of associates for the first three months of 2014.

Cost of Services Rendered
Increase in cost of services rendered was mainly attributable to higher cost of services of the nurse staffing business and the resort subsidiary.

Operating Expenses
Increase can be attributed to the higher operating expenses of the Parent Company, resort and nurse staffing business.

Foreign Exchange Loss
Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange loss on its dollar denominated loan partially offset by foreign exchange gain on its foreign currency denominated investment in financial assets.

Interest Expense

The Group reported higher charges for interest expense resulting from increase long-term loan to fund its investment. The loan was availed by the Parent Company during the 2nd quarter of 2013.

Provision for Income Tax - net

The provision for income tax decreased mainly due to lower income of the resort group.

Noncontrolling Interests (statements of income)

Decrease in minority interest was mainly due to share of minority shareholders on lower income of the resort subsidiary and share in loss of minority shareholder of Cirrus Global, Inc. for the period ended March 31, 2014.

9. Cash Flows

Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

10. Financial information

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer’s continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,239,937,391 shares of Anscor. During the first three month of 2014, Anscorcon purchased 0.9 million Anscor shares amounting P6.3 million.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

The following are the key performance indicators for Phelps Dodge Philippines (In thousand pesos except volume and earnings per share):

	Periods Ended March 31	
	2014	*2013*
Volume sold (MT)		
Domestic	**2,904**	2,662
Export	**227**	149
Total	**3,287**	2,811
Revenue	**1,549,093**	1,360,832
Gross margin	**301,438**	295,421
Net Income	**105,265**	104,611

Volume sold went up by 16.9%, with reduced metal and other production costs, the PDP Energy's gross margin increased to P301.4 million, with 2% improvement from gross margin reported in 2013.

PDP recorded a net income of P105.3 million for three months of 2014 slightly higher than the P104.6 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 49.2% for three months of 2014, lower than the 2013 average occupancy rate of 54.7%. Average room rate was US$1,246, improved from last year's average room rate of US$1,233. Total hotel revenues amounted to P170.7 million, lower by P7.7 million from last year's revenues of P178.4 million. Gross operating profit (GOP) of P51.7 million decreased versus 2012's GOP by 38.0%.

Seven Seas reported a net income of P15.3 million for three months of 2014.

The Resort embarked on special capital expenditures to improve its existing facilities.

Cirrus Group

Cirrus Medical Staffing, Inc. reported a break even net income in Q1 2014, a $190K improvement over same period last year. The strong Staffing gross margin of 22.8 % coupled by the 13% reduction in SG&A in comparable period helped the company to outperform the Q1 2013 results of operations despite the 8% decline in revenues. The Staffing Division saw an 8% growth in its Travel Nursing segment while the Therapy division continue to show weakness. The Permanent Placement business segment which started last year contributed meaningfully in the quarter with $121K revenues.

Nurse Together LLC, Cirrus' on-line arm, released the new version of its website in Q4 2013 after the completion of the re-development with the second vendor. Further site development has been taken in-house. The delay in website's relaunch continue to impact revenue in Q1 2014. The company currently has 1 sales person marketing the site's services.

The Group continues to focus on controlling expenses and aligning personnel size based on the requirements of the company. SG&A is under budget and 13% lower than Q1 2013.

12. Financial Indicators

Significant financial indicators of the Group are the following:

	03/31/2014	03/31/2013
1. Book Value Per Share (Note 1)	**11.22**	10.66
2. Current Ratio (Note 2)	**1.62**	4.07
3. Interest Rate Coverage Ratio (Note 3)	**73.61**	139.20
4. Debt to Equity Ratio (Note 4)	**0.24**	0.08
5. Asset to Equity Ratio (Note 5)	**1.27**	1.10
6. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**64.2%**	49.2%
7. Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**7.7%**	4.2%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

Cirrus Group

1. Submission to lock ratio (operating statistic to evaluate recruitment)
2. Nurse/therapist retention ratio (Operating statistic to evaluate retention of nurse and therapist in the pool for staffing business).

In Thousand Pesos

	03/31/2014	03/31/2013
3. Service income	**292,663**	283,352
4. Cost of services rendered	**242,672**	238,530
5. Income before interest, taxes, depreciation and amortization	**1,614**	(7,158)

Seven Seas Group

In Thousand Pesos

	03/31/2014	03/31/2013
1. Occupancy rate	**49.2%**	54.7%
2. Hotel revenue	**170,707**	178,372
3. Gross operating profit (GOP)	**51,723**	83,395
4. GOP ratio	**30.4%**	46.8%
5. Net income after tax	**15,305**	39,022

Occupancy rate is based on actual room nights sold over available room nights on a 3-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

COVER SHEET

PW2

SEC Registration Number

A SORIANO CORPORATION

(Company's Full Name)

7/F PACIFIC STAR BLDG.
COR. MAKATI AVE. & G. PUYAT AVE.
MAKATI CITY

(Business Address: No. StreetCity/Town/Province)

MS. NARCISA M. VILLAFLOR

(Contact Person)

819-0251

(Company Telephone Number)

12	31	SEC	17-Q	THIRD WEDNESDAY	04	17
Month	*Day*		(Form Type)		*Month*	*Day*
(Fiscal Year)					(Annual Meeting)	

Not Applicable

(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 FROM 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 June 30, 2014

2. Commission identification number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
   Exact name of issuer as specified in its charter

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

6. Industry Classification Code: (SEC Use Only)

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
   Address of issuer's principal office Postal Code

8. 8190251
   Issuer's telephone number, including area code

9. N/A
   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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

..………………………………………………………………………………………………………
……………………………………………………………………………………………………….

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

SEC Form 17Q
August 14, 2014

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 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, 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 [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein.

Please see SEC FORM 17-Q - Table of Contents

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

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex "C".

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

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

Issuer: A. SORIANO CORPORATION

Signature and Title: (Sgd.) JOSHUA CASTRO
AVP- Asst. Corporate Secretary

Date: August 14, 2014

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: August 14, 2014

SECForm17-Q
August 14, 2014

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PART I – FINANCIAL INFORMATION

A. SORIANO CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Thousand Pesos)

	June 30 2014	December 31 2013
ASSETS		
Current Assets		
Cash and cash equivalents	**506,508**	743,893
Fair value through profit and loss (FVPL) investments	**325,411**	479,880
Receivables	**473,045**	439,039
Inventories	**74,906**	82,691
Available-for-sale (AFS) investments - current	**13,416**	48,950
Prepayments	**68,394**	41,645
Other current assets	**71,682**	85,116
Total Current Assets	**1,533,362**	1,921,212
Noncurrent Assets		
Available for sale (AFS) investments	**11,307,051**	10,299,579
Investments and advances	**3,226,561**	3,078,290
Goodwill	**603,762**	612,333
Property, plant and equipment	**1,133,854**	1,031,160
Investment properties	**206,769**	206,769
Retirement plan asset	**54,014**	53,846
Other noncurrent assets	**206,850**	123,326
Total Noncurrent Assets	**16,738,860**	15,405,305
TOTAL ASSETS	**18,272,222**	17,326,517

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**63,688**	125,095
Accounts payable and accrued expenses	**404,144**	400,910
Dividends payable	**210,297**	264,015
Customer's deposits for property development	**223,820**	156,858
Income tax payable	**3,315**	2,056
Current portion of long-term debt	**19,820**	31,338
Total Current Liabilities	**925,084**	980,272

	June 30 2014	December 31 2013
Noncurrent Liabilities		
Long-term debt	**2,122,740**	2,109,427
Deferred revenues	**27,098**	28,448
Deferred income tax liabilities	**114,865**	108,877
Retirement benefits payable	**9,991**	10,965
Other noncurrent liabilities	**74,602**	80,623
Total Noncurrent Liabilities	**2,349,296**	2,338,340
Total Liabilities	**3,274,379**	3,318,612
Equity Attributable to Equity Holdings of the Parent		
Capital stock - 1 par value	**2,500,000**	2,500,000
Additional paid-in capital	**1,605,614**	1,605,614
Cumulative translation adjustment	**(65,532)**	(20,418)
Equity reserve on acquisition of minority interest	**(26,357)**	(26,357)
Unrealized valuation gains on AFS investments	**3,311,618**	3,675,942
Cumulative actuarial gains	**37,331**	35,720
Retained Earnings		
Appropriated	**3,000,000**	3,000,000
Unappropriated	**6,311,010**	4,898,587
Cost of shares held by a subsidiary	**(2,045,618)**	(2,031,223)
	14,628,066	13,637,866
Noncontrolling interests	**369,777**	370,039
Total Equity	**14,997,843**	14,007,905
TOTAL LIABILITIES AND EQUITY	**18,272,222**	17,326,517

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2014	2013	**2014**	2013
REVENUES				
Services	**973,762**	980,698	**459,006**	458,567
Dividend income	**174,912**	159,645	**104,484**	75,834
Equity in net earnings of associates	**165,543**	85,288	**72,456**	43,443
Interest income	**37,197**	54,702	**19,039**	22,296
Management fee	**31,040**	29,085	**16,812**	14,703
	1,382,454	1,309,417	**671,796**	614,843
INVESTMENT GAINS				
Gain on sale of AFS investments	**1,139,962**	1,005,323	**153,411**	554,026
Gain on sale of long-term investment	**9,482**	-	**9,482**	-
Gain (loss) on increase (decrease) in market values of FVPL investments	**5,715**	(25,069)	**3,705**	(22,206)
	1,155,159	980,254	**166,599**	531,820
	2,537,613	2,289,671	**838,395**	1,146,663
Cost of services rendered	**(665,906)**	(613,077)	**(330,122)**	(296,892)
Operating expenses	**(431,151)**	(416,217)	**(184,854)**	(195,356)
Interest expense	**(24,369)**	(6,820)	**(9,142)**	(2,513)
Foreign exchange gain	**7,673**	64,065	**13,761**	71,477
Valuation allowances - net	**(294)**	(224)	**(147)**	(111)
Other income	**4,164**	(269)	**(5,795)**	(1,244)
	(1,109,883)	(972,542)	**(516,300)**	(424,639)
INCOME BEFORE INCOME TAX	**1,427,729**	1,317,129	**322,095**	722,024
PROVISION FOR INCOME TAX - net	**14,800**	29,243	**7,595**	12,486
NET INCOME	**1,412,929**	1,287,886	**314,500**	709,538
Attributable to:				
Equity holdings of the parent	**1,412,423**	1,269,775	**322,209**	707,405
Minority interest	**506**	18,111	**(7,709)**	2,133
	1,412,929	1,287,886	**314,500**	709,538
EARNINGS PER SHARE - basic, for net income attributable to equity holdings of the parent	**1.12**	1.01	**0.26**	0.56

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2014	2013	**2014**	2013
NET INCOME FOR THE PERIOD	**1,412,929**	1,287,886	**314,500**	709,538
OTHER COMPREHENSIVE INCOME (LOSS)				
Gain (Loss) on Increase (Decrease) in Market Value of AFS investments	**(363,903)**	(444,946)	**272,319**	(1,128,742)
Unrealized Actuarial Gain	**2,302**	-	**-**	-
Exchange Differences on Translating Foreign Operations	**(45,114)**	65,061	**(88,268)**	70,720
Income tax relating to components of other comprehensive income	**(1,112)**	19,575	**(6,527)**	18,424
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**(407,828)**	(360,311)	**177,524**	(1,039,598)
TOTAL COMPREHENSIVE INCOME (LOSS) FORTHE PERIOD	**1,005,101**	927,575	**492,024**	(330,060)

A. SORIANO CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousand pesos)

	Attributable to Equity Holders of the Parent										
							Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on AFS Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interest	Total
Balance at 12/31/2012	**2,500,000**	**1,574,104**	**(26,357)**	**3,458,315**	**-**	**(155,685)**	**2,100,000**	**4,757,264**	**(2,019,725)**	**338,817**	**12,526,734**
Comprehensive income	-	-	-	(425,372)	-	65,061	-	1,269,775	-	18,111	927,575
Appropriation of retained earnings	-	-	-	-	-	-	900,000	(900,000)	-	-	-
Sale of shares held by a subsidiary	-	15,257	-	-	-	-	-	-	5,042	-	20,299
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(267)	(267)
Balance at 06/30/2013	**2,500,000**	**1,589,361**	**(26,357)**	**3,032,944**	**-**	**(90,624)**	**3,000,000**	**5,127,039**	**(2,014,683)**	**356,660**	**13,474,341**
Balance at 12/31/2013	**2,500,000**	**1,605,614**	**(26,357)**	**3,675,942**	**35,720**	**(20,418)**	**3,000,000**	**4,898,587**	**(2,031,223)**	**370,039**	**14,007,905**
Comprehensive income	-	-	-	(364,324)	1,611	(45,114)	-	1,412,423	-	506	1,005,101
Sale of shares held by a subsidiary	-	-	-	-	-	-	-	-	(14,395)	-	(14,395)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(768)	(768)
Balance at 06/30/2014	**2,500,000**	**1,605,614**	**(26,357)**	**3,311,618**	**37,331**	**(65,532)**	**3,000,000**	**6,311,010**	**(2,045,618)**	**369,777**	**14,997,843**

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
	2014	2013	**2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**1,427,729**	1,317,129	**322,095**	722,024
Adjustment for:				
Depreciation and amortization	**61,984**	58,539	**30,701**	29,281
Interest expense	**24,369**	6,820	**9,142**	2,513
Valuation allowances - net	**294**	224	**147**	111
Gain on sale of AFS investments	**(1,139,962)**	(1,005,323)	**(153,411)**	(554,026)
Dividend income	**(174,912)**	(159,645)	**(104,484)**	(75,834)
Equity in net earnings of associates	**(165,543)**	(85,288)	**(72,456)**	(43,443)
Interest income	**(37,197)**	(54,702)	**(19,039)**	(22,296)
Foreign exchange gain - net	**(9,301)**	(59,972)	**(16,945)**	(65,332)
Gain from sale of long-term investments	**(9,482)**	-	**(9,482)**	-
Loss (gain) on decrease (increase) in market values of FVPL investments	**(5,715)**	25,069	**(3,705)**	22,206
Operating income (loss) before working capital changes	**(27,736)**	42,851	**(17,437)**	15,205
Decrease (increase) in:				
FVPL investments	**160,183**	53,728	**101,865**	201,045
Receivables	**(34,300)**	(45,729)	**89,894**	(21,315)
Inventories	**7,784**	16,674	**2,423**	(806)
Increase (decrease) in:				
Accounts payable and accrued expenses	**3,234**	(9,118)	**(38,328)**	30,924
Retirement benefits payable	**(3,695)**	(2,466)	**(319)**	(756)
Customer' deposit for property development	**66,962**	-	**-**	-
Net cash generated from operations	**172,432**	55,940	**138,097**	224,297
Dividend received	**174,912**	159,645	**104,484**	75,834
Interest received	**39,184**	55,111	**20,508**	22,534
Interest paid	**(24,369)**	(6,820)	**(9,142)**	(2,513)
Income taxes paid	**(8,326)**	(17,459)	**(4,304)**	(3,207)
Net cash flows from operating activities	**353,832**	246,416	**249,643**	316,945

	Periods Ended June 30		Quarters Ended June 30	
	2014	2013	**2014**	2013
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	**3,759,235**	3,207,943	**870,003**	1,338,993
Long-term investments	**9,482**	-	**9,482**	-
Addition to:				
AFS investments	**(3,961,031)**	(2,725,086)	**(904,163)**	(2,064,565)
Long-term investments	**-**	(1,737,204)	**-**	(1,737,200)
Investments properties	**-**	(23,263)	**-**	(23,263)
Property and equipment	**(164,678)**	(256,716)	**(99,752)**	(160,078)
Decrease (increase) in:				
Other assets	**(96,839)**	(36,348)	**27,478**	(29,373)
Other noncurrent liabilities	**(6,022)**	115,853	**(2,843)**	87,347
Advances to affiliates	**(10,402)**	(9,044)	**(10,681)**	(9,955)
Net cash flows used in investing activities	**(470,254)**	(1,463,867)	**(110,476)**	(2,598,095)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long-term debt	**29,471**	1,728,838	**36,027**	1,736,513
Payment of:				
Notes payable	**(61,408)**	(268,576)	**(96,547)**	(14,495)
Dividends	**(53,718)**	(105,147)	**-**	-
Sale shares held by a subsidiary	**(14,395)**	20,299	**(7,968)**	(5)
Increase (decrease) in:				
Deferred revenue	**(1,350)**	(2,227)	**(1,960)**	1,430
Minority interest	**(768)**	(267)	**68**	191
Net cash flows from (used in) financing activities	**(102,168)**	1,372,919	**(70,381)**	1,723,634
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(18,795)**	(54,979)	**(20,145)**	(48,474)
NET INCREASE (DECREASE) IN CASH CASH AND EQUIVALENTS	**(237,385)**	100,490	**48,641**	(605,990)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**743,893**	870,553	**457,866**	1,577,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**506,508**	971,042	**506,508**	971,042

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	June 30 2014	December 31 2013
ASSETS		
Cash and Cash Equivalents	**317,684**	387,823
Fair Value through Profit and Loss (FVPL) Investments	**315,954**	470,778
Available for Sale (AFS) Investments	**10,716,527**	9,809,819
Receivables - net	**192,686**	140,548
Investments and Advances- net	**5,216,788**	5,146,562
Property and Equipment - net	**36,830**	39,628
Retirement Plan Asset	**53,846**	53,846
Other Assets	**1,044**	796
TOTAL ASSETS	**16,851,359**	16,049,801
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**77,579**	97,344
Dividends Payable	**210,297**	264,015
Long-term Debt	**1,970,100**	1,997,775
Deferred Income Tax Liabilities	**67,157**	57,558
Total Liabilities	**2,325,133**	2,416,691
Equity		
Capital Stock - 1 Par Value	**2,500,000**	2,500,000
Additional Paid-in Capital	**1,589,800**	1,589,800
Unrealized Valuation Gains on AFS Investments	**3,275,708**	3,641,239
Unrealized Actuarial Gains	**30,400**	30,400
Retained Earnings		
Appropriated	**3,000,000**	3,000,000
Unappropriated	**4,130,320**	2,871,671
Total Equity	**14,526,227**	13,633,110
TOTAL LIABILITIES AND EQUITY	**16,851,359**	16,049,801

A. SORIANO CORPORATION
PARENT COMPANY STATEMENTS OF INCOME
(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2014	2013	**2014**	2013
REVENUES				
Dividend income	**194,776**	159,435	**104,349**	75,624
Interest Income	**33,890**	53,087	**17,580**	21,445
Management fees	**31,040**	29,085	**16,812**	14,703
	259,706	241,607	**138,741**	111,772
INVESTMENT GAINS				
Gain on sale of AFS investments	**1,140,355**	1,005,849	**153,313**	554,510
Gain on sale of long-term investment	**9,482**	0	**9,482**	0
Gain (loss) on increase (decrease) in market values of FVPL investments	**5,232**	(24,573)	**3,393**	(21,663)
	1,155,070	981,277	**166,188**	532,847
	1,414,775	1,222,884	**304,929**	644,620
Operating expenses	**(132,479)**	(113,548)	**(45,904)**	(46,700)
Foreign exchange gain	**8,285**	68,044	**14,491**	76,061
Interest expense	**(26,812)**	(2,974)	**(13,512)**	(349)
Others	**139**	(334)	**76**	(1,300)
	(150,867)	(48,813)	**(44,849)**	27,711
INCOME BEFORE INCOME TAX	**1,263,908**	1,174,071	**260,080**	672,331
PROVISION FOR INCOME TAX - (NET)	**5,260**	11,834	**5,572**	13,439
NET INCOME	**1,258,649**	1,162,237	**254,508**	658,892
Earnings Per Share	**0.50**	0.46	0.10	0.26

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
	2014	2013	**2014**	2013
NET INCOME FOR THE PERIOD	**1,258,649**	1,162,237	**254,508**	658,892
OTHER COMPREHENSIVE INCOME (LOSS)				
Gain (Loss) on Increase (Decrease) in Market Value of AFS investments	**(360,773)**	(442,316)	**272,414**	(1,126,526)
Income tax effect	**(4,759)**	19,646	**(6,853)**	17,759
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**(365,532)**	(422,670)	**265,561**	(1,108,767)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**893,117**	739,567	**520,070**	(449,875)

A. SORIANO CORPORATION

PARENT STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments	Unrealized Actuarial Gain	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total
Balance at 12/31/2012	**2,500,000**	**1,589,800**	**3,407,481**	**-**	**2,100,000**	**2,863,535**	**12,460,815**
Appropriation of retained earnings	-	-	-	-	900,000	(900,000)	-
Comprehensive income	-	-	(422,670)	-	-	1,162,237	739,567
Balance at 06/30/2013	**2,500,000**	**1,589,800**	**2,984,811**	**-**	**3,000,000**	**3,125,772**	**13,200,382**
Balance at 12/31/2013	**2,500,000**	**1,589,800**	**3,641,239**	**30,400**	**3,000,000**	**2,871,671**	**13,633,110**
Comprehensive income	-	-	(365,532)	-	-	1,258,649	893,117
Balance at 06/30/2014	**2,500,000**	**1,589,800**	**3,275,708**	**30,400**	**3,000,000**	**4,130,320**	**14,526,227**

A. SORIANO CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS
(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
	2014	2013	**2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	**1,263,908**	1,174,071	**260,080**	672,331
Adjustment for:				
Interest expense	**26,812**	2,974	**13,512**	349
Depreciation and amortization	**4,935**	3,184	**3,228**	1,540
Gain on sale of AFS investments	**(1,140,355)**	(1,005,849)	**(153,313)**	(554,510)
Dividend income	**(194,776)**	(159,435)	**(104,349)**	(75,624)
Interest income	**(33,890)**	(53,087)	**(17,580)**	(21,445)
Gain on sale of long-term investments	**(9,482)**	-	**(9,482)**	-
Net foreign exchange gain	**(8,285)**	(68,044)	**(14,491)**	(76,061)
Loss (gain) on decrease (increase) in market values of FVPL investments	**(5,232)**	24,573	**(3,393)**	21,663
Operating loss before working capital changes	**(96,364)**	(81,614)	**(25,788)**	(31,757)
Decrease (increase) in receivables	**(52,138)**	(79,505)	**79,372**	(70,554)
Decrease in FVPL investments	**160,057**	54,191	**101,615**	201,531
Increase (decrease) in accounts payable and accrued expenses	**(19,765)**	(61,243)	**(6,930)**	1,384
Net cash generated (used in) operations	**(8,210)**	(168,170)	**148,269**	100,604
Dividend received	**194,776**	159,435	**104,349**	75,624
Interest received	**33,890**	53,087	**17,580**	21,445
Interest paid	**(26,812)**	(2,974)	**(13,512)**	(349)
Income tax paid	**0**	(756)	**0**	(536)
Net cash flows from operating activities	**193,643**	40,622	**256,686**	196,788

	Periods Ended June 30		Quarters Ended June 30	
	2014	2013	**2014**	2013
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	**3,746,591**	3,162,943	**867,643**	1,311,024
Long-term investments	**9,482**	-	**9,482**	-
Additions to:				
AFS investments	**(3,875,696)**	(2,670,724)	**(884,134)**	(2,011,827)
Long-term investments	**-**	(4)	**-**	-
Investment property	**-**	(23,263)	**-**	(23,263)
Property and equipment	**(158)**	(1,064)	**(131)**	(1,045)
Increase in:				
Advances to affiliates	**(70,225)**	(1,798,455)	**(12,947)**	(1,767,974)
Other assets	**(248)**	407	**37**	(107)
Net cash flows used in investing activities	**(190,255)**	(1,330,160)	**(20,052)**	(2,493,191)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long-term debt	**-**	1,737,200	**-**	1,737,200
Proceeds from notes payable	**-**	(250,000)	**(55,000)**	-
Payment of cash dividends	**(53,718)**	(105,147)	**-**	-
Increase in due to affiliates	**-**	20,327	**-**	8
Net cash flows from (used in) financing activities	**(53,718)**	1,402,380	**(55,000)**	1,737,208
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(19,809)**	(49,714)	**(21,332)**	(42,546)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(70,138)**	63,127	**160,302**	(601,741)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**387,823**	669,127	**157,382**	1,333,995
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**317,684**	732,254	**317,684**	732,254

A. SORIANO CORPORATION AND SUBSIDIARIES

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations						After Eliminations
	US-based Nurse/PT Staffing Co.**	Resort Operation	Other Operations (Note 1)	Holding Co. (Parent)	Total	Eliminations	**Consolidated**
06/30/2014							
REVENUE	595,820	280,751	114,964	1,414,775	2,406,311	131,302	**2,537,613**
NET INCOME (LOSS)	13,449	(7,485)	2,706	1,258,649	1,267,318	145,611	**1,412,929**
TOTAL ASSETS	854,608	1,438,014	3,269,820	16,851,359	22,413,801	(4,141,579)	**18,272,222**
INVESTMENTS AND ADVANCES	0	94,302	2,979,853	16,249,269	19,323,424	(4,244,216)	**15,079,207**
PROPERTY & EQUIPMENT	4,707	892,499	75,913	36,830	1,009,949	123,905	**1,133,854**
TOTAL LIABILITIES	129,769	651,762	3,435,323	2,325,133	6,541,987	(3,267,607)	**3,274,379**
DEPRECIATION AND AMORTIZATION	1,908	39,702	17,418	2,956	61,984	-	**61,984**

	Before Eliminations						After Eliminations
	US-based Nurse/PT Staffing Co. **	Resort Operation	Other Operations (Note 1)	Holding Co. (Parent)	Total	Eliminations	**Consolidated**
06/30/2013							
REVENUES	575,762	304,536	223,971	1,222,884	2,327,153	(37,482)	**2,289,671**
NET INCOME (LOSS)	(7,340)	46,731	108,890	1,162,237	1,310,518	(22,632)	**1,287,886**
TOTAL ASSETS	815,906	1,246,173	2,965,183	15,319,026	20,346,287	(4,024,089)	**16,322,198**
INVESTMENT PORTFOLIO *	-	101,151	2,465,096	14,369,394	16,935,641	(3,944,020)	**12,991,621**
PROPERTY, PLANT & EQUIPMENT	7,074	828,857	78,428	34,576	948,934	123,905	**1,072,840**
TOTAL LIABILITIES	110,523	496,155	3,141,923	2,118,644	5,867,245	(3,019,388)	**2,847,857**
DEPRECIATION AND AMORTIZATION	2,008	36,248	17,502	2,781	58,539	-	**58,539**

**** Inclusive of FVPL investments, AFS investments, advances & investments and investment properties.***

***** Excluding IQHPC operations which were consolidated into IQMAN, the latter formed part of other operations.***

Note 1 Other than Cirrus Global, Inc. (formerly IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Property Holdings, Inc.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on IFRIC Interpretation which were adopted as of January 1, 2013.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is resented 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 balance sheet;
  c) The net amounts presented in the consolidated balance sheet;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments have no impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements, 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 SIC 12, Consolidation - Special Purpose Entities. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

This new standard has no impact on the Group's financial position or performance. A reassessment of control was performed by the Company on all its subsidiaries and associates in accordance with the provisions of PFRS 10. Following the reassessment, the Company determined that there are no additional entities that need to be consolidated nor are there subsidiaries that need to be deconsolidated.

- Amendments to PAS 27, *Separate Financial Statements. As a consequence of the issuance of the new PFRS 10 and PFRS 12, Disclosure of Interest in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, joint ventures, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The adoption of the amended PAS 27 has no significant impact on the separate financial statements of the Group.

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

  The Group does not have any jointly controlled entities so the adoption of this new standard has no significant impact on the consolidated financial statements of the Group.

- PFRS 12, *Disclosure of Interests in Other Entities, includes all of the disclosures related to financial statements that were previously in PAS 27*, as well as all the disclosures that were previously included in PAS 31 and PAS 28, Investments in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

  The adoption of PFRS 12 affects disclosures only and has no impact on the Group's financial position or performance. The additional disclosures required are presented in Note 12 to the financial statements.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*. As a consequence of the issuance of the new PFRS 11 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 Group does not have any joint venture so the adoption of this amendment has no significant impact on its consolidated financial statements.

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

  The Group has assessed its policies for measuring fair values of its financial instruments and changes were applied prospectively. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

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

- Amendments to PAS 19, *Employee Benefits*, range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity 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.

  On January 1, 2013, the Group adopted the Revised PAS 19, *Employee Benefits*.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period be recognized immediately in profit or loss when incurred.

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

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

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

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

	December 1,2013
	(In Millions)
Increase (decrease) in:	
<u>Consolidated Balance sheets</u>	
Net defined benefit liability	**(₱ 11.0)**
Net defined benefit asset	**40.9**
Deferred tax assets	**(15.2)**
Cumulative actuarial gains	**35.7**
Retained earnings	**(2.2)**
Noncontrolling interests	**3.2**

	Years Ended December 31
	2013
	(In Millions)
Increase (decrease) in:	
<u>Consolidated Statements of Income</u>	
Cost of services rendered	**₱–**
Operating expenses	**(0.8)**
Income before income tax	**0.8**
Income tax benefits	**(0.2)**
Net income	**(1.0)**
Attributable to equity holdings of the Parent Company	**(0.8)**
Attributable to noncontrolling interests	**(0.2)**
Basis/diluted earnings per share	**–**

Consolidated Statement of Comprehensive Income	
Unrealized actuarial gains	**₱15.4**
Income tax effect	**(4.7)**
Other comprehensive income for the year, net of tax	**10.7**
Attributable to equity holdings of the Parent Company	**10.5**
Attributable to noncontrolling interests	**0.2**

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

The adoption did not have a significant impact on consolidated statements of cashflows.

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

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

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

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

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

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes. The Group assessed that this amendment has no impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*, clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

<u>New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2013</u>

The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Effective in 2014

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, 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 to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*, remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The Group did not early adopt these amendments. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*, provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- Amendments to PFRS 10, PFRS 12 and PAS 27 - *Investment Entities*, provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are effective for annual periods beginning on or after January 1, 2014. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

Effective in 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. It is not expected that this amendment would be relevant to the Group since the Group has no contributory defined benefit retirement plan.

  Annual Improvements to PFRSs (2010-2012 cycles)

  The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS2, *Share-based Payment - Definition of Vesting Condition*, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, requires entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

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

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

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance since the Group does not have any revalued property, plant and equipment.

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

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarifies that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

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

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*, clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. This amendment is not applicable to the Group as the Group currently does not have any joint arrangements.

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

- PAS 40, *Investment Property*, clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Effectivity date to be determined

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

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

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project. The Group shall conduct another impact evaluation in early 2014 using the consolidated financial statements for the year ended December 31, 2013.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This 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, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at December 31:

		Percentage of Ownership	
	Nature of Business	2014	2013
A. Soriano Air Corporation	Services/Rental	100	100
Pamalican Island Holdings, Inc. (PIHI)	Holding	62	62
Island Aviation, Inc. (IAI)	Air Transport	62	62
Anscor Consolidated Corporation (Anscorcon)	Holding	100	100
Anscor International, Inc. (AI)	Holding	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	100	100
Cirrus Medical Staffing, Inc. (Cirrus)	Manpower Services	94	94
Cirrus Holdings USA, LLC (Cirrus LLC)	Manpower Services	94	94
Cirrus Allied, LLC (Cirrus Allied)	Manpower Services	94	94
NurseTogether, LLC (NT)	Online Community Management	94	94
Anscor Property Holdings, Inc. (APHI)	Real Estate Holding	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	100	100
Goldenhall Corp.	Real Estate Holding	100	100
Lakeroad Corp.	Real Estate Holding	100	100
Mainroad Corp.	Real Estate Holding	100	100
Makatwiran Holdings, Inc. (Makatwiran)	Real Estate Holding	100	100
Makisig Holdings, Inc. (Makisig)	Real Estate Holding	100	100
Malikhain Holdings, Inc. (Malikhain)	Real Estate Holding	100	100
Mountainridge Corp.	Real Estate Holding	100	100
Rollingview Corp.	Real Estate Holding	100	100
Summerside Corp.	Real Estate Holding	100	100
Timbercrest Corp.	Real Estate Holding	100	100
Sutton Place Holdings, Inc. (Sutton)	Holding	100	100
Cirrus Global, Inc. (CGI)	Manpower Services	93	93
IQ Healthcare Professional Connection LLC (IQHPC)	Manpower Services	93	93
Seven Seas Resorts and Leisure, Inc. (SSRLI)	Villa Project Development	62	62
Pamalican Resort, Inc. (PRI)	Resort Operations	62	62

In 2012, Goldenhall, Lakeroad, Mainroad, Mountainridge, Rollingview, Summerside and Timbercast, wholly-owned subsidiaries of APHI, were incorporated as real estate holding companies.

Except for AI, IQHIL, Cirrus and its subsidiaries and IQHPC, the above companies are all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while Cirrus and its subsidiaries and IQHPC are based in the United States of America (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheets.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

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

The following are the Group's associates:

		Percentage of Ownership	
	Nature of Business	**2014**	**2013**
NewCo., Inc. (Newco)	Real Estate	45	45
AFC Agribusiness Corporation	Real Estate	45	45
Anscor-Casto Travel Corporation	Travel Agency	-	44
Phelps Dodge International Philippines, Inc. (PDIPI)	Holding	40	40
Minuet Realty Corporation (Minuet)	Landholding	60	60
Phelps Dodge Philippines Energy Products Corporation (PDP Energy)	Wire Manufacturing	40	40
PD Energy International Corporation (PDEIC)	Wire Manufacturing	40	40
Vicinetum Holdings, Inc. (VHI	Holding	32	32
AGP International Holdings Ltd. (AGPI)	Holding	27	-

Minuet has been excluded in the consolidated financial statements as special voting requirements adopted by its shareholders manifested that the Company's 60% holdings in Minuet is not sufficient to carry major business decisions.

On April 30, 2014, the Company sold its investment in Anscor-Casto Travel Corporation.

On June 28, 2013, AI converted its Convertible Bridge Notes from AGPI to Series B voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI for the subscription to series C voting preferred shares. The subscription increases its holdings to 26.8 %, making AGPI an associate of the Group.

Except for AGPI, the above companies are all based in the Philippines. The principal business location of AGPI is in the British Virgin Islands.

On December 2, 2011, a deed of assignment was executed for the sale of the Company's 60% holdings in Vesper Industrial and Development Corporation. Gain recognized from the sale amounted to E16.7 million recorded under gains on sale of long-term investments in 2011.

Business Combinations and Goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of income.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences 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 closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to AFS equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and AFS investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

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

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

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

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

The Group’s management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group’s external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value

The fair value of instruments that are actively traded in organized financial markets is determined by reference to market prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Classification of financial instruments

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

As of June 30, 2014, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of June 30, 2014 and December 31, 2013.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the

embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheets at fair value. Changes in fair value are recorded in "Gain (loss) on increase (decrease) in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of June 30, 2014 and December 31, 2013, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of June 30, 2014 and December 31, 2013.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as "Recoveries (valuation allowances) - net" in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to officers and employees and other receivables.

(c) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statements of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as “Gain on sale of AFS investments”. Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate.

Dividends earned on holding AFS investments are recognized as such in the consolidated statements of income when the right of payment has been established.

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within twelve months after the reporting period.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of June 30, 2014 and December 31, 2013, included in other financial liabilities are the Group’s notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of June 30, 2014 and December 31, 2013, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

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 or removed from the consolidated balance sheet where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

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

Impairment of Financial Assets

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables 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.

For individually significant financial assets, 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 the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective

evidence of impairment exists for 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 for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statements of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. 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 reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" in the consolidated statement of income.

AFS investments

In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. The losses arising from impairment of such investments are recognized as “Recoveries (valuation allowances) - net” in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income.

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

<u>Day 1 Difference</u>

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statements of income only 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.

<u>Offsetting Financial Instruments</u>

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of Goods

Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on Villa Development Project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method. Under this method, revenue is recognized only when the villa clusters have been constructed, turned over to, and accepted by the buyer.

Cost of Goods Sold

The cost of goods sold is recognized as expense when the related goods are sold using the average costing method.

The cost of real estate sold includes the acquisition cost of the land and total development costs upon completion. Cost of lots sold is determined based on average method while cost of villa is accounted for using specific identification.

Rendering of Services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Costs of Services Rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in “Other noncurrent assets” in the consolidated balance sheets, until the nurses’ arrival and employment in the U.S. hospitals. Upon the nurses’ arrival and employment in the U.S. hospitals, deferred costs are reversed to “Costs of services rendered”.

Cost and expenses related to room services are charged to operations when incurred.

Selling, General and Administrative Expenses
All selling and general and administrative expenses are expensed as incurred.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders’ right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

<u>Other Comprehensive Income</u>
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

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

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises 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. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5-20
Machinery and equipment	5-25
Flight and ground equipment	5-10
Furniture, fixtures and office equipment	3-5
Transportation equipment	3-5

* or lease term, whichever is shorter

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

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes 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. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed:

Category	Number of Years
Land improvements	25
Buildings	20 - 30
Condominium units	20

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

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

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statements of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Noncurrent Assets Held for Sale and Discontinued Operations

Noncurrent assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Depreciable assets are no longer depreciated once they are classified as noncurrent assets held for sale and discontinued operations.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a noncontrolling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately from the consolidated statement of income.

Customer's Deposit for Property Development

Customer's deposit for property development is recorded at cost. The deposit is an advance payment by a villa buyer which is required to start and complete the villa development. Upon sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary
The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statements of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

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

The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Borrowing Costs</u>

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

<u>Pension Benefits</u>

The Group has a non-contributory defined benefit retirement plan.

Defined benefit 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.

Defined benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

<u>Provisions and Contingencies</u>

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

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

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 tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign subsidiaries and associates, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of March 31, 2014 and 2013.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of 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.

Segment Reporting

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in 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.

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 amounts recognized in the consolidated financial statements.

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition 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 balance sheets.

Operating Lease Commitments - The Group as Lessee

The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating Lease Commitments - The Group as Lessor

The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

Financial assets not in an active market

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, 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.

Impairment losses on loans and receivables

The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statements 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 advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For 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. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of AFS equity investments

The Group recognizes impairment losses on AFS equity investments 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. In 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).

Impairment of investments carried at equity method

Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

Estimation of useful lives of the Group's property and equipment

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

Impairment of non-financial assets
(a) Property and equipment and investment properties

The Group assesses impairment on assets 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.

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value-in-use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of contingent consideration
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Recognition of deferred income tax assets
The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management 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 profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and equity price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's

Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. The evaluation and meetings occur at least every quarter.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being able to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a customer that accounts for more than 10% of the consolidated revenue.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures
The carrying amounts of the assets represent maximum credit exposure.

Credit quality per class of financial asset
For the Group's receivables, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Financial assets that are past due but not impaired
Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

Liquidity risk
Liquidity risk is defined as the risk that the fund may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.
The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due, this is done by primarily investing in highly liquid investments.

The Group's total financial liabilities due to be settled within one year includes notes payable that management considers s working capital. Account payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency risk and equity price risks.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

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

   Fair value interest rate risk
   Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

b. Equity price risk
   Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's investment in stocks listed in the PSE index (PSEi).

c. Price interest risk of mutual funds
   The Group is exposed to the risks of changes in the fund's net asset value due to its market risk exposures.

d. Foreign exchange risks
   Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

   The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar and Euro. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company and a subsidiary occasionally engage in foreign currency forward contracts as a defensive measure against foreign currency volatility.

   On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, SSRLI and IQMAN can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

Capital Management

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiary and associate:

a. The primary objective of the Company's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Company establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Company establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

   The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

No changes were made in the objectives, policies or process for the period ended June 30, 2014 and December 31, 2013.

b. Cirrus' and CGI's capital management objectives are:

- To ensure its ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

CGI monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

CGI sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

6. Financial Instruments

Fair Value of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

	June 30, 2014		December 31, 2013	
(In Thousand Pesos)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds	**291,146**	**291,146**	410,431	410,431
Funds and equities	**19,085**	**19,085**	53,378	53,378
Others	**15,180**	**15,180**	16,070	16,070
	325,411	**325,411**	479,880	479,880
AFS investments:				
Bonds	**1,379,337**	**1,379,337**	843,879	843,879
Quoted equity shares	**8,395,876**	**8,395,876**	7,915,174	7,915,174
Funds and equities	**354,932**	**354,932**	442,937	442,937
Proprietary shares	**177,238**	**177,238**	177,238	177,238
Unquoted shares	**675,138**	**675,138**	675,138	675,138
	10,982,521	**10,982,521**	10,054,365	10,054,365
	11,307,932	**11,307,932**	10,534,245	10,534,245

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As of June 30, 2014 and December

31, 2013, AFS investments amounting to P337.9 million and P294.2 million, respectively, were carried at cost since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities and others are derived from quoted market prices in active markets.
- AFS investments in bonds, quoted equity shares and funds and equities and proprietary shares are derived from quoted market prices in active markets.
- AFS investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following table provides the Group's fair value measurement hierarchy of its assets:

June 30, 2014

(In Thousand Pesos)

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 2)
FVPL investments:				
Bonds	291,146	291,146	-	-
Funds and equities	19,085	19,085	-	-
Others	15,180	15,180	-	-
	325,411	325,411	-	-
AFS investments:				
Bonds	1,379,337	1,379,337	-	-
Quoted equity shares	8,395,876	8,395,876	-	-
Funds and equities	354,932	354,932	-	-
Proprietary shares	177,238	177,238	-	-
Unquoted shares	675,138	-	-	675,138
	10,982,521	10,307,383	-	675,138
	11,307,932	10,632,794	-	675,138

December 31, 2013

(In Thousand Pesos)

	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 2)
FVPL investments:				
Bonds	410,431	410,431	-	-
Funds and equities	53,378	53,378	-	-
Others	16,070	16,070	-	-
	479,880	479,880	-	-
AFS investments:				
Bonds	843,879	843,879	-	-
Quoted equity shares	7,915,174	7,915,174	-	-
Funds and equities	442,937	442,937	-	-
Proprietary shares	177,238	177,238	-	-
Unquoted shares	675,138	-	-	675,138
	10,054,365	9.379,227	-	675,138
	10,534,245	9,859,107	-	675,138

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3:

	Valuation technique	Significant unobservable inputs	Range	In Millions Sensitivity of input to fair value
Enderun	DCF Model	Student growth rate of 10%	5% - 15%	5%: fair value of P267
				15%: fair value of P327
		Tuition fee increase by 2%	0% - 5%	0%: fair value of P256
				5%: fair value of P337
		Other income growth rate of 15%	5% - 20%	5%: fair value of P270
				20%: fair value of P297

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
KSA	DCF Model	Cost of capital of 11%	8% - 12%	8%: fair value of P357
				12%: fair value of P239
		Dividend payout is =40 million	(5%) - 1%	(5%): fair value of P375
				1%: fair value of P392
		Cost of capital of 11%	10% - 30%	10%: fair value of P396
				30% fair value of P382
		Cost of capital of 11%	10% - 12%	10%: fair value of P419
				12% fair value of P362

An increase in the percentage of EBITDA over revenue would increase the fair value of the investment in Enderun.

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of AFS assets in unquoted equity shares (in millions):

	Enderun	KSA	Total
As at 1 January 2014	**P286**	**P389**	**P675**
Re-measurement recognized in OCI	-	-	-
Realized gains (losses) in profit or loss	-	-	-
Unrealized gains (losses) in profit or loss	-	-	-
Purchases	-	-	-
Reclassified in discontinued operations	-	-	-
Transfer into/out of Level 3	-	-	-
Sales	-	-	-
As at 30 June 2014	**P286**	**P389**	**P675**

For the period ended June 30, 2014 and December 31, 2013, there were no transfer from level 1, Level 2 and level 3 fair value measurements.

7. Financial Condition

There was no significant change in the Company's Balance Sheet as of June 30, 2014 versus December 31, 2013.

Cash and Cash Equivalents
The decrease in cash and cash equivalents can be attributed to net cash flows used in investing and financing activities amounting to P572.4million offset by cash generated from operating activities.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

Fair Value Through Profit and Loss (FVPL) Investments
The decrease in the account can be attributed to the net disposal for the period of about P160.2 million. The market value of foreign denominated investment in bonds, stocks and funds increased byP5.7 million vs. December 31, 2013 values.

Receivables
The increase in receivables was mainly due to Parent Company's advances to an associate offset by collections of trade receivable by the Resort Group.

Inventories
The decrease is traced to spare parts and supplies utilized for six months by the aviation and resort subsidiaries.

Prepayments
Increase in this account can be attributed mainly to prepaid expenses related to resort operation.

Other Current Assets
Decrease in this account can be attributed mainly to expended deposits by aviation subsidiary in relation to the maintenance service plan for its aircrafts.

Available for Sale (AFS) Investments
Net increase in this amount amounted to P971.9million. Additions were mostly in bonds, equity funds and traded equities. There was a decrease in market value of AFS investments, offset by foreign exchange gain from translation of foreign currency-denominated AFS investments.

Investments and Advances
The increase in investments and advances was mainly due to equity in net earnings of associates for the period amounting to P165.5 million. Unrealized foreign exchange gain related to foreign equity investment amounted to P27.7 million.

Goodwill
The goodwill from US-based staffing business increased by P8.6 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net
Depreciation charged to operations amounted to P62.0 million while additions to property and equipment amounted to P164.7 million, mainly attributable to special capital expenditures of the resort subsidiary.

Other Noncurrent Assets
Change in the account balance can be attributed to the increase in cash fund of the resort subsidiary for property development in progress.

Notes Payable

The decrease in the balance was mainly due to conversion of short-term loan to long-term loan of the aviation subsidiary.

Accounts Payable and Accrued Expenses

The increase was mainly attributable to the recorded liabilities for ongoing projects of the resort subsidiary.

Customer's Deposits for Property Development

The increase in the account was due to additional deposits made by villa buyers.

Income Tax Payable

Movement in the account was attributable to income tax accrued by the group for the first half of2014 offset by tax payment made as of June 30, 2014.

Long-term Debt (current and noncurrent)

The increase in the account can be attributed mainly to the converted short-term loan to long-term loan by the aviation subsidiary offset by unrealized foreign exchange gain related to dollar denominated loan of the Parent Company amounting to P27.7 million.

Deferred Income Tax Liabilities

Increase in the account was mainly due to the deferred tax effect on the foreign exchange gain and accrued management fees but not yet collected, reduced by the deferred tax related to decline in value of AFS investments.

Cumulative Translation Adjustment

This account includes translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary IQHPC.

Unrealized valuation gains on AFS investments (equity portion)

When the AFS assets are sold, the gain was realized and reflected in the consolidated statements of income and removed from the unrealized valuation gains.

Noncontrolling interests (equity portion)

The decrease in minority interest was mainly due to share in losses of minority shareholders of resort subsidiary and Cirrus Global, Inc., net of share of minority shareholders on income of the aviation subsidiary for the period ended June 30, 2014.

Others

There were no commitments for major capital expenditures in 2014.

8. Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

The following are the key performance indicators for the Parent Company (In thousand pesos except earnings per share and market price per share):

	Periods ended June 30	
	2014	*2013*
Revenues (excluding investment gains or losses)	***259,706***	*241,607*
Investment Gains	***1,155,070***	*981,277*
Net Income	***1,258,649***	*1,162,237*
Earnings Per Share	***0.50***	*0.46*
Market Price Per Share (PSE)	***7.25***	*6.95*

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues
This year's consolidated gross revenues of P2.5 billion was 10.8% higher than last year's revenue of P2.3 billion. Anscor posted higher investment gain due to increased number of equities sold in the stock market. It also posted higher equity in net earnings of associates for the first half of 2014, the main contributors were AG&P and PDP.

Cost of Services Rendered
Cost of services of the resort subsidiary was higher in 2014, mainly due to higher energy and maintenance costs.

Operating Expenses
Increase can be attributed to the higher operating expenses of the Parent Company and resort subsidiary.

Foreign Exchange Gain
Due to the depreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange gain on its dollar denominated loan partially offset by foreign exchange loss on its foreign currency denominated investment in financial assets.

Interest Expense

The Group reported higher charges for interest expense resulting from increase long-term loan to fund its investment in AG&P. The loan was availed by the Parent Company on June 30, 2013.

Provision for Income Tax - net

The provision for income tax decreased mainly due to lower income of the resort group.

Noncontrolling Interests (statements of income)

Decrease in minority interest was mainly due to share of minority shareholders in losses of resort subsidiary and Cirrus Global, Inc. for the period ended June 30, 2014.

9. Cash Flows

Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

10. Financial information

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,241,087,881shares of Anscor. During the first semester of 2014, Anscorcon purchased 2.1 million Anscor shares amounting P14.4 million.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

The following are the key performance indicators for Phelps Dodge Philippines (In thousand pesos except volume and earnings per share):

	Periods Ended June 30	
	2014	*2013*
Volume sold (MT)		
Domestic	**6,649**	5,492
Export	**157**	334
Total	**6,806**	5,827
Revenue	**3,233,793**	2,772,723
Gross margin	**510,520**	469,756
Net Income	**230,274**	213,220

Volume sold went up by 16.8%, with reduced metal and other production costs, the PDP Energy's gross margin increased by 8.7% in 2014.

PDP recorded a net income of P230.3 million for six months of 2014 higher than the P213.2 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 40.7% for the first semester of 2014, lower than the 2013 average occupancy rate of 49.6%. Foreign travelers were still wary of coming to Philippines after the strong Yolanda typhoon that hit the country. Average room rate was US$1,224, higher than last year's average room rate of US$1,126. Total hotel revenues amounted to P279.3 million, lower by P25.2 million from last year's revenues of P304.5 million. Gross operating profit (GOP) of P61.4 million decreased versus 2012's GOP.

Seven Seas reported a net loss of P7.5million for six months of 2014.

The Resort embarked on special capital expenditures to improve its existing facilities.

Cirrus Group

Cirrus Medical Staffing, Inc. reported a consolidated $320 thousand net income for the period ended June 30, 2014, a $496 thousand improvement over same period last year. The strong Staffing gross margin of 23.6 % coupled by the 14% reduction in selling, general and administrative (SG&A) expenses in comparable period helped the Company to outperform its 2013 first half results of operations. The Staffing Division saw an 8% growth in its Travel Nursing segment while the Therapy division continue to show weakness. The Permanent Placement business segment which started last year contributed $259 thousand in revenues in the first half of the year. The Staffing Division is expecting a stronger 3rd quarter in 2014 as job orders start to increase on summer.

Nurse Together LLC, Cirrus' on-line arm, released the new version of its website in fourth quarter of 2013 after the completion of the re-development with the second vendor. Further site development has been taken in-house. The delay in website's relaunch continue to impact revenue in 2014.

The Group continues to focus on controlling expenses and aligning personnel size based on the requirements of the Company.

12. Financial Indicators

Significant financial indicators of the Group are the following:

	06/30/2014	06/30/2013
1. Book Value Per Share (Note 1)	**11.62**	10.40
2. Current Ratio (Note 2)	**1.66**	2.87
3. Interest Rate Coverage Ratio (Note 3)	**59.59**	194.14
4. Debt to Equity Ratio (Note 4)	**0.22**	0.22
5. Asset to Equity Ratio (Note 5)	**1.25**	1.24
6. Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**55.7%**	55.5%
7. Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**9.7%**	9.8%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

Cirrus Group

1. Submission to lock ratio (operating statistic to evaluate recruitment)
2. Nurse/therapist retention ratio (Operating statistic to evaluate retention of nurse and therapist in the pool for staffing business).

In Thousand Pesos

	06/30/2014	06/30/2013
3. Service income	**595,820**	575,762
4. Cost of services rendered	**456,140**	445,689
5. Income before interest, taxes, depreciation and amortization	**16,082**	(3,623)

Seven Seas Group

In Thousand Pesos

	06/30/2014	06/30/2013
1. Occupancy rate	**40.69%**	49.61%
2. Hotel revenue	**279,348**	304,536
3. Gross operating profit (GOP)	**61,382**	118,478
4. GOP ratio	**22.0%**	38.9%
5. Net income (loss)	**(7,485)**	46,731

Occupancy rate is based on actual room nights sold over available room nights on a 6-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

COVER SHEET

P W 2

SEC Registration Number

A SORIANO CORPORATION

(Company's Full Name)

7/F PACIFIC STAR BLDG.
COR. MAKATI AVE. & G. PUYAT AVE.
MAKATI CITY

(Business Address: No. StreetCity/Town/Province)

MS. NARCISA M. VILLAFLOR	819-0251
(Contact Person)	(Company Telephone Number)

1 2	3 1	SEC 17-Q	THIRD WEDNESDAY	0 4	1 7
Month	*Day*	(Form Type)		*Month*	*Day*
(Fiscal Year)				(Annual Meeting)	

Not Applicable

(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

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 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 September 30, 2014

2. Commission identification number: PW-2   3. BIR Tax Identification No. 000-103-216

A. SORIANO CORPORATION
4. Exact name of issuer as specified in its charter

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

6. Industry Classification Code: (SEC Use Only)

7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
7. Address of issuer's principal office   Postal Code

8190251
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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

………………………………………………………………………………………………………
………………………………………………………………………………………………………

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

SECForm 17Q
November 14, 2014

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 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, 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 [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1.Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein

Please see SEC FORM 17-Q - Table of Contents

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

Furnish the information required by Part III Paragraph (A)(2)(b) of "Annex "C"

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

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

Issuer: A. SORIANO CORPORATION

Signature and Title: (Sgd.) JOSHUA CASTRO
AVP - Asst. Corporate Secretary

Date: November 14, 2014

Principal Financial/Accounting Officer/Controller
Signature and Title

(Sgd.) NARCISA M. VILLAFLOR
VP - Comptroller

Date: November 14, 2014

SECForm17-Q
November 14, 2014

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PART I – FINANCIAL INFORMATION

A. SORIANO CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Thousand Pesos)

	September 30 2014	December 31 2013
ASSETS		
Current Assets		
Cash and cash equivalents	**458,915**	743,893
Fair value through profit and loss (FVPL) investments	**338,771**	479,880
Receivables	**577,994**	439,039
Inventories	**74,831**	82,691
Available-for-sale (AFS) investments - current	**25,104**	48,950
Prepayments	**57,647**	41,645
Other current assets	**75,936**	85,116
Total Current Assets	**1,609,198**	1,921,212
Noncurrent Assets		
Available for sale (AFS) investments	**11,754,567**	10,299,579
Investments and advances	**3,188,606**	3,078,290
Goodwill	**620,626**	612,333
Property, plant and equipment	**1,251,526**	1,031,160
Investment properties	**260,158**	206,769
Retirement plan asset	**54,014**	53,846
Other noncurrent assets	**91,585**	123,326
Total Noncurrent Assets	**17,221,082**	15,405,305
TOTAL ASSETS	**18,830,280**	17,326,517
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**55,828**	125,095
Accounts payable and accrued expenses	**380,033**	400,910
Dividends payable	**209,715**	264,015
Customer's deposits for property development	**381,844**	156,858
Income tax payable	**16,228**	2,056
Current portion of long-term debt	**114,051**	31,338
Total Current Liabilities	**1,157,698**	980,272

	September 30	December 31
	2014	2013
Noncurrent Liabilities		
Long-term debt	**2,076,791**	2,109,427
Deferred revenues	**28,365**	28,448
Deferred income tax liabilities	**109,500**	108,877
Retirement benefits payable	**10,820**	10,965
Other noncurrent liabilities	**81,598**	80,623
Total Noncurrent Liabilities	**2,307,074**	2,338,340
Total Liabilities	**3,464,773**	3,318,612
Equity Attributable to Equity Holdings of the Parent		
Capital stock - 1 par value	**2,500,000**	2,500,000
Additional paid-in capital	**1,605,614**	1,605,614
Cumulative translation adjustment	**21,458**	(20,418)
Equity reserve on acquisition of minority interest	**(26,357)**	(26,357)
Unrealized valuation gains on AFS investments	**3,609,156**	3,675,942
Cumulative actuarial gains	**37,331**	35,720
Retained Earnings		
Appropriated	**4,100,000**	3,000,000
Unappropriated	**5,306,644**	4,898,587
Cost of shares held by a subsidiary	**(2,163,649)**	(2,031,223)
	14,990,198	13,637,866
Noncontrolling interests	**375,310**	370,039
Total Equity	**15,365,508**	14,007,905
TOTAL LIABILITIES AND EQUITY	**18,830,280**	17,326,517

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2014	2013	**2014**	2013
REVENUES				
Services	**1,392,478**	1,467,622	**418,716**	486,925
Dividend income	**186,195**	186,021	**11,283**	26,376
Equity in net earnings of associates	**182,703**	151,770	**17,160**	66,482
Interest income	**60,740**	75,157	**23,543**	20,456
Management fee	**51,710**	44,522	**20,670**	15,437
	1,873,826	1,925,093	**491,372**	615,676
INVESTMENT GAINS				
Gain on sale of AFS investments	**1,192,751**	1,045,837	**52,788**	40,514
Gain (loss) on sale of long-term investment	**9,471**	-	**-**	-
Gain (loss) on increase (decrease) in market values of FVPL investments	**11,723**	(70,086)	**6,009**	(45,017)
	1,213,945	975,751	**58,797**	(4,503)
	3,087,771	2,900,844	**550,169**	611,173
Cost of services rendered	**(987,903)**	(999,211)	**(321,997)**	(386,134)
Operating expenses	**(590,142)**	(543,814)	**(158,991)**	(127,597)
Recovery (valuation allowances) - net	**24,100**	(343)	**24,394**	(119)
Foreign exchange gain (loss)	**(6,208)**	70,215	**(13,881)**	6,150
Interest expense	**(45,925)**	(19,622)	**(21,556)**	(12,803)
Other income	**56,031**	28,805	**51,855**	29,073
	(1,550,046)	(1,463,970)	**(440,174)**	(491,428)
INCOME BEFORE INCOME TAX	**1,537,725**	1,436,874	**109,996**	119,745
PROVISION FOR INCOME TAX - net	**33,663**	26,804	**18,862**	(2,439)
NET INCOME	**1,504,062**	1,410,070	**91,133**	122,184
Attributable to:				
Equity holdings of the parent	**1,508,057**	1,389,809	**95,634**	120,034
Minority interest	**(3,995)**	20,260	**(4,501)**	2,149
	1,504,062	1,410,070	**91,133**	122,184
EARNINGS PER SHARE - basic, for net income attributable to equity holdings of the parent	**1.21**	1.10	**0.08**	0.10

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2014	2013	**2014**	2013
NET INCOME FOR THE PERIOD	**1,504,062**	1,410,070	**91,133**	122,184
OTHER COMPREHENSIVE INCOME (LOSS)				
Gain (loss) on increase (decrease) in market value of (AFS)investments	**(72,025)**	(498,607)	**291,878**	(53,660)
Unrealized actuarial gain	**2,302**	-	**-**	-
Exchange differences on translating foreign operations	**41,875**	67,087	**86,990**	2,026
Income tax relating to components of other comprehensive income	**4,549**	14,112	**5,661**	(5,463)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**(23,299)**	(417,408)	**384,529**	(57,097)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,480,763**	992,662	**475,662**	65,087

A. SORIANO CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousand pesos)

	Attributable to Equity Holders of the Parent						Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Minority Interest	Unrealized Valuation Gains on AFS Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interest	Total
Balance at 12/31/2012	**2,500,000**	**1,574,104**	**(26,357)**	**3,458,315**	**-**	**(155,685)**	**2,100,000**	**4,757,264**	**(2,019,725)**	**338,817**	**12,526,734**
Comprehensive income	-	-	-	(484,495)	-	67,087	-	1,389,809	-	20,260	992,662
Appropriation of retained earnings	-	-	-	-	-	-	900,000	(900,000)	-	-	-
Sale of shares held by a subsidiary	0	31,515	0	0	0	0	0	0	(9,473)	0	22,042
Movement innoncontrolling interest	0	0	0	0	0	0	0	0	0	(254)	(254)
Balance at 09/30/2013	**2,500,000**	**1,605,619**	**(26,357)**	**2,973,820**	**0**	**(88,598)**	**3,000,000**	**5,247,074**	**(2,029,197)**	**358,823**	**13,541,184**
Balance at 12/31/2013	**2,500,000**	**1,605,614**	**(26,357)**	**3,675,942**	**35,720**	**(20,418)**	**3,000,000**	**4,898,587**	**(2,031,223)**	**370,039**	**14,007,905**
Comprehensive income	-	-	-	(66,786)	1,611	41,875	-	1,508,057	-	(3,995)	1,480,763
Appropriation of retained earnings	-	-	-	-	-	-	1,100,000	(1,100,000)	-	-	-
Sale of shares held by a subsidiary	-	-	-	-	-	-	-	-	(132,426)	-	(132,426)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	9,266	9,266
Balance at 09/30/2014	**2,500,000**	**1,605,614**	**(26,357)**	**3,609,156**	**37,331**	**21,458**	**4,100,000**	**5,306,644**	**(2,163,649)**	**375,310**	**15,365,508**

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2014	2013	**2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	**1,,537,725**	1,436,874	**109,996**	119,745
Adjustment for:				
Depreciation and amortization	**89,791**	85,982	**27,807**	27,444
Interest expense	**45,925**	19,622	**21,556**	12,803
Foreign exchange loss (gain) - net	**8,475**	(64,150)	**17,441**	(4,178)
Gain on sale of AFS investments	**(1,192,751)**	(1,045,837)	**(52,788)**	(40,514)
Dividend income	**(186,195)**	(186,021)	**(11,283)**	(26,376)
Equity in net earnings of associates	**(182,703)**	(151,770)	**(17,160)**	(66,482)
Interest income	**(60,740)**	(75,157)	**(23,543)**	(20,456)
Valuation allowances (recoveries)- net	**(24,100)**	343	**(24,394)**	119
Gain from sale of long-term investments	**(9,471)**	-	**-**	-
Loss (gain) on decrease (increase) in market values of FVPL investments	**(11,723)**	70,086	**(6,009)**	45,017
Operating income before working capital changes	**14,232**	89,973	**41,623**	47,121
Decrease (increase) in:				
FVPL investments	**152,832**	59,701	**(7,351)**	5,973
Receivables	**(139,421)**	(79,303)	**(105,121)**	(33,574)
Inventories	**7,859**	14,315	**75**	(2,359)
Increase (decrease) in:				
Accounts payable and accrued expenses	**(20,877)**	58,558	**(24,111)**	67,676
Retirement benefits payable	**(2,865)**	(3,222)	**830**	(756)
Customer' deposit for property development	**224,986**	-	**158,024**	-
Net cash generated from operations	**236,412**	140,022	**63,969**	84,082
Dividend received	**281,395**	186,021	**106,483**	26,376
Interest received	**63,126**	75,587	**23,942**	20,476
Interest paid	**(45,925)**	(19,622)	**(21,556)**	(12,803)
Income taxes paid	**(14,263)**	(24,713)	**(5,937)**	(7,254)
Net cash flows from operating activities	**520,745**	357,294	**166,902**	110,877

	Periods Ended September 30		Quarters Ended September 30	
	2014	2013	**2014**	2013
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	**4,333,196**	5,215,461	**573,961**	2,007,518
Long-term investments	**9,471**	-	**-**	-
Property and equipment	**-**	3,286	**-**	3,286
Addition to:				
AFS investments	**(4,633,743)**	(5,193,790)	**(672,712)**	(2,468,703)
Property and equipment	**(310,157)**	(331,647)	**(145,479)**	(74,932)
Investment properties	**(53,389)**	-	**(53,389)**	-
Decrease (increase) in:				
Other assets	**24,918**	(10,669)	**121,758**	25,679
Other noncurrent liabilities	**975**	348,896	**6,996**	233,043
Advances to affiliates	**27,449**	5,051	**37,851**	37,358
Net cash flows used in investing activities	**(601,280)**	(1,700,617)	**(131,015)**	(236,750)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long-term debt	**24,383**	1,723,282	**(5,088)**	(5,555)
Payment (proceeds) of:				
Notes payable	**(69,267)**	(258,093)	**(7,860)**	10,483
Dividends	**(54,300)**	(105,147)	**(582)**	
Sale (purchase) of shares held by a subsidiary	**(132,426)**	22,042	**(118,031)**	1,743
Increase (decrease) in:				
Deferred revenue	**(84)**	(2,226)	**1,267**	1
Minority interest	**9,266**	(254)	**10,033**	13
Net cash flows from (used in) financing activities	**(222,428)**	1,379,605	**(120,260)**	6,685
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**17,986**	(4,462)	**36,781**	50,517
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(284,978)**	31,819	**(47,593)**	(68,671)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**743,893**	870,553	**506,508**	971,042
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**458,915**	902,372	**458,915**	902,372

A. SORIANO CORPORATION
PARENT COMPANY BALANCE SHEETS
(In Thousand Pesos)

	September 30 2014	December 31 2013
ASSETS		
Cash and Cash Equivalents	**127,156**	387,823
Fair Value through Profit and Loss (FVPL) Investments	**329,013**	470,778
Available for Sale (AFS) Investments	**11,154,583**	9,809,819
Receivables - net	**275,621**	140,548
Investments and Advances- net	**5,375,874**	5,146,562
Property and Equipment - net	**34,672**	39,628
Retirement Plan Asset	**53,846**	53,846
Other Assets	**1,328**	796
TOTAL ASSETS	**17,351,933**	16,049,801
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**66,883**	97,344
Dividends Payable	**209,715**	264,015
Long-term debt	**2,023,470**	1,997,775
Deferred Income Tax Liabilities	**61,596**	57,558
Total Liabilities	**2,361,664**	2,416,691
Equity		
Capital Stock - 1 Par Value	**2,500,000**	2,500,000
Additional Paid-in Capital	**1,589,800**	1,589,800
Unrealized Valuation Gains on AFS Investments	**3,567,261**	3,641,239
Unrealized actuarial gains	**30,400**	30,400
Retained Earnings		
Appropriated	**4,100,000**	3,000,000
Unappropriated	**3,202,808**	2,871,671
Total Equity	**14,990,269**	13,633,110
TOTAL LIABILITIES AND EQUITY	**17,351,933**	16,049,801

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2014	2013	**2014**	2013
REVENUES				
Dividend income	**301,223**	185,811	**106,447**	26,376
Interest Income	**55,651**	70,821	**21,761**	17,734
Management fees	**51,710**	44,522	**20,670**	15,437
	408,584	301,155	**148,878**	59,548
INVESTMENT GAINS				
Gain on sale of AFS investments	**1,193,441**	1,046,364	**53,086**	40,514
Gain on sale of long-term investment	**9,471**	-	**-**	-
Gains (losses) on increase(decrease) in market values of FVPL investments	**11,184**	(69,456)	**5,951**	(44,883)
	1,214,096	976,908	**59,037**	(4,369)
	1,622,680	1,278,063	**207,916**	55,179
Operating expenses	**(164,164)**	(148,764)	**(31,685)**	(35,216)
Interest expense	**(40,356)**	(14,420)	**(13,544)**	(11,446)
Foreign exchange loss	**(6,358)**	74,450	**(14,643)**	6,407
Others	**24,756**	(218)	**24,606**	116
	(186,122)	(88,952)	**(35,266)**	(40,139)
INCOME BEFORE INCOME TAX	**1,436,558**	1,189,110	**172,650**	15,040
PROVISION FOR (BENEFIT FROM) INCOME TAX - NET	**5,420**	(983)	**161**	(12,818)
NET INCOME	**1,431,137**	1,190,094	**172,489**	27,857
Earnings Per Share	**0.57**	0.48	**0.07**	0.01

A. SORIANO CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2014	2013	**2014**	2013
NET INCOME FOR THE PERIOD	**1,431,137**	1,190,094	**172,489**	27,857
OTHER COMPREHENSIVE INCOME (LOSS)				
Gain (loss) on increase (decrease) in market value of AFS investments	**(73,273)**	(495,910)	**287,500**	(53,594)
Income tax effect	**(706)**	14,163	**4,053**	(5,483)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**(73,978)**	(481,747)	**291,553**	(59,077)
TOTAL COMPREHENSIVE INCOME (LOSS) FORTHE PERIOD	**1,357,159**	708,347	**464,042**	(31,219)

A. SORIANO CORPORATION

PARENT STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments	Unrealized Actuarial Gain	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total
Balance at 12/31/2012	**2,500,000**	**1,589,800**	**3,407,481**	**-**	**2,100,000**	**2,863,535**	**12,460,815**
Appropriation of retained earnings	-	-	-	-	900,000	(900,000)	-
Comprehensive income	-	-	(4281,747)	-	-	1,190,094	708,347
Balance at 09/30/2013	**2,500,000**	**1,589,800**	**2,925,734**	**-**	**3,000,000**	**3,153,629**	**13,169,162**
Balance at 12/31/2013	**2,500,000**	**1,589,800**	**3,641,239**	**30,400**	**3,000,000**	**2,871,671**	**13,633,110**
Appropriation of retained earnings	-	-	-	-	1,100,000	(1,100,000)	-
Comprehensive income	-	-	(73,978)	-	-	1,431,137	1,357,159
Balance at 09/30/2014	**2,500,000**	**1,589,800**	**3,567,261**	**30,400**	**4,100,000**	**3,202,808**	**14,990,269**

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2014	2013	**2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	**1,436,558**	1,189,110	**172,649**	15,040
Adjustment for:				
Interest expense	**40,356**	14,420	**13,544**	11,446
Depreciation and amortization	**7,702**	4,799	**2,767**	1,615
Net foreign exchange loss (gain)	**6,358**	(74,450)	**14,643**	(6,407)
Gain on sale of AFS investments	**(1,193,441)**	(1,046,364)	**(53,086)**	(40,514)
Dividend income	**(301,223)**	(185,811)	**(106,447)**	(26,376)
Interest income	**(55,651)**	(70,821)	**(21,761)**	(17,734)
Gain on sale of long-term investments	**(9,471)**	-	**-**	-
Loss (gain) on decrease (increase) in market values of FVPL investments	**(11,184)**	69,456	**(5,951)**	44,883
Operating income(loss) before working capital changes	**(79,996)**	(99,661)	**16,357**	(18,048)
Decrease (increase) in:				
Receivables	**(134,913)**	(72,753)	**(82,775)**	6,752
FVPL investments	**152,949**	60,437	**(7,108)**	6,246
Increase (decrease) in accounts payable and accrued expenses	**(30,460)**	(2,696)	**(10,695)**	58,547
Net cash generated (used in) operations	**(92,420)**	(114,673)	**(84,221)**	53,497
Dividend received	**301,223**	185,811	**106,447**	26,376
Interest received	**55,651**	70,821	**21,761**	17,734
Interest paid	**(40,356)**	(14,420)	**(13,544)**	(11,446)
Income tax paid	**(160)**	(1,387)	**(160)**	(631)
Net cash flows from operating activities	**223,938**	126,152	**30,283**	85,530
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
AFS investments	**4,308,830**	5,170,169	**562,240**	2,007,226
Long-term investments	**9,471**	-	**-**	-
Additions to:				
AFS investments	**(4,535,801)**	(5,135,107)	**(660,104)**	(2,464,383)
Long-term investments	**(43,424)**	(4)	**(43,424)**	-
Property and equipment	**(370)**	(1,295)	**(212)**	(232)

	Periods Ended September 30		Quarters Ended September 30	
	2014	2013	**2014**	2013
Increase in:				
Advances to affiliates	**(185,888)**	(1,818,639)	**(115,663)**	3,079
Other assets	**(533)**	(245)	**(284)**	(652)
Net cash flows used in investing activities	**(447,714)**	(1,785,122)	**(257,448)**	(454,962)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (payments of) long-term debt	**-**	1,732,360	**-**	(4,840)
Proceeds from notes payable	**-**	(250,000)	**-**	-
Increase in due to affiliates	**-**	22,099	**-**	1,772
Payment of cash dividends	**(54,300)**	(105,147)	**(582)**	-
Net cash flows from (used in) financing activities	**(54,300)**	1,399,312	**(582)**	(3,068)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**17,409**	2,227	**37,218**	51,941
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(260,667)**	(257,432)	**(190,529)**	(320,559)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**387,823**	669,127	**317,684**	732,254
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**127,156**	411,695	**127,156**	411,695

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations						After Eliminations
	US-based Nurse/PT Staffing Co.**	Resort Operation	Other Operations (Note 1)	Holding Co. (Parent)	Total	Eliminations	**Consolidated**
09/30/2014							
REVENUE	906,293	346,704	160,900	1,622,680	3,036,577	51,194	**3,087,771**
NET INCOME (LOSS)	31,095	(18,569)	(7,172)	1,431,137	1,436,492	67,571	**1,504,062**
TOTAL ASSETS	887,882	775,169	4,157,606	17,351,933	23,172,589	(4,352,309)	**18,830,280**
INVESTMENTS PORTFOLIO *	-	103,122	3,058,737	16,859,469	20,021,328	(4,454,122)	**15,567,206**
PROPERTY & EQUIPMENT	4,302	1,008,944	79,703	34,672	1,127,621	123,905	**1,251,526**
TOTAL LIABILITIES	125,409	809,884	3,650,113	2,361,664	6,947,070	(3,482,297)	**3,464,773**
DEPRECIATION AND AMORTIZATION	2,306	59,423	22,735	5,327	89,791	-	**89,791**

	US-based Nurse/PT Staffing Co**.	Resort Operation	Other Operations (Note 1)	Holding Co. (Parent)	Before Eliminations Total	Eliminations	After Eliminations **Consolidated**
September 30, 2013							
REVENUE	892,075	433,277	162,859	1,278,063	2,766,273	134,571	**2,900,844**
NET INCOME (LOSS)	(7,719)	60,423	19,037	1,190,094	1,261,835	148,234	**1,410,070**
TOTAL ASSETS	841,395	1,486,826	3,040,541	15,335,320	20,704,082	(4,014,377)	**16,689,705**
INVESTMENTS PORTFOLIO *	0	99,165	2,684,715	14,713,712	17,497,591	(4,127,443)	**13,370,148**
PROPERTY & EQUIPMENT	6,593	884,747	71,870	33,212	996,422	123,905	**1,120,328**
TOTAL LIABILITIES	136,220	723,116	3,215,507	2,166,158	6,241,001	(3,092,480)	**3,148,521**
DEPRECIATION AND AMORTIZATION	2,108	55,283	23,792	4,799	85,982	-	**85,982**

****** **Inclusive of FVPL investments, AFS investments, advances & investments and investment properties.***

******* **Excluding IQHPC operations which were consolidated into Cirrus Global (IQMAN), the latter formed part of other operations.***

Note 1 Other than Cirrus Global, Inc. (IQMAN) consolidated operations, also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Property Holdings, Inc.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on IFRIC Interpretation which were adopted as of January 1, 2013.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is resented 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 balance sheet;
  c) The net amounts presented in the consolidated balance sheet;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments have no impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements, 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 SIC 12, Consolidation - Special Purpose Entities. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

This new standard has no impact on the Group's financial position or performance. A reassessment of control was performed by the Company on all its subsidiaries and associates in accordance with the provisions of PFRS 10. Following the reassessment, the Company determined that there are no additional entities that need to be consolidated nor are there subsidiaries that need to be deconsolidated.

- Amendments to PAS 27, *Separate Financial Statements. As a consequence of the issuance of the new PFRS 10 and PFRS 12, Disclosure of Interest in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, joint ventures, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The adoption of the amended PAS 27 has no significant impact on the separate financial statements of the Group.

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

  The Group does not have any jointly controlled entities so the adoption of this new standard has no significant impact on the consolidated financial statements of the Group.

- PFRS 12, *Disclosure of Interests in Other Entities, includes all of the disclosures related to financial statements that were previously in PAS 27*, as well as all the disclosures that were previously included in PAS 31 and PAS 28, Investments in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

  The adoption of PFRS 12 affects disclosures only and has no impact on the Group's financial position or performance.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*. As a consequence of the issuance of the new PFRS 11 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 Group does not have any joint venture so the adoption of this amendment has no significant impact on its consolidated financial statements.

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

The Group has assessed its policies for measuring fair values of its financial instruments and changes were applied prospectively. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

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

- Amendments to PAS 19, *Employee Benefits*, range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording.   The revised standard also requires new disclosures such as, among others, a sensitivity 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.

  On January 1, 2013, the Group adopted the Revised PAS 19, *Employee Benefits*.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period be recognized immediately in profit or loss when incurred.

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

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

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

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

	December 1,2013
	(In Millions)
Increase (decrease) in:	
Consolidated Balance sheets	
Net defined benefit liability	**(₱ 11.0)**
Net defined benefit asset	**40.9**
Deferred tax assets	**(15.2)**
Cumulative actuarial gains	**35.7**
Retained earnings	**(2.2)**
Noncontrolling interests	**3.2**

	Years Ended December 31
	2013
	(In Millions)
Increase (decrease) in:	
Consolidated Statements of Income	
Cost of services rendered	**₱–**
Operating expenses	**(0.8)**
Income before income tax	**0.8**
Income tax benefits	**(0.2)**
Net income	**(1.0)**
Attributable to equity holdings of the Parent Company	**(0.8)**
Attributable to noncontrolling interests	**(0.2)**
Basis/diluted earnings per share	**–**
Consolidated Statement of Comprehensive Income	
Unrealized actuarial gains	**₱15.4**
Income tax effect	**(4.7)**

(Forward)

	(In Millions)
Other comprehensive income for the year, net of tax	**10.7**
Attributable to equity holdings of the Parent Company	**10.5**
Attributable to noncontrolling interests	**0.2**

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

The adoption did not have a significant impact on consolidated statements of cashflows.

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

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

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

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

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

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes. The Group assessed that this amendment has no impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*, clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to December 31, 2013

The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Effective in 2014

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, 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 to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*, remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The Group did not early adopt these amendments. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*, provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- Amendments to PFRS 10, PFRS 12 and PAS 27 - *Investment Entities*, provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are effective for annual periods beginning on or after January 1, 2014. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

Effective in 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. It is not expected that this amendment would be relevant to the Group since the Group has no contributory defined benefit retirement plan.

  Annual Improvements to PFRSs (2010-2012 cycles)
  The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS2, *Share-based Payment - Definition of Vesting Condition*, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, requires entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

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

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

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance since the Group does not have any revalued property, plant and equipment.

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

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarifies that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

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

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*, clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. This amendment is not applicable to the Group as the Group currently does not have any joint arrangements.

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

- PAS 40, *Investment Property*, clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Effectivity date to be determined

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

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

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This 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, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries:

		Percentage of Ownership	
	Nature of Business	**2014**	**2013**
A. Soriano Air Corporation	Services/Rental	100	100
Pamalican Island Holdings, Inc. (PIHI)	Holding	62	62
Island Aviation, Inc. (IAI)	Air Transport	62	62
Anscor Consolidated Corporation (Anscorcon)	Holding	100	100
Anscor International, Inc. (AI)	Holding	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	100	100
Cirrus Medical Staffing, Inc. (Cirrus)	Manpower Services	94	94
Cirrus Holdings USA, LLC (Cirrus LLC)	Manpower Services	94	94
Cirrus Allied, LLC (Cirrus Allied)	Manpower Services	94	94
NurseTogether, LLC (NT)	Online Community Management	94	94
Anscor Property Holdings, Inc. (APHI)	Real Estate Holding	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	100	100
Goldenhall Corp.	Real Estate Holding	100	100
Lakeroad Corp.	Real Estate Holding	100	100
Mainroad Corp.	Real Estate Holding	100	100
Makatwiran Holdings, Inc. (Makatwiran)	Real Estate Holding	100	100
Makisig Holdings, Inc. (Makisig)	Real Estate Holding	100	100
Malikhain Holdings, Inc. (Malikhain)	Real Estate Holding	100	100
Mountainridge Corp.	Real Estate Holding	100	100
Rollingview Corp.	Real Estate Holding	100	100
Summerside Corp.	Real Estate Holding	100	100
Timbercrest Corp.	Real Estate Holding	100	100
Sutton Place Holdings, Inc. (Sutton)	Holding	100	100
Cirrus Global, Inc. (CGI)	Manpower Services	93	93
IQ Healthcare Professional Connection LLC (IQHPC)	Manpower Services	93	93
AFC Agribusiness Corporation (AAC)	Real Estate Holding	81	45
Seven Seas Resorts and Leisure, Inc. (SSRLI)	Villa Project Development	62	62
Pamalican Resort, Inc. (PRI)	Resort Operations	62	62

In 2012, Goldenhall, Lakeroad, Mainroad, Mountainridge, Rollingview, Summerside and Timbercast, wholly-owned subsidiaries of APHI, were incorporated as real estate holding companies.

In September 2014, the Company purchased an 81% stake in AAC.

Except for AI, IQHIL, Cirrus and its subsidiaries and IQHPC, the above companies are all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while Cirrus and its subsidiaries and IQHPC are based in the United States ofAmerica (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results inthenoncontrolling interests having a deficit balance. Consolidated financial statements areprepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheets.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

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

The following are the Group's associates:

	Nature of Business	Percentage of Ownership 2014	2013
NewCo., Inc. (Newco)	Real Estate	45	45
Phelps Dodge International Philippines, Inc. (PDIPI)	Holding	40	40
Minuet Realty Corporation (Minuet)	Landholding	60	60
Phelps Dodge Philippines Energy Products Corporation (PDP Energy)	Wire Manufacturing	40	40
PD Energy International Corporation (PDEIC)	Wire Manufacturing	40	40
Vicinetum Holdings, Inc. (VHI	Holding	32	32
AGP International Holdings Ltd. (AGPI)	Holding	27	-
Anscor-Casto Travel Corporation	Travel Agency	-	44

Minuet has been excluded in the consolidated financial statements as special voting requirements adopted by its shareholders manifested that the Company's 60% holdings in Minuet is not sufficient to carry major business decisions.

On October 20, 2014, the Company sold its investment in Newco.

On April 30, 2014, the Company sold its investment in Anscor-Casto Travel Corporation.

On June 28, 2013, AI converted its Convertible Bridge Notes from AGPI to Series B voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI for the subscription to series C voting preferred shares. The subscription increases its holdings to 26.8 %, making AGPI an associate of the Group.

Except for AGPI, the above companies are all based in the Philippines. The principal business location of AGPI is in the British Virgin Islands.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree'sidentifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of income.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences 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 closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to AFS equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and AFS investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

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

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

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

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

The Group’s management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group’s external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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

<u>Financial Instruments</u>

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value

The fair value of instruments that are actively traded in organized financial markets is determined by reference to market prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Classification of financial instruments

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

As of September 30, 2014, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of September 30, 2014 and December 31, 2013.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the

embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheets at fair value. Changes in fair value are recorded in “Gain (loss) on increase (decrease) in market values of FVPL investments”. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of September 30, 2014 and December 31, 2013, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of September 30, 2014 and December 31, 2013.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as “Recoveries (valuation allowances) - net” in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to officers and employees and other receivables.

(c) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statements of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as “Gain on sale of AFS investments”. Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate.

Dividends earned on holding AFS investments are recognized as such in the consolidated statements of income when the right of payment has been established.

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within twelve months after the reporting period.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of September 30, 2014 and December 31, 2013, included in other financial liabilities are the Group’s notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of September 30, 2014 and December 31, 2013, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

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 or removed from the consolidated balance sheet where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

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

Impairment of Financial Assets

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables 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.

For individually significant financial assets, 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 the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective

evidence of impairment exists for 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 for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statements of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. 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 reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" in the consolidated statement of income.

AFS investments

In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. The losses arising from impairment of such investments are recognized as "Recoveries (valuation allowances) - net" in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income.

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

<u>Day 1 Difference</u>

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

<u>Offsetting Financial Instruments</u>

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of Goods

Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on Villa Development Project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method. Under this method, revenue is recognized only when the villa clusters have been constructed, turned over to, and accepted by the buyer.

Cost of Goods Sold

The cost of goods sold is recognized as expense when the related goods are sold using the average costing method.

The cost of real estate sold includes the acquisition cost of the land and total development costs upon completion. Cost of lots sold is determined based on average method while cost of villa is accounted for using specific identification.

Rendering of Services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse/therapist placements is recognized upon the nurses' arrival and employment in the U.S. hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Costs of Services Rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

Cost and expenses related to room services are charged to operations when incurred.

Selling, General and Administrative Expenses
All selling and general and administrative expenses are expensed as incurred.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

<u>Other Comprehensive Income</u>
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In

computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

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

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises 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. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5-20
Machinery and equipment	5-25
Flight and ground equipment	5-10
Furniture, fixtures and office equipment	3-5
Transportation equipment	3-5

* or lease term, whichever is shorter

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

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes 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. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed:

Category	Number of Years
Land improvements	25
Buildings	20 - 30
Condominium units	20

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

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

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statements of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Noncurrent Assets Held for Sale and Discontinued Operations

Noncurrent assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Depreciable assets are no longer depreciated once they are classified as noncurrent assets held for sale and discontinued operations.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a noncontrolling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately from the consolidated statement of income.

Customer's Deposit for Property Development

Customer's deposit for property development is recorded at cost. The deposit is an advance payment by a villa buyer which is required to start and complete the villa development. Upon sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statements of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

The Group as Lessee

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

The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits

The Group has a non-contributory defined benefit retirement plan.

Defined benefit 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.

Defined benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

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

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

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 tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign subsidiaries and associates, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.
Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

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

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of September 30, 2014 and 2013.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of 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.

Segment Reporting

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in 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.

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 amounts recognized in the consolidated financial statements.

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition 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 balance sheets.

Operating Lease Commitments - The Group as Lessee

The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating Lease Commitments - The Group as Lessor

The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

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

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, 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.

Impairment losses on loans and receivables
The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statements 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 advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For 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. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of AFS equity investments

The Group recognizes impairment losses on AFS equity investments 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. In 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).

Impairment of investments carried at equity method

Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group’s impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

Estimation of useful lives of the Group’s property and equipment

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

Impairment of non-financial assets

(a) Property and equipment and investment properties

The Group assesses impairment on assets 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.

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the “value-in-use” of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management 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 profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

Determination of pension and other retirement benefits
The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies.

5. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and equity price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. The evaluation and meetings occur at least every quarter.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being able to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a customer that accounts for more than 10% of the consolidated revenue.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures
The carrying amounts of the assets represent maximum credit exposure.

Credit quality per class of financial asset
For the Group's receivables, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Financial assets that are past due but not impaired
Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

Liquidity risk
Liquidity risk is defined as the risk that the fund may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.
The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due, this is done by primarily investing in highly liquid investments.

The Group's total financial liabilities due to be settled within one year includes notes payable that management considers s working capital. Account payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency risk and equity price risks.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

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

   Fair value interest rate risk
   Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's investment in stocks listed in the PSE index (PSEi).

c. Price interest risk of mutual funds

The Group is exposed to the risks of changes in the fund's net asset value due to its market risk exposures.

d. Foreign exchange risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar and Euro. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company and a subsidiary occasionally engage in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, SSRLI and IQMAN can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

Capital Management

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiary and associate:

a. The primary objective of the Company's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Company establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Company establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.
No changes were made in the objectives, policies or process for the period ended September 30, 2014 and December 31, 2013.

b. Cirrus' and CGI's capital management objectives are:

- To ensure its ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

CGI monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

CGI sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

6. Financial Instruments

Fair Value of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

	September 30, 2014		December 31, 2013	
(In Thousand Pesos)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
FVPL investments:				
Bonds	**308,354**	**308,354**	410,431	410,431
Funds and equities	**4,977**	**4,977**	53,378	53,378
Others	**25,440**	**25,440**	16,070	16,070
	338,771	**338,771**	479,880	479,880
AFS investments:				
Bonds	**1,261,497**	**1,261,497**	843,879	843,879
Quoted equity shares	**8,772,166**	**8,772,166**	7,915,174	7,915,174
Funds and equities	**336,896**	**336,896**	442,937	442,937
Proprietary shares	**182,238**	**182,238**	177,238	177,238
Unquoted shares	**675,138**	**675,138**	675,138	675,138
	11,227,935	**11,227,935**	10,054,365	10,054,365
	11,566,440	**11,566,440**	10,534,245	10,534,245

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As of September 30, 2014 and December 31, 2013, AFS investments amounting to P551.8 million and P294.2 million, respectively, were carried at cost since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities and others are derived from quoted market prices in active markets.
- AFS investments in bonds, quoted equity shares and funds and equities and proprietary shares are derived from quoted market prices in active markets.

- AFS investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following table provides the Group's fair value measurement hierarchy of its assets:

September 30, 2014

(In Thousand Pesos)

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 2)
FVPL investments:				
Bonds	308,354	308,354	-	-
Funds and equities	4,977	4,977	-	-
Others	25,440	25,440	-	-
	338,771	338,771	-	-
AFS investments:				
Bonds	1,261,497	1,261,497	-	-
Quoted equity shares	8,772,166	8,772,166	-	-
Funds and equities	336,896	336,896	-	-
Proprietary shares	182,238	182,238	-	-
Unquoted shares	675,138	-	-	675,138
	11,227,935	10,552,797	-	675,138
	11,566,440	10,891,568	-	675,138

December 31, 2013

(In Thousand Pesos)

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 2)
FVPL investments:				
Bonds	410,431	410,431	-	-
Funds and equities	53,378	53,378	-	-
Others	16,070	16,070	-	-
	479,880	479,880	-	-
AFS investments:				
Bonds	843,879	843,879	-	-
Quoted equity shares	7,915,174	7,915,174	-	-
Funds and equities	442,937	442,937	-	-
Proprietary shares	177,238	177,238	-	-
Unquoted shares	675,138	-	-	675,138
	10,054,365	9.379,227	-	675,138
	10,534,245	9,859,107	-	675,138

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3:

	Valuation technique	Significant unobservable inputs	Range	<u>In Millions</u> Sensitivity of input to fair value
Enderun	DCF Model	Student growth rate of 10%	5% - 15%	5%: fair value of P267
				15%: fair value of P327
		Tuition fee increase by 2%	0% - 5%	0%: fair value of P256
				5%: fair value of P337
		Other income growth rate of 15%	5% - 20%	5%: fair value of P270
				20%: fair value of P297

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
KSA	DCF Model	Cost of capital of 11%	8% - 12%	8%: fair value of P357
				12%: fair value of P239
		Dividend payout is =40 million	(5%) - 1%	(5%): fair value of P375
				1%: fair value of P392
		Cost of capital of 11%	10% - 30%	10%: fair value of P396
				30% fair value of P382
		Cost of capital of 11%	10% - 12%	10%: fair value of P419
				12% fair value of P362

An increase in the percentage of EBITDA over revenue would increase the fair value of the investment in Enderun.

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of AFS assets in unquoted equity shares (in millions):

	Enderun	KSA	Total
As at 1 January 2014	**P286**	**P389**	**P675**
Re-measurement recognized in OCI	-	-	-
Realized gains (losses) in profit or loss	-	-	-
Unrealized gains (losses) in profit or loss	-	-	-
Purchases	-	-	-
Reclassified in discontinued operations	-	-	-
Transfer into/out of Level 3	-	-	-
Sales	-	-	-
As at 30 September 2014	**P286**	**P389**	**P675**

For the period ended September 30, 2014 and December 31, 2013, there were no transfer from level 1, Level 2 and level 3 fair value measurements.

7. Financial Condition

There was no significant change in the Company's Balance Sheet as of September 30, 2014 versus December 31, 2013.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash flows used in investing and financing activities amounting to P823.8 million offset by cash generated from operating activities.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

Fair Value Through Profit and Loss (FVPL) Investments

The decrease in the account can be attributed to the net disposal for the period of about P152.8 million. The market value of foreign denominated investment in bonds, stocks and funds increased by P11.7 million vs. December 31, 2013 values.

Receivables

The increase in receivables was mainly due to Parent Company's advances to an associate.

Inventories

The decrease is traced to spare parts and supplies utilized for nine months by the aviation and resort subsidiaries.

Prepayments

Increase in this account can be attributed mainly to prepaid expenses related to resort operation.

Other Current Assets

Decrease in this account can be attributed mainly to deposits by aviation subsidiary in relation to the maintenance service plan for its aircrafts which were expensed out.

Available for Sale (AFS) Investments

Net increase in this amount amounted to P1.4 billion, mostly in bonds, equity funds and traded equities.

Investments and Advances

The increase in investments and advances was mainly due to equity in net earnings of associates for the period amounting to P182.7 million. Also, new investment during the year was about P43.4 million and unrealized foreign exchange gain related to foreign equity investment amounted to P25.7 million.

Goodwill

The goodwill from US-based staffing business increased by P8.0 million due to foreign exchange gain from the translation of net assets of the medical staffing company.

Property, Plant and Equipment - net

Depreciation charged to operations amounted to P89.8 million while additions to property and equipment amounted to P310.2 million, mainly attributable to special capital expenditures of the resort subsidiary.

Investment Properties

Change in the account was mainly due to consolidation of newly acquired real estate holding subsidiary.

Other Noncurrent Assets

Decrease in the account balance can be attributed to use of unrestricted cash deposit previously collected by the resort subsidiary from villa owners.

Notes Payable

The decrease in the balance was mainly due to conversion of short-term loan to long-term loan of the aviation subsidiary.

Accounts Payable and Accrued Expenses

The decrease was mainly attributable to payment to suppliers/contractors in relation to the ongoing projects of the resort subsidiary.

Dividends Payable

Movement in the account was mainly attributable to dividend checks issued and paid as of September 30, 2014.

Customer's Deposits for Property Development

The increase in the account was due to additional deposits made by a new villa buyer.

Income Tax Payable

Movement in the account was attributable to higher tax provision of the Group for the three quarters of 2014.

Long-term Debt (current and noncurrent)

The increase in the account can be attributed mainly to the converted short-term loan to long-term loan by the aviation subsidiary and unrealized foreign exchange loss upon translation of dollar denominated loan of the Parent Company.

Cumulative Translation Adjustment

This account includes translation adjustments of Anscor International, Inc., Cirrus Medical Staffing, Inc. and Cirrus Global, Inc.'s subsidiary IQHPC.

Unrealized valuation gains on AFS investments (equity portion)

When the AFS assets are sold, the gain was realized and reflected in the consolidated statements of income and removed from the unrealized valuation gains.

Noncontrolling interests (equity portion)

The increase in minority interest was mainly due to noncontrolling interest in AFC Agribusiness Corporation.

Others

There were no commitments for major capital expenditures in 2014.

8. Results of Operation

Management is not aware of any known trends, events or uncertainties except for political and market uncertainties that may have material impact on the Company's recurring revenues and profits.

The following are the key performance indicators for the Parent Company (In thousand pesos except earnings per share and market price per share):

	Periods ended September 30	
	2014	*2013*
Revenues (excluding investment gains or losses)	***408,584***	*301,155*
Investment Gains	***1,214,096***	*976,908*
Net Income	***1,431,137***	*1,162,237*
Earnings Per Share	***0.57***	*0.48*
Market Price Per Share (PSE)	***7.36***	*6.45*

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues

This year's consolidated gross revenues of P3.1 billion was 6.4% higher than last year's revenue of P2.9 billion. Anscor posted higher investment gain due to higher number of traded shares sold in the stock market during the period. It also posted higher equity in net earnings of associates for 2014, the main contributors were AG&P and PDP.

Operating Expenses

Increase can be attributed to the higher operating expenses of the Parent Company and the resort subsidiary.

Foreign Exchange Loss

Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported higher foreign exchange loss on its dollar denominated loan partially offset by foreign exchange gain on its foreign currency denominated investment in financial assets.

Interest Expense

The Group reported higher charges mainly due to the parent company's long-term loan. 2014 included three (3) quarters of interest expense of the parent company while 2013 only had one (1) quarter of charges.

Provision for Income Tax - net

The provision for income tax increased mainly due to deferred income tax for higher management fees and gain on increase in market value of FVPL investments of the Parent Company.

Noncontrolling Interests (statements of income)

Decrease in minority interest was mainly due to share of minority shareholders in losses of resort subsidiary and Cirrus Global, Inc. for the period ended September 30, 2014.

9. Cash Flows

Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

10. Financial information

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,257,900,646 shares of Anscor. During the three quarters of 2014, Anscorcon purchased 18.9 million Anscor shares amounting P132.4 million.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.
- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)

The following are the key performance indicators for Phelps Dodge Philippines (In thousand pesos except volume):

	Periods Ended September 30	
	2014	*2013*
Volume sold (MT)		
Domestic	**10,098**	8,581
Export	**682**	403
Total	**10,780**	8,984
Revenue	**4,971,502**	4,064,206
Marginal Income	**1,050,610**	923,352
Net Income	**394,924**	325,626

Volume sold went up by 20.0% with corresponding increase in revenue, the PDP Energy's marginal income improved by 13.8% in 2014.

PDP recorded a net income of P394.9 million for 9 months of 2014 higher than the P325.6 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 33.9% for three quarters of 2014, lower than the 2013 average occupancy rate of 40.9%. Foreign travelers were still wary of coming to Philippines after the strong Yolanda typhoon that hit the country last November 2013. Likewise, available rooms for rent for the period June 1 to September 30, 2014 totaled 15 (vs. 40 rooms) as the other rooms are being renovated. Average room rate was US$1,175, higher than last year's average room rate of US$1,055. Total hotel revenues amounted to P344.6 million, lower by P88.7 million from last year's revenues of P433.3 million. Gross operating profit (GOP) of P48.4 million decreased versus 2013's GOP mainly due to lower revenues.

Seven Seas reported a net loss of P18.6 million for nine months of 2014.

The Resort embarked on special capital expenditures to improve its existing facilities.

Cirrus Group

Cirrus Medical Staffing, Inc. Cirrus Medical Staffing, Inc. reported consolidated net income of $702,566 for year to date September 2014; a $902,000 improvement over the same period last year. Despite a 2% decline in Revenue, improved gross margins, coupled with a 16% reduction in selling, general and administrative expense, helped the company outperform the comparable period in 2013. Nurse Staffing grew 6%, while Therapy staffing is down year to date, but has shown modest quarter on quarter growth.

Nurse Together LLC, Cirrus' on-line arm, continues to upgrade its product offering and site development has been taken in-house. While advertising revenues are trailing the previous year, the cost structure has been aligned to limit losses as development continues.

Cirrus continues to focus on taking advantage of the strong demand for temporary nurse staffing, gross margin improvement and driving profitability.

12. Financial Indicators

Significant financial indicators of the Group are the following:

		09/30/2014	09/30/2013
1.	Book Value Per Share (Note 1)	**12.07**	10.45
2.	Current Ratio (Note 2)	**1.52**	2.17
3.	Interest Rate Coverage Ratio (Note 3)	**34.48**	74.23
4.	Debt to Equity Ratio (Note 4)	**0.23**	0.24
5.	Asset to Equity Ratio (Note 5)	**1.23**	1.27
6.	Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**48.8%**	47.9%
7.	Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**10.0%**	10.5%

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – EBIT (earnings before interest and taxes)/ total interest expense
Note 4 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 5 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

Cirrus Group

1. Submission to lock ratio (operating statistic to evaluate recruitment)
2. Nurse/therapist retention ratio (Operating statistic to evaluate retention of nurse and therapist in the pool for staffing business).

In Thousand Pesos

	09/30/2014	09/30/2013
3. Service income	**906,293**	876,068
4. Cost of services rendered	**742,376**	744,300
5. Income before interest, taxes, depreciation and amortization	**34,556**	(3,332)

Seven Seas Group

In Thousand Pesos

	09/30/2014	09/30/2013
1. Occupancy rate	**33.89%**	40.92%
2. Hotel revenue	**344,605**	433,277
3. Gross operating profit (GOP)	**48,383**	167,689
4. GOP ratio	**14.0%**	38.5%
5. Net income (loss)	**(18,569)**	60,423

Occupancy rate is based on actual room nights sold over available room nights on a 9-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

A. Soriano Corporation has the following direct/indirect subsidiaries/associates as of December 31, 2014:

Company	Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
IQ Healthcare Investments Limited	100%	Manpower Services	British Virgin Island
Cirrus Medical Staffing, Inc.	94%	Manpower Services	USA
Cirrus Holdings USA, LLC	94%	Manpower Services	USA
Cirrus Allied, LLC (formerly MDI Medicals, LLC)	94%	Manpower Services	USA
NurseTogether, LLC	94%	Online Community	USA
AG&P International Holdings, Ltd. *	27%	Holding Company	British Virgin Island
Anscor Property Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Goldenhall Corporation	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Summerside Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Cirrus Global, Inc.	93%	Manpower Services	Philippines
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	Houston, Texas, United States
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines

Company	Ownership	Business	Jurisdiction
AFC Agribusiness Corporation	81%	Agricultural Land Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
Enderun Colleges, Inc.	20%	Culinary School	Philippines
Prople Limited, Inc.	20%	Business Processing & Outsourcing	British Virgin Island
Prople, Inc.	20%	Business Processing & Outsourcing	Philippines
KSA Realty Corporation	11%	Realty	Philippines
Direct WithHotels	15%	Online Reservation	Philippines

* Its associate is engaged in modular steel fabrication.

Cirrus Medical Staffing, Inc.
and Subsidiaries
(A Subsidiary of IQ Healthcare Investment Ltd.)

Consolidated Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

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1226 Makati City
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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Cirrus Medical Staffing, Inc.

We have audited the accompanying consolidated financial statements of Cirrus Medical Staffing, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cirrus Medical Staffing, Inc. and subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-1 (Group A),
February 2, 2012, valid until March 31, 2015
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751308, January 5, 2015, Makati City

February 17, 2015

CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES
(A Subsidiary of IQ Healthcare Investment Ltd.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash	**$397,052**	$383,572
Trade and other receivables (Note 5)	**5,157,800**	4,122,270
Prepaid expenses and other current assets (Note 6)	**300,454**	441,032
Total Current Assets	**5,855,306**	4,946,874
Noncurrent Assets		
Property and equipment (Note 7)	**95,271**	154,485
Deferred income tax assets - net (Note 16)	**457,113**	896,147
Goodwill (Note 8)	**13,937,537**	13,937,537
Other noncurrent assets (Note 9)	**162,147**	217,191
Total Noncurrent Assets	**14,652,068**	15,205,360
TOTAL ASSETS	**$20,507,374**	$20,152,234
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 10)	**$658,807**	$1,517,783
Trade payables and other liabilities (Note 11)	**1,730,968**	1,241,280
Total Current Liabilities	**2,389,775**	2,759,063
Equity (Note 12)		
Capital stock	**20**	20
Additional paid-in capital	**19,404,953**	19,404,953
Deficit	**(1,287,374)**	(2,011,802)
Total Equity	**18,117,599**	17,393,171
TOTAL LIABILITIES AND EQUITY	**$20,507,374**	$20,152,234

See accompanying Notes to Consolidated Financial Statements.

CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES
(A Subsidiary of IQ Healthcare Investment Ltd.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
SERVICE REVENUES	**$28,127,117**	$28,166,329
COST OF SERVICES (Note 13)	**21,366,816**	21,745,252
GROSS PROFIT	**6,760,301**	6,421,077
OPERATING EXPENSES (Note 14)	**(5,583,966)**	(6,841,971)
OTHER INCOME (CHARGES)		
Interest expense (Notes 10 and 15)	**(44,575)**	(69,388)
Miscellaneous income (Note 7)	**35,202**	–
Refund of insurance premiums	**–**	145,061
Others - net	**(3,500)**	27,439
	(12,873)	103,112
INCOME (LOSS) BEFORE INCOME TAX	**1,163,462**	(317,782)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 16)	**439,034**	(110,174)
NET INCOME (LOSS)/TOTAL COMPREHENSIVE INCOME (LOSS)	**$724,428**	($207,608)

See accompanying Notes to Consolidated Financial Statements.

CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES
(A Subsidiary of IQ Healthcare Investment Ltd.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Capital Stock (Note12)	Additional Paid-in Capital (Note12)	Deficit	Total
BALANCES AT DECEMBER 31, 2012	**$20**	**$19,404,953**	**($1,804,194)**	**$17,600,779**
Total comprehensive loss for the year	–	–	(207,608)	(207,608)
BALANCES AT DECEMBER 31, 2013	**20**	**19,404,953**	**(2,011,802)**	**17,393,171**
Total comprehensive income for the year	–	–	724,428	724,428
BALANCES AT DECEMBER 31, 2014	**$20**	**$19,404,953**	**($1,287,374)**	**$18,117,599**

See accompanying Notes to Consolidated Financial Statements.

CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES
(A Subsidiary of IQ Healthcare Investment Ltd.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**$1,163,462**	($317,782)
Adjustments for:		
Depreciation and amortization (Notes 7 and 9)	**135,327**	162,330
Interest expense (Notes 10 and 15)	**44,575**	69,388
Loss on retirement (Note 7)	**9,934**	–
Gain on sale of property and equipment (Note 7)	**(2,644)**	–
Provision for impairment losses (Note 9)	**–**	202,431
Operating income before working capital changes	**1,350,654**	116,367
Decrease (increase) in:		
Trade and other receivables	**(1,035,530)**	593,139
Prepaid expenses and other current assets	**140,578**	(138,762)
Security deposits	**–**	7,842
Increase in trade payables and other liabilities	**489,688**	192,146
Net cash used in operating activities	**945,390**	770,732
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Software and capitalized website cost (Notes 9 and 18)	**(30,000)**	(290,000)
Property and equipment (Note 7)	**(17,420)**	(77,541)
Proceeds from sale of property and equipment (Note 7)	**19,061**	–
Net cash used in investing activities	**(28,359)**	(367,541)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loans payable (Note 10)	**(1,517,783)**	(702,186)
Availment of loans payable (Note 10)	**658,807**	1,517,783
Interest expense paid	**(44,575)**	(80,436)
Payments to a related party (Note 15)	**–**	(800,000)
Net cash used in financing activities	**(903,551)**	(64,839)
NET INCREASE IN CASH	**13,480**	338,352
CASH AT BEGINNING OF YEAR	**383,572**	45,220
CASH AT END OF YEAR	**$397,052**	$383,572

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information and Authorization for Issuance of Consolidated Financial Statements**

Corporate Information
Cirrus Medical Staffing, Inc. (the Company), formerly Medtivia, Inc. (Medtivia), was incorporated on July 7, 2007 in the State of Delaware and is a 93.3% owned subsidiary of A. Soriano Corporation (ANSCOR), a Philippine holding company, thru IQ Healthcare Investment Ltd. (IQHIL). Medtivia was established to become the primary acquisition vehicle and holding company of ANSCOR investments in the United States of America (USA).

On January 19, 2008, ANSCOR, through Medtivia, entered into a Purchase Agreement for the acquisition of all the outstanding equity interests in Cirrus Holdings USA, LLC and its affiliate, Cirrus Medical Staffing, LLC (collectively, Cirrus LLC). IQHIL provided the funding for the acquisition through a promissory note issued by Medtivia. Subsequent to the acquisition, Medtivia was renamed to Cirrus Medical Staffing, Inc. in March 2008.

Cirrus Holdings USA, LLC is engaged in the contract of temporary staffing and permanent placement of nurses and other allied healthcare professionals in the US. Cirrus Holdings USA, LLC recruits nurses and other allied healthcare professionals and places them on assignments of variable lengths and in permanent positions at acute-care hospitals and other healthcare facilities throughout the USA. Cirrus staffing services are marketed to two distinct groups: (1) healthcare professionals and (2) hospitals and healthcare facilities.

On July 18, 2008, ANSCOR, through Cirrus Medical Staffing, Inc. entered into a Purchase Agreement for the acquisition of all the outstanding membership units in Cirrus Allied, LLC (formerly MDI Medical, LLC), which is a Georgia limited liability company providing temporary staffing services of allied healthcare professional in the USA. Cirrus Allied, LLC specializes in the placement of travel therapists and therapist assistants, focusing in Physical Therapy, Occupational Therapy and Speech Language Pathology. Cirrus Allied, LLC recruits therapists and assistants and places them on contracts at variable lengths with hospitals, skilled nursing facilities, home health and clinics throughout the USA.

On December 10, 2010, Cirrus Medical Staffing, Inc. entered into a Purchase Agreement for the acquisition of all the outstanding membership units in NurseTogether, LLC, which is a Florida limited liability company engaged in the ownership and management of healthcare professional online communities.

Cirrus Medical Staffing, Inc., Cirrus Holdings USA, LLC, Cirrus Allied, LLC and NurseTogether, LLC complement one another and are collectively called Cirrus. They are presented as the consolidated financial statements of Cirrus Medical Staffing, Inc. and its subsidiaries (collectively referred to as the “Group”).

Authorization for Issuance of Consolidated Financial Statements
The consolidated financial statements of the Group as at and for the years ended December 31, 2014 and 2013 were authorized for issue by the Group’s Board of Directors (BOD) on February 17, 2015.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in United States Dollars (USD), which is the Group's functional currency. Amounts are presented to the nearest dollar unless otherwise stated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the Standing Interpretations Committee, Philippine Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC) that have been approved by the Philippine Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

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

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*), provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group since it would not qualify to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments), clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments affect presentation only and have no impact on the Group's financial position or performance.

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

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments), provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group's financial position or performance.

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

Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group's financial position or performance.

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

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

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2014
The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations based on IFRIC interpretations to have significant impact on its financial statements:

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments), requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group since it does not have defined benefit plans with contributions from employees or third parties.

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

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, is applied retrospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  a) A performance condition must contain a service condition
  b) A performance target must be met while the counterparty is rendering service
  c) A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  d) A performance condition may be a market or non-market condition

e) If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination,* clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

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

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

- PAS 24, *Related Party Disclosures - Key Management Personnel,* clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is applied retrospectively.

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements,* clarifies that joint arrangements, not just joint ventures, are outside the scope of PFRS 3 and that this scope exception applies only to the accounting in the financial statements of the joint arrangement itself. This amendment is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception,* clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). This amendment is applied prospectively.

- PAS 40, *Investment Property,* clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). This amendment is applied prospectively.

Effective in 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group since the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group since it does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments), allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

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

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

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

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*, clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report*, clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). This amendment is applied retrospectively.

Effective in 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)* - PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by Board of Accountancy. The adoption of PFRS 9 is not expected to have any significant impact on the Group's financial position or performance.

3. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Cirrus Medical Staffing, Inc. and its wholly-owned subsidiaries, Cirrus Holdings USA, LLC, Cirrus Allied, LLC and NurseTogether, LLC.

Subsidiaries are consolidated from the date of acquisition, being the date on which control is transferred to the Company and continue to be consolidated until the date that such control ceases. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full.

		Country of	% equity interest	
Name of Subsidiary	**Principal activities**	**Incorporation**	**2014**	**2013**
Cirrus Holdings USA, LLC	Manpower services	Unites States	100	100
Cirrus Allied, LLC	Manpower services	United States	100	100
NurseTogether, LLC	Online community management	United States	100	100

The principal accounting and financial reporting policies adopted in preparing the Group's consolidated financial statements are as follows:

Business Combinations and Goodwill

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

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

If the business combination is achieved in stages, any previously held equity interest is re-measured at its fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Fair Value Measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

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

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

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

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

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

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

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

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss, unless it was used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Instruments

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are also recognized on a trade date basis.

All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial assets and financial liabilities at FVPL

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. The Group has not designated any financial assets at FVPL. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

As at December 31, 2014 and 2013, the Group has no financial assets and financial liabilities designated as at FVPL.

Loans and receivables

This category is the most relevant to the Group. 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 finance income in profit or loss. The losses arising from impairment are recognized in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

As at December 31, 2014 and 2013, the Group’s loans and receivables include cash, trade and other receivables and deposits.

HTM investments

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

The Group did not have any HTM investments as at December 31, 2014 and 2013.

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.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss in finance costs. Interest earned while holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

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

The Group has no AFS financial assets as at December 31, 2014 and 2013.

Other financial liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability.

The liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

Other financial liabilities are classified as current liabilities if maturity is within the normal operating cycle of the Group and it does not have unconditional right to defer settlement of the liability for at least 12 months from the end of reporting period. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2014 and 2013, the Group's other financial liabilities include trade payables and other liabilities and loans payable.

Derecognition of Financial Assets and Liabilities

Financial assets

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

- The rights to receive cash flows from the asset have expired or
- 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 a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 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 Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. 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 or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Group first assesses whether 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.

The amount of any impairment loss identified 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 asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and impairment in value, if any. The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to working condition for its intended use. Expenditure for additions, major improvements and renewals are capitalized, expenditure for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which generally range from three to seven years.

Leasehold improvements are amortized over the term of the lease or the estimated useful life of five years, whichever is shorter.

Depreciation or amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that it is classified as held for sale) and the date the asset is derecognized.

The estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each end of reporting period to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Software
Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire and install the specific software. Software licenses are included in “other noncurrent assets” account in the consolidated statement of financial position. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful life of three years.

Provisions and Contingencies
Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of its present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, where the time value of money is material, long-term provisions are discounted to their present value using a pre-tax rate that reflects market assessments and the risks specific to the obligation.

Provisions are reviewed at each end of reporting period and adjusted to reflect its current best estimate.

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

Equity
Capital stock is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Deficit includes all current and prior period operating results as disclosed in profit or loss.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group has assessed its revenue arrangements against specific criteria in order to determine if it is acting as the principal or agent and concluded that it is acting as the principal in all arrangements. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from services consists primarily of temporary staffing revenue. Revenue is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Group does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Group to provide a replacement at no additional cost.

Revenue from contractual services consists of jobs filled by subcontractors. The Group contracts with other staffing companies to provide the travelers to fill the jobs for the Group. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Cost and expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred. Finance costs are reported on an accrual basis.

Leases

Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating leases are recognized as expense in profit or loss on a straight-line basis over the term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Impairment of Nonfinancial Assets

The Group's property and equipment and software are subject to impairment testing. The individual asset's cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

Income Taxes

The Group accounts for income taxes under PAS 12, *Income Taxes*, equivalent of FASB Statement No. 109, *Accounting for Income Taxes*, except for the recognition of deferred income tax assets. Under FASB Statement No. 109, deferred income tax assets are recognized in full and a valuation allowance is recognized to reduce the deferred income tax assets to an amount that is "more likely than not" to be realized.

Deferred income tax assets and deferred income tax liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and the carryforward benefits of unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax credits can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is 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 reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's financial statements in compliance with PFRS requires management to make judgments and estimates that affect certain reported amounts and disclosures. In preparing the Group's financial statements, management has made its best judgments and estimates of certain amounts, giving due consideration to materiality. The judgment and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

The Group believes the following represent a summary of these significant judgments and estimates and related impact and associated risks in its financial statements.

<u>Judgment</u>
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.

Determination of the Group's functional currency
The Group has determined that its functional currency is the USD which is the currency of the primary environment in which the Group operates.

Classification of financial instruments
The Group classifies a financial instrument, or its components, on initial recognition in accordance with the substance of the contractual arrangement and the definitions of a financial asset or financial liability. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Financial assets are classified as financial assets at FVPL, HTM financial assets, loans and receivables and AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at the end of each reporting period.

As at December 31, 2014 and 2013, the Group's financial instruments pertain only to loans and receivables and other financial liabilities.

Classification of leases
The Group has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or financial lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. The Group has determined that the risks and rewards of ownership are with the lessor, and thus, accounted for these leases as operating leases.

Rent expense included as part of "Operating expenses" in the consolidated statements of comprehensive income for the years ended December 31, 2014 and 2013 amounted to $244,462 and $267,331, respectively (see Notes 14 and 17).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities follow:

Impairment of trade and other receivables
Allowance is made for specific and groups of accounts where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Trade and other receivables amounted to $5,157,800 and $4,122,270 as at December 31, 2014 and 2013, net of allowance for impairment of $283,568 and $227,099, respectively (see Note 5).

Estimation of useful lives of property and equipment and software
The Group estimates the useful lives of property and equipment and software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and software would increase recorded operating expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to $95,271 and $154,485 as at December 31, 2014 and 2013, respectively (see Note 7). Software and capitalized website, net of accumulated amortization, amounted to $133,484 and $188,528 as at December 31, 2014 and 2013, respectively (see Note 9).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each end of reporting date and reduces the amounts to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group recognized gross deferred income tax assets amounting to $2,816,440 and $2,943,860 as at December 31, 2014 and 2013, respectively (see Note 16).

Impairment of property and equipment and software
Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of nonfinancial assets is discussed in detail in Note 3. Management believes that the cost reflected in the consolidated financial statements is appropriate and reasonable.

The Group has recognized impairment loss on its software amounting to $202,431 in 2013 (see Note 9). There is no impairment loss recognized in 2014.

Impairment of goodwill
During the fourth quarter of 2014 and 2013, the Group performed its annual impairment testing and determined that there was no impairment of goodwill as at December 31, 2014 and 2013. The impairment test requires the Group to determine the fair value of the reporting unit and compare it to the reporting unit's carrying amount. The Group estimates the fair value of its reporting units using a discounted cash flow methodology.

Goodwill amounted to $13,937,537 as at December 31, 2014 and 2013 (see Note 8).

5. Trade and Other Receivables

This account consists of:

	2014	2013
Trade receivables	**$5,281,121**	$4,269,078
Advances to employees	**21,223**	39,236
Others	**139,024**	41,055
	5,441,368	4,349,369
Allowance for impairment	**(283,568)**	(227,099)
	$5,157,800	$4,122,270

Trade receivables mainly pertain to receivable from customers and facilities arising from staffing of nurses and therapists. These receivables are non-interest bearing and generally have 60-day term. Movements in the allowance for impairment for the year ended December 31 is as follows:

	2014	2013
Balance at beginning of year	**$227,099**	$131,099
Provision for doubtful accounts (Note 14)	**122,311**	96,000
Write-off	**(65,842)**	–
Balance at end of year	**$283,568**	$227,099

All of the Group's trade receivables have been reviewed for indicators of impairment. Those that were identified as impaired were fully provided with allowance for impairment.

6. Prepaid Expenses and Other Current Assets

This account consists of:

	2014	2013
Prepaid insurance	**$212,603**	$268,172
Prepaid professional fees	**22,083**	19,464
Deposits	**20,761**	18,324
Prepaid rent	**9,063**	80,314
Prepaid advertising	**5,317**	12,993
Others	**30,627**	41,765
	$300,454	$441,032

7. Property and Equipment

	2014			
	Computer and Office Equipment	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Cost				
Beginning balances	**$309,823**	**$78,101**	**$59,385**	**$447,309**
Additions	**16,573**	**847**	**–**	**17,420**
Retirement	**(76,019)**	**(46,479)**	**(24,834)**	**(147,332)**
Ending balances	**250,377**	**32,469**	**34,551**	**317,397**
Accumulated Depreciation and Amortization				
Beginning balances	**219,153**	**48,292**	**25,379**	**292,824**
Depreciation and amortization (Note 14)	**33,890**	**10,120**	**6,273**	**50,283**
Retirement	**(72,058)**	**(40,755)**	**(8,168)**	**(120,981)**
Ending balances	**180,985**	**17,657**	**23,484**	**222,126**
Net Book Values	**$69,392**	**$14,812**	**$11,067**	**$95,271**

	2013			
	Computer and Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
Beginning balances	$278,373	$63,398	$29,079	$370,850
Additions	32,532	14,703	30,306	77,541
Retirement	(1,082)	–	–	(1,082)
Ending balances	309,823	78,101	59,385	447,309
Accumulated Depreciation and Amortization				
Beginning balances	175,126	38,469	16,509	230,104
Depreciation and amortization (Note 14)	45,109	9,823	8,870	63,802
Retirement	(1,082)	–	–	(1,082)
Ending balances	219,153	48,292	25,379	292,824
Net Book Values	$90,670	$29,809	$34,006	$154,485

The cost of fully depreciated property and equipment that are still being used in operations amounted to $77,851 and $153,289 as of December 31, 2014 and 2013, respectively. No property and equipment are pledged nor treated as security of the outstanding liabilities as at December 31, 2014 and 2013.

During 2014, computer and leasehold improvements, with an original cost of $19,061 and net carrying amount of $16,417 was derecognized from the books upon disposal. Gain from the disposal of various properties amounting to $2,644 is presented as part of “Miscellaneous income” under “Other income (charges)” in the 2014 statement of comprehensive income.

In addition, the Group retired leasehold improvements, computer, and furniture and fixtures with carrying amount of $9,934. Loss on retirement, which is equivalent to the carrying amount of the properties, is presented as part of “Others” account under “Operating expenses” in the 2014 statement of comprehensive income.

8. Goodwill

As at December 31, 2014 and 2013, the Group had goodwill totaling $13,937,537 from acquisitions discussed below:

Cirrus Holdings USA, LLC and Cirrus Medical Staffing, LLC
On January 19, 2008, the Company completed the acquisition of all of the outstanding membership units of Cirrus Holdings USA, LLC and Cirrus Medical Staffing, LLC for approximately $13.5 million cash paid at closing, including $2.5 million which was held in escrow to cover any post-closing liabilities. The purchase price was subject to a working capital adjustment of approximately $255,000 that was settled in May 2008. The Company financed this acquisition using proceeds from a loan from ANSCOR thru IQHIL.

The acquisition has been accounted for using the purchase method. The results of Cirrus Holdings USA, LLC and Cirrus Medical Staffing, LLC operations have been included in the consolidated profit or loss since the date of acquisition.

The purchase price was allocated to assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition, utilizing unaudited financial statements and an independent third party appraisal.

The fair values of the identifiable assets and liabilities of Cirrus Holdings USA, LLC and Cirrus Medical Staffing, LLC as at the date of acquisition:

	Fair value recognized on acquisition
Asset	
Cash	$83,320
Accounts receivable	2,567,803
Other current assets	113,715
Property and equipment	63,170
	2,828,008
Liabilities	
Accounts payable and accrued expenses	(424,606)
Total identifiable net assets at fair value	2,403,402
Goodwill arising on acquisition	11,921,172
Purchase consideration transferred	$14,324,574

The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is expected to be deductible for tax purposes. Additional direct acquisition costs of approximately $555,500 were incurred in 2008 and were included in the Goodwill.

In 2009, as covered by the escrow agreement, the Company collected accounts receivable owed to the previous seller representing refunds to old debtors amounting to $36,936. The remittances resulted to the same amount of decrease in Goodwill as at December 31, 2009.

Cirrus Allied, LLC

On July 19, 2008, the Company completed the acquisition of all of the outstanding membership units of Cirrus Allied, LLC for approximately $2.0 million cash paid at closing, including $200,000 which was held in escrow to cover any post-closing liabilities. The purchase price was subject to a working capital adjustment of approximately $4,300 that was settled with a payment to the Company in the fourth quarter of 2008. The Company financed this acquisition using proceeds from a loan from ANSCOR, thru IQHIL.

The acquisition has been accounted for using the purchase method. The results of Cirrus Allied, LLC operations have been included in the consolidated profit or loss since the date of acquisition, in accordance with PAS 27.

The purchase price was allocated to assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition, utilizing unaudited financial statements and an independent third party appraisal.

The following table summarizes the approximate fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value recognized on acquisition
Asset	
Cash	$8,942
Trade and other receivables	1,124,261
Other current assets	44,982
	1,178,185
Liabilities	
Accounts payable and accrued expenses	(148,944)
Total identifiable net assets at fair value	1,029,241
Goodwill arising on acquisition	1,170,115
Purchase consideration transferred	$2,199,356

The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is expected to be deductible for tax purposes. Additional direct acquisition costs of approximately $194,900 were incurred during the year ended December 31, 2008 and are included as “Goodwill” in the consolidated statements of financial position.

The operations of Cirrus Allied, LLC was effectively transferred to Cirrus Holdings USA, LLC in 2012.

NurseTogether, LLC

On December 10, 2010, the Company completed the acquisition of all of the outstanding membership units of NurseTogether, LLC (NT) for a maximum total consideration of $1,060,000. Of the amount, $550,000 was paid to the owners and the remaining $510,000 is to be paid out by the Company subject to revenue and earnings target within the earn-out period of two years from December 31, 2010. As part of the purchase price allocation for its acquisition of NT, the Company identified an element of contingent consideration amounting to $510,000. Earn-out payments to the members shall be made through wire transfer to an account designated by the members within 45 days from the date NT meets the applicable revenue and earnings conditions.

The fair value of the contingent consideration at the acquisition date using the discount rate of 5% amounted to $332,868. In May 2011, the Company and the former members of NT agreed to amend the earn-out provisions resulting to a decrease in contingent liability amounting to $132,868. The gain arising from reversal of contingent liability was taken up in profit or loss.

In 2011, the fair value of accounts receivable was determined to be lower by $2,659. This increased Goodwill by the same amount as at December 31, 2011.

The purchase price was allocated to assets acquired and liabilities assumed based on fair values as of the date of acquisition. The following table summarizes the approximate fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value recognized on acquisition
Asset	
Cash	$4,348
Trade and other receivables	6,132
Other current assets	576
	11,056
Liabilities	
Accounts payable	(3,715)
Deferred revenue	(5,000)
	(8,715)
Total identifiable net assets at fair value	2,341
Goodwill arising on acquisition	880,527
Purchase consideration transferred	$882,868

The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is expected to be deductible for tax purposes.

Impairment analysis
The recoverable amount of the goodwill was estimated based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a ten-year period. The pre-tax discount rate applied to cash flow projections is 12.20% in 2014 and 11.45% in 2013. The cash flows beyond the ten-year period are extrapolated using a growth rate that is consistent with the expected average growth rate for the industry.

Goodwill is attributed to the Group, the consolidated entity, which is considered as one cash generating unit. The Group operates in the same line of business and is controlled and managed by the same set of management team and supported by one back office group. The Group also cross-sell between clients and presents all of services as a whole offering. The recoverable amount of the investment cost is assessed at the consolidated level.

The key assumptions used in the value-in-use calculations in 2014 and 2013 follow:

Cash flow projection
Cash flow projections are based on the Group's contracts, which are long term in nature that renew in perpetuity.

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pretax discount rate applied to cash flow projections is 12% in 2014 and 2013.

Terminal value
Management has used the most recent healthcare staffing transaction price earnings multiple in determining the terminal value.

Growth rate
The Group assumed a growth rate of 9% to 10% in 2014 and 2013. Growth rate assumptions for the ten year cash flow projections are supported by the different initiatives of the Group which started in 2010.

Sensitivity to changes in assumption
A reduction to 7% in the revenue growth rate in 2014, assuming all other assumptions remain constant, would result in further impairment. In 2013, no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

As to other assumptions, management believes that no reasonably possible change is these key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

9. **Other Noncurrent Assets**

Other noncurrent assets consist of the following:

	2014	2013
Software and capitalized website cost	**$133,484**	$188,528
Deposits	**28,663**	28,663
	$162,147	$217,191

Reconciliation of the carrying amounts at the beginning and end of 2014 and 2013 of software and capitalized website cost is shown below:

	2014	2013
Cost:		
Beginning balances	**$880,938**	$425,938
Additions	**30,000**	290,000
Reclassification	**–**	165,000
Ending balances	**910,938**	880,938
Accumulated amortization and impairment loss:		
Beginning balances	**692,410**	391,451
Amortization (Note 14)	**85,044**	98,528
Impairment (Note 14)	**–**	202,431
Ending balances	**777,454**	692,410
Net book value	**$133,484**	$188,528

10. Loans Payable

The Group has a line-of-credit as at December 31, 2014 and 2013 with Branch Banking and Trust Company (BB&T), with interest payable monthly at Libor plus 2.5%. Loans payable outstanding as at December 31, 2014 and 2013 amounted to $658,807 and $1,517,783, respectively. Interest expense amounted to $44,575 in 2014 and $32,216 in 2013.

The loan provides for certain affirmative, negative and financial covenants, such as maintenance of a minimum tangible net worth of not less than $3,225,000 and $3,500,000 as at December 31, 2014 and 2013, respectively. Also, the Group should maintain certain financial ratios such as (1) debt-to-worth of not greater than 2:1, and (2) debt service coverage ratio at a minimum of 1.2 times. As at December 31, 2014, the Group is in compliance with their respective debt covenants.

There is $1,841,193 and $982,217 available on this line-of-credit as at December 31, 2014 and 2013, respectively.

11. Trade Payables and Other Liabilities

	2014	2013
Wages payable	**$690,267**	$411,292
Accrued expenses	**502,229**	388,091
Client escrow	**318,469**	169,182
Payable to a related party (Note 15)	**82,225**	77,766
Sales tax payable	**57,860**	26,009
Trade payables	**48,229**	102,761
Others	**31,689**	66,179
	$1,730,968	$1,241,280

12. Equity

	2014	2013
Preferred stock		
Authorized - 357 shares at $0.01 par value		
Issued and outstanding	**$4**	$4
Common stock		
Authorized - 3,000 shares		
Issued and outstanding - 1,579 shares at $0.01 par value	**16**	16
Capital stock	**20**	20
Additional paid-in capital	**19,404,953**	19,404,953
	$19,404,973	$19,404,973

Each preferred share is convertible to common stock, at the option of the holder, based on the conversion price as defined in the Amended and Restated Certificate of Incorporation. The preferred shares are redeemable at the option of the Group.

On December 6, 2012, the BOD and stockholders of the Company adopted an amended and restated Certificate of Incorporation in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware. Among others, the amendments and restatement of the Certificate of Incorporation include the increase of authorized number of common stocks from 2,500 shares to 3,000 shares and restricted the number of authorized preferred stocks from 100,000 shares to 357 shares.

On that same date, the Group issued 357 shares of preferred stock to IQHIL in settlement of the $3,490,000 promissory notes to ANSCOR. The difference between the book value of the promissory notes and the par value of the issued shares as well as the forfeited accrued interest were included in "Additional paid-in capital" account.

13. **Cost of Services**

	2014	2013
Salaries, wages and employee benefits	**$16,501,601**	$16,041,658
Insurance	**1,408,577**	1,319,722
Subcontracting costs	**1,329,009**	1,820,424
Association dues and other costs	**902,118**	852,993
Housing costs	**653,370**	771,669
Transportation and travel	**534,030**	889,787
Website content design and maintenance	**38,111**	48,999
	$21,366,816	$21,745,252

14. **Operating Expenses**

	2014	2013
Salaries, wages and employee benefits	**$2,595,009**	$3,202,023
Professional fees (Note 15)	**811,223**	776,794
Commissions	**670,803**	714,218
Insurance	**307,641**	348,850
Advertising	**253,316**	317,829
Rent (Note 17)	**244,462**	267,331
Depreciation and amortization (Notes 7 and 9)	**135,327**	162,330
Provision for doubtful accounts (Note 5)	**122,311**	96,000
International processing cost (Note 15)	**94,394**	311,468
Communications	**90,234**	89,932
Taxes and licenses	**68,249**	47,336
Transportation and travel	**63,333**	145,560
Shipping and delivery expenses	**21,992**	18,633
Office supplies	**19,548**	25,421
Representation and entertainment	**17,596**	48,204
Impairment loss (Note 9)	**–**	202,431
Others	**68,528**	67,611
	$5,583,966	$6,841,971

15. **Related Party Transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the

Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

a. In the ordinary course of business, the Group obtains cash advances from its parent company, ANSCOR, to finance its working capital requirements.

   Promissory notes totaling $3,490,000 were issued with five year maturities from the date of each respective advance, bearing interest rates comparable with the market rates at the time of issuance compounded annually.

   On December 6, 2012, the Group entered into a release and settlement agreement with ANSCOR, to settle the promissory notes totaling $3,490,000 through issuance of preference shares to IQHIL, designee of ANSCOR. Under the agreement, the Group will issue preference shares and the promissory notes amounting to $3,490,000 will be deemed fully and finally settled and all accrued interest thereon shall be forfeited. Accordingly, 357 Cirrus A Preferred Stock with a total par value of $4 were issued. The difference between the book value of the promissory notes and the par value of the issued shares amounting to $3,489,996 as well as the forfeited accrued interest amounting to $401,648 were included in "Additional paid-in capital" account.

   On August 14, 2012, the Group issued two promissory notes to ANSCOR totaling $800,000 bearing 5% interest rates which are compounded annually. The promissory notes were settled in 2013.

b. In December 2008, in the ordinary course of business, Cirrus Holdings USA, LLC entered into a service agreement with an affiliate, IQ Healthcare Professional Connection LLC (IQHPC). IQHPC is a subsidiary of Cirrus Global, Inc. (CGI), a 93.15% owned subsidiary of ANSCOR. Under the service agreement between IQHPC and Cirrus Holdings USA, LLC, IQHPC shall provide services for the deployment to the USA of selected international nurses and physical therapists.

   The outstanding payables are included as "Payable to a related party" under "Trade payables and other liabilities" account in the statement of financial position.

c. In the ordinary course of business, the Group pays professional fees for agreed services rendered to the Group by IQHPC and CGI, affiliated companies.

d. Key management compensation amounted to $361,928 and $209,171 for the years ended December 31, 2014 and 2013, respectively, which consists of salaries and other short-term benefits. Termination benefits amounting to $38,000 is included as bonus and reported as compensation. The Group did not grant any share-based compensation and termination benefits to its key management.

Transaction details of related party transactions as at and for the years ended December 31, 2014 and 2013 follow:

Category	Amount/Volume Income (Expense) 2014	2013	Outstanding Balance Receivable (Payable) 2014	2013	Terms	Conditions
Parent						
ANSCOR						
Interest expense	**$–**	$37,172	**$–**	$–	5% interest per annum; compounded annually	Unsecured
Affiliate						
IQHPC / CGI						
International processing costs	**35,000**	192,500	**(82,225)**	(77,766)	Noninterest-bearing; due and demandable	Unsecured; without impairment
Professional fees	**370,029**	300,953	**–**	–	Noninterest-bearing; due and demandable	Unsecured; without impairment

16. **Income Taxes**

Provision for (benefit from) income tax for the years ended December 31 consists of the following deferred income taxes from:

	2014	2013
Federal	**$382,742**	($113,659)
State	**56,292**	3,485
	$439,034	($110,174)

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for income tax purposes. The income tax effects of the temporary differences, representing deferred income tax assets and liabilities, result principally from the following at December 31:

	2014	2013
Deferred tax assets:		
Net operating losses	**$2,685,588**	$2,827,679
Accruals	**30,564**	37,041
Bad debts	**100,288**	79,140
	2,816,440	2,943,860
Deferred tax liabilities:		
Goodwill amortization	**(2,329,685)**	(1,981,694)
Depreciation	**(29,642)**	(66,019)
	(2,359,327)	(2,047,713)
	$457,113	$896,147

As at December 31, 2014 and 2013, the Group has net operating loss carryforward for federal and state income tax purposes of approximately $7.3 million which will begin to expire in the year 2029 and approximately $7.6 million which will begin to expire in the year 2028.

Since no materially significant uncertain tax positions exist, the Group recorded no unrecognized tax benefits at December 31, 2014. The Group is currently not under audit in any federal or state jurisdictions for the current open years 2012, 2013 and 2014.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of sufficient future taxable profits during the periods in which those temporary differences become deductible. Based upon current taxable income and projections of future taxable profits over the periods in which the deferred income tax assets are deductible, management believes it is more likely than not that the Group will realize the benefits of these deductible differences based on facts and circumstances known as at December 31, 2014 and 2013.

Actual income tax provision (benefit) differs from income tax expense calculated by applying the U.S. federal statutory corporate rate of 34% to income (loss) before provisions for income taxes as follows for the year ended December 31, 2014 and 2013:

	2014	2013
Tax provision (benefit) at federal statutory rate	**$395,577**	($108,046)
State taxes, net of federal benefit	**40,466**	(10,154)
Other items, net	**2,991**	8,026
	$439,034	($110,174)

17. Lease Commitments

The Group has entered into third party non-cancelable operating lease agreements for the rental of office spaces and equipment. The leases have terms ranging from 65 months to 72 months and include options to renew as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

The rent escalations and incentives have been reflected in the following table. Future minimum lease payments, as at December 31, 2014 and 2013, associated with these agreements with terms of one year or more are approximately as follows:

	2014	2013
Within one year	**$218,491**	$223,163
After one year but not more than five years	**701,045**	502,291
	$919,536	$725,454

Rent expense in 2014 and 2013 amounted to $244,462 and $267,331, respectively (see Note 14).

18. Note to Consolidated Statement of Cash Flows

The principal noncash investing activities in 2013 pertain to the reclassification of the advances to a supplier to software and website cost (see Note 9).

19. **Financial Instruments and Risk Management Objectives and Policies**

Financial Instruments
The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- Those with inputs for the asset or liability that are not based on observable market data (unobservable input) (Level 3).

As at December 31, 2014 and 2013, the Group does not hold any financial assets and liabilities carried at fair value.

Risk Management Objectives and Policies
The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated with its parent company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The main risks arising from the Group's financial statements are credit risk and liquidity risk. The BOD reviews and agrees on certain policies for managing some of these risks as summarized below:

Credit risk
Credit risk is the risk that loss may arise on outstanding financial instruments should counterparties default on their obligations.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, reports on customers and other counterparties are obtained and used.

The following tables provide the credit quality and age analysis of the Group's financial assets according to the Group's credit ratings of debtors as at December 31, 2014 and 2013, respectively:

	2014						
	Neither Past Due nor Impaired	Age Analysis of Past Due but not Impaired				Past due and Impaired	Total
		<30 Days	30–60 Days	61–90 Days	91–120 Days		
Cash	$397,052	$–	$–	$–	$–	$–	$397,052
Receivables:							
Trade	3,927,514	564,998	236,858	152,217	115,966	283,568	5,281,121
Nontrade:							
Advances to employees	21,223	–	–	–	–	–	21,223
Others	139,024	–	–	–	–	–	139,024
Deposits	49,424	–	–	–	–	–	49,424
	$4,534,237	$564,998	$236,858	$152,217	$115,966	$283,568	$5,887,844

	2013						
	Neither	Age Analysis of Past Due but not Impaired				Past Due	
	Past Due nor Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	and Impaired	Total
Cash	$383,572	$–	$–	$–	$–	$–	$383,572
Receivables:							
Trade	3,018,870	727,700	137,056	78,757	79,596	227,099	4,269,078
Nontrade:							
Advances to employees	39,236	–	–	–	–	–	39,236
Others	41,055	–	–	–	–	–	41,055
Deposits	46,987	–	–	–	–	–	46,987
	$3,529,720	$727,700	$137,056	$78,757	$79,596	$227,099	$4,779,928

The credit quality of financial instruments is managed by the Group using internal credit ratings. Financial instruments classified under "Neither past due nor impaired" include high grade credit quality instruments because there were few or no history of default on the agreed terms. "Past due but not impaired" are items with history of frequent default nevertheless the amount due are still collectible. Lastly, "Past due and impaired" are those that are long outstanding and has been provided with allowance for probable losses.

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

The Group's objective is to be able to finance its working capital requirements and capital expenditures. To cover the Group's financing requirements, the Group uses internally-generated funds and proceeds from debt. Projected and actual cash flow information are regularly evaluated to ensure it meets these requirements. Funding for long-term liquidity needs is additionally secured by an adequate amount of credit facilities and obtaining advances from related parties.

Financial assets
The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected dates the assets will be realized.

Financial liabilities
The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date.

	2014			
	Up to a Year	**1 to 3 Years**	**3 to 5 Years**	**Total**
Financial Assets				
Cash and cash equivalents	**$397,052**	**$–**	**$–**	**$397,052**
Receivables	**5,157,800**	**–**	**–**	**5,157,800**
Refundable deposit	**49,424**	**–**	**–**	**49,424**
	5,604,276	**–**	**–**	**5,604,276**
Financial Liabilities				
Trade accounts payable and other liabilities*	**1,699,279**	**–**	**–**	**1,699,279**
Loans payable	**658,807**	**–**	**–**	**658,807**
Total financial liabilities	**2,358,086**	**–**	**–**	**2,358,086**
Liquidity Position	**$3,246,190**	**$–**	**$–**	**$3,246,190**

**Excluding nonfinancial liabilities amounting to $31,691as of December 31, 2014.*

	2013			
	Up to a Year	1 to 3 Years	3 to 5 Years	Total
Financial Assets				
Cash and cash equivalents	$383,572	$–	$–	$383,572
Receivables	4,122,270	–	–	4,122,270
Refundable deposit	46,987	–	–	46,987
	4,552,829	–	–	4,552,829
Financial Liabilities				
Trade accounts payable and other liabilities*	1,137,506	–	–	1,137,506
Loans payable	1,517,783	–	–	1,517,783
Total financial liabilities	2,655,289	–	–	2,655,289
Liquidity Position	$1,897,540	$–	$–	$1,897,540

* *Excluding nonfinancial liabilities amounting to $103,774 as of December 31, 2013.*

Operating and regulatory risk

The Group is accredited by the The Joint Commission, a private sector, US-based, not-for-profit organization. This accreditation significantly influences the Group's credentialing and documentation processes for the traveling healthcare professionals. The Joint Commission accreditation is deemed as the Gold Seal of Standards for healthcare staffing companies and provides license to transact business with hospitals and association requiring The Joint Commission accreditation. Any changes on the accreditation rules and regulations may adversely affect the Group's credentialing and operating procedures and ability to staff qualified healthcare professionals. The Group manages its exposure to such risks by conducting internal audits and monitoring new rules and regulations from The Joint Commission.

With respect to its international business segment, the Group is subject to regulations by the US State Department for the immigration of nurses and temporary work visa of therapists to the US. These governmental regulations significantly influence the Group's ability to deploy nurses and therapists in the US. The Group manages its exposure to such risks by actively monitoring legal and regulatory pronouncements issued by the US State Department.

20. Capital Management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. It sets the amount of capital in proportion to its overall financing structure, i.e., equity and financing liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risks characteristic of the underlying business.

There have been no changes to the Group's capital management objectives, policies and procedures during the years ended December 31, 2014 and 2013.

Anscor International, Inc.

Financial Statements
For the Period Ended December 31, 2014 and 2013

Prepared By:

SALOME BUHION
Accounting Manager

Approved By:

NARCISA VILLAFOR
VP-Comptroller

ANSCOR INTERNATIONAL INC.
STATEMENTS OF FINANCIAL POSITION

	December 31 2014	2013
ASSETS		
Cash and Cash Equivalents	**$ 605,307**	$ 588,704
Available-for-Sale (AFS) Investments (Notes 3, 4 and 5)	**15,234,769**	13,671,673
Receivables	**292,229**	336,805
Investments and Advances (Note 3, 4 and 6)	**63,392,648**	63,392,648
Other Assets	**5,958**	5,958
TOTAL ASSETS	**$ 79,530,911**	$ 77,995,789
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued expenses	**$ 779,243**	$ 339,116
Due to Stockholder (Note 7)	**73,352,056**	72,228,362
Total Liabiities	**74,131,299**	72,567,478
Equity		
Capital stock	**1**	1
Retained Earnings	**5,399,610**	5,428,310
Total Equity	**5,399,611**	5,428,311
TOTAL LIABILITIES AND EQUITY	**$ 79,530,911**	$ 77,995,788

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.
STATEMENTS OF COMPREHENSIVE INCOME

		2014		2013
REVENUES				
Interest income	$	**210,373**	$	53,548
Other income		**702,017**		486,467
		912,391		540,015
Operating expenses		**(941,091)**		(139,808)
NET INCOME (LOSS)		**(28,700)**		400,207
OTHER COMPREHENSIVE INCOME		**-**		-
TOTAL COMPREHENSIVE INCOME (LOSS)	$	**(28,700)**	$	400,207

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Capital Stock	Retained Earnings	Total
BALANCE AT DECEMBER 31, 2012	$ 1	$ 5,028,103	$ 5,028,104
Total comprehensive income for the year	-	400,207	400,207
BALANCE AT DECEMBER 31, 2013	1	5,428,310	5,428,311
Total comprehensive income for the year	-	(28,700)	(28,700)
BALANCE AT DECEMBER 31, 2014	**$ 1**	$ 5,399,610	**$ 5,399,611**

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.
STATEMENTS OF CASH FLOWS

		2014		2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income	$	**(28,700)**	$	400,207
Interest income		**(210,373)**		(53,548)
Operating income (loss) before working capital changes		**(239,073)**		346,659
Decrease (increase) in Receivables		**44,577**		(277,876)
Increase in accounts payable and accrued expenses		**440,127**		-
Net cash from operations		**245,631**		68,783
Interest received		**210,373**		53,548
Net cash flows from operating activities		**456,004**		122,331
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition to AFS investments		**(1,563,095)**		(902,228)
Advances to affiliates		**-**		(44,200,000)
Net cash used in investing activities		**(1,563,095)**		(45,102,228)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in due to stockholders		**1,123,694**		45,560,803
Net cash flows from financing activities		**1,123,694**		45,560,803
NET DECREASE IN CASH AND CASH EQUIVALENTS		**16,603**		580,907
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**588,704**		7,797
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$**	**605,307**	$	588,704

See accompanying Notes to Financial Statements.

1. Corporate Information

Anscor International was incorporated on April 2, 2004 in the British Virgin Islands (BVI) under the International Business Company Act. Cap. 291, primarily to buy, sell, underwrite, invest in, exchange or otherwise acquire, and to hold, manage, develop, deal with turn to account any bonds, debentures, shares, stocks, options, commodities, futures, forward contracts, notes or securities of governments, states, municipalities, public authorities or public or private limited or unlimited companies in any part of the world and to lend money either unsecured or against the security of any of the aforementioned property.

The registered office of the Company is at IFS Chambers, Road Town, Tortola, British Virgin Islands.

The Company is not required to file audited financial statements in BVI.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation
The Company financial statements have been prepared on a historical cost basis, except for securities available-for-sale (AFS) investments that have been measured at fair value. The accompanying financial statements have been prepared using the historical cost basis and are presented in US$, which is the Company's functional and presentation currency, and rounded to the nearest dollar, except otherwise stated.

Changes in Accounting Policies
Statement of Compliance
The Company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

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 Interpretations based on International Financial Reporting Interpretations Committee(IFRIC)Interpretation which were adopted as of January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires

investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Company since it has no investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no significant impact on the company financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement -Novation of Derivatives and* Continuation *of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company since the Company has no novation of derivatives.

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

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>

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

Annual Improvements to PFRSs (2011-2013 cycle**)**

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

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

The Company will adopt the standards, amendments and interpretations enumerated below when these become effective. The Company continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Company does not expect the adoption of these new changes in PFRS to have a significant impact on the company financial statements. The relevant disclosures will be included in the notes to the company financial statements when these become effective.

- PFRS 9, *Financial Instruments*- Classification and Measurement (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Annual Improvements to PFRSs (2010-2012 cycle)

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

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

- PFRS 3, *Business* Combinations - *Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Company shall consider this amendment for future business combinations.

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

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

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

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

- PFRS 3, *Business Combinations* -Scope *Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets -Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture -Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After

initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

- PAS 27, *Separate Financial Statements -Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the company financial statements.

- PFRS 10, *Consolidated Financial* Statements and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

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

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

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

<u>Annual Improvements to PFRSs (2012-2014 cycle)</u>
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the company financial statements. These include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures- Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 34, *Interim Financial Reporting -disclosure of information 'elsewhere in the interim financial report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

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

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

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

  The Company is currently assessing the impact of this standard.

- PFRS 9, *Financial Instruments* (2014 or final version)

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

3. Summary of Significant Accounting Policies

<u>Investments in Subsidiaries and Associates</u>

Investments in Subsidiaries

Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

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

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

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

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in Associates

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the financial statements. Dividends received are reflected as income in the statements of income.

The Company's subsidiaries and associates with the respective percentages of ownership as of December 31, 2014 and 2013 follow:

	Nature of Business	Percentage of Ownership 2014	2013
IQ Healthcare investments Limited (IQHIL))	Manpower Services	**94**	94
Cirrus Medical Staffing, Inc. (Cirrus)	Manpower Services	**94**	94
Cirrus Holdings USA, LLC (Cirrus LLC)	Manpower Services	**94**	94
Cirrus Allied, LLC (formerly MDI Medicals, LLC; MDI)	Manpower Services	**94**	94
NurseTogether, LLC (NT)	Online Community Management	**94**	94
AGP International Holdings, Ltd. (AGPI)	Holding	**27**	-

The principal business location of AGPI and IQHIL is in the British Virgin Islands (BVI), while Cirrus and its subsidiaries are based in the United States of America (USA).

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in Peso based on the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the company 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 closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to AFS equity instruments are presented under other comprehensive income.

Fair Value Measurement

The Company measures financial assets (such as FVPL and AFS investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost and investment properties are disclosed.

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Company's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

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

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

The fair value of instruments that are actively traded in organized financial markets is determined by reference to market prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the company balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments
All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

As of December 31, 2014 and 2013, the Company has the following categories of financial assets and financial liabilities:

a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL
The Company enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the company statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contract as of December 31, 2014 and 2013.

The Company has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the company balance sheets at fair value. Changes in fair value are recorded as “Gain (loss) on increase (decrease) in market values of FVPL investments” in the company statements of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such, according to the terms of the contract, or when the right of payment has been established.

As of December 31, 2014 and 2013, the Company has no designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives. No financial liability at FVPL is outstanding as of December 31, 2014 and 2013.

b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the company statement of income. The losses arising from impairment of such loans and receivables are recognized as “Recoveries (valuation allowances) - net” in the company statement of income.

Included under loans and receivables are cash and cash equivalents and receivables.

c) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS investments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the company statements of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as "Gain (loss) on sale of AFS investments". Where the Company holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding debt security AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding equity security AFS investments are recognized as such in the company statements of income when the right of payment has been established.

As of December 31, 2014 and 2013, the Company's AFS investments include investment in equity securities and convertible notes.

d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the company statement of income when the liabilities are derecognized, as well as through the amortization process.

As of December 31, 2014 and 2013, included in other financial liabilities are the Company's accounts payable and accrued expenses.

As of December 31, 2014 and 2013, there were no financial instruments classified as HTM.

<u>Derecognition of Financial Assets and Financial Liabilities</u>

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 or removed from the company balance sheets where:

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Financial liabilities
A financial liability is removed from the company balance sheets when the obligation under the liability is discharged or cancelled or has expired.

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

Impairment of Financial Assets
The Company assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost
For loans and receivables carried at amortized cost, the Company 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.

For individually significant financial assets, 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 the estimated future cash flows (excluding future credit losses that have not been incurred). If the Company determines that no objective evidence of impairment exists for 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 for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the company statements of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. 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 reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" in the company statement of income.

AFS investments

In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the company statement of income - is removed from equity and recognized in the company statement of income. The losses arising from impairment of such investments are recognized as "Recoveries (valuation allowances) - net" in the company statement of income. Impairment losses on equity investments are not reversed through the company statement of income. Increases in fair value after impairment are recognized in the company statement of comprehensive income.

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

<u>Day 1 Difference</u>

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the company balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the company balance sheets.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding the related taxes.

The following specific recognition criteria must also be met before revenue or cost is recognized:

Interest

Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Operating expenses

All general and administrative expenses are expensed as incurred.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in company profit or loss for the year in accordance with PFRS. Other comprehensive income of the Company pertains to gains and losses on remeasuring AFS investments and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

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

Impairment of Non-financial Assets

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

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the company statements of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Capital Stock

Capital stock represents the total par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company 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 company statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to company financial statements when an inflow of economic benefits is probable.

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 tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of December 31, 2014 and 2013.

Events After the Reporting Period

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the company financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the company 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.

Judgments

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

Determination of functional currency

The Company's functional currency was determined to be US Dollar ($). It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition 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 company balance sheets.

Financial assets not in an active market

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

Estimates and Assumptions

The key assumptions concerning the future and key sources of estimation and uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and receivables

The Company reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the company 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 advances to related parties, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Company evaluates specific accounts where the Company has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Company's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received. There is no allowance for doubtful accounts as of December 31, 2014 and 2013.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Company performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Unquoted equity investments amounted to $10.67 million and $9.10 million as of December 31, 2014 and 2013, respectively.

Impairment of AFS equity investments
The Company recognizes impairment losses on AFS equity investments 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. In determining whether the decline in value is significant, the Company 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).

AFS equity investments amounted to $10.67 million and $9.10 million as of December 31, 2014 and 2013, respectively.

Impairment of investments carried at equity method
Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company's impairment test on its investments carried at equity is based on value in use calculations that use a discounted cash flows model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The carrying amounts of the investments, amounted to $63.39 million as of December 31, 2014 and 2013.

5. Available-for-Sale (AFS) Investments

	2014	2013
Convertible notes	**4,566,521**	4,566,521
Unquoted equity shares	**10,668,248**	9,105,152
	$15,234,769	$13,671,673

Unquoted investments include the following:

a. In November 2013, AI invested $4.0 million convertible notes in Prople Limited. These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first 3 years and if not converted on the 3rd anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five year US Dollar Republic of the Philippine (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

   In 2013, Prople Limited acquired 100% of the non-audit business of U.S.-based Kellogg and Andelson Accountancy Corporation (K&A). Founded in 1939, K&A is a well-established accounting firm that provides tax, general accounting and consulting services to thousands of small-to-medium sized company in California and the Midwest.

b. In March 2009, the Company invested US$900,000 for 387,297 Series E Preference shares of Alphion, convertible into 645,485 shares of common stock. Alphion is a fiber optic network company based in New Jersey, with sales, marketing, procurement and R&D offices in India. Alphion develops, manufactures and markets high-speed fiber optic access and switching systems that enable “triple play” services, or voice, video, and data transmission in a single line.

   In October 2011, AI made an additional investment in Alphion amounting to US$1,000,000 for 713,158 Series G Preference shares convertible into the same number of common stock and 140,817 series G warrants convertible into the same number of common stock.

c. In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constitute 10% of the total Series A preferred units outstanding. In the first quarter of 2012, the Company’s holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC (“Predictive”), PEMH’s company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics, that allow it to measure and quantify emotions associated with digital content.

   The Company made additional investment in Predictive amounting to $1.0 million and $1.0 million in 2014 and 2013, respectively.

d. In 2012, AI purchased 525 shares of Leopard. Leopard is a limited company established in the British Virgin Islands (BVI). The objective is to achieve capital appreciation through investments primarily in businesses with significant operations in Cambodia and in real estate located in Cambodia.

6. Investments and Advances

	2014	2013
Investments in subsidiaries and associates	**$ 63,392,648**	$ 63,392,648
	$ 63,392,648	$ 63,392,648

Cirrus

On January 19, 2008, the Company through its subsidiary, Cirrus, acquired 100% of the outstanding equity interest in Cirrus LLC and its affiliate, Cirrus Medical Staffing, LLC. Both companies are engaged in the contract and temporary staffing and permanent placement of nurses and allied healthcare professionals in the USA. Subsequently, new shares were issued to another stockholder representing 6% of the total outstanding shares of Cirrus.

On July 18, 2008, Cirrus purchased 100% of Cirrus Allied, LLC to complement Cirrus LLC's nurse traveler operations. It provides physical, occupational and speech language therapists to medical facilities across the USA.

On December 10, 2010, Cirrus completed the acquisition of all of the outstanding membership units of NT to complement the operations of Cirrus LLC and MDI Medical.

Cirrus Medical Staffing, Inc., Cirrus Holdings USA, LLC, Cirrus Allied, LLC and NurseTogether, LLC complement one another and are collectively called Cirrus.

AGP International Holdings Ltd. (AGPI)

In December 2011, AI entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note. The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a British Virgin Islands business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P). AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, AI converted the US$5.0 million Convertible Bridge Notes to 16.4 million series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI for the subscription to 83.9 million series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increases AI's holdings to 27% giving the Group significant influence over AGPI.

The principal place of business of AGPI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola British Virgin Island.

The total cost of the investment in AGPI amounted to $45.0 million as of December 31, 2014 and 2013.

7. Related Party Transactions

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

In the ordinary course of business, the Company obtains cash advances from ANSCOR to finance its working capital requirements.

	Amount/Volume		Outstanding Balance			
	2014	2013	**2014**	2013	Terms	Condition
Anscor	**$ 1,278,874**	$ 45,560,803	**$ 73,352,056**	$ 72,228,362	Non-interest bearing	Unsecured

8. Financial Instruments and Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, investments in unquoted equity securities, investments in mutual and hedge funds. The Company's other financial instruments include accounts payable, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and
b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. These risks are monitored by the Company.

The Company evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk

The Company is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of an individual, counterparty or issuer being able to or unwilling to honor its contractual obligations. The Company is exposed to credit risk arising from the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Company does not have a counterparty that accounts for more than 10% of the company revenues.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Company transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Liquidity risk

Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Company ensures investments have ample liquidity to finance operations and capital requirements.

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Company. The Company is exposed primarily to the financial risks of changes in interest rates, foreign currency risk, and equity price risks.

Investments exposed to market risk are equity instruments, and mutual fund/hedge fund investments.

There has been no change to the Company's manner of managing and measuring the risk.

Capital management

The primary objective of the Company's capital management is to ensure an adequate return to its shareholder and to maximize its value to its shareholders. In pursuance of this goal, the Company establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Company establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2014 and 2013.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.

B. At least one complete copy of the report filed with the Commission shall be **manually** signed.

C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2014**

2. Exact Name of Registrant as Specified in its Charter **A. SORIANO CORPORATION**

3. **7TH FLOOR, PAC IFIC STAR BLDG., MAKATI AVENUE, MAKATI CITY** **1209**
   Address of Principal Office Postal Code

4. SEC Identification Number **PW-2**.

5. (SEC Use Only)
   Classification Code

6. BIR Tax Identification Number .**000-103-216**

7. **(02) 819-0251 to 60**
   Issuer's Telephone number, including area code

8. **N.A.**
   Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Seven (7)

Actual number of Directors for the year	Seven (7)

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Andres Soriano III	ED		Eduardo J. Soriano	1983	**2014**	**April 23, 2014**	**31**
Eduardo J. Soriano	ED		Eduardo J. Soriano	1980	**2014**	**April 23, 2014**	**34**
Ernest K. Cuyegkeng	ED		Eduardo J. Soriano	2009	**2014**	**April 23, 2014**	**5**
John Gokongwei, Jr.	NED		Eduardo J. Soriano	1980	**2014**	**April 23, 2014**	**34**
Oscar J. Hilado	ID		Eduardo J. Soriano, no relationship	1998	**2014**	**April 23, 2014**	**16**
Jose C. Ibazeta	NED		Eduardo J. Soriano	1981	**2014**	**April 23, 2014**	**28***
Roberto R. Romulo	ID		Eduardo J. Soriano, no relationship	1998	**2014**	**April 23, 2014**	**16**

** Mr. Ibazeta served as Director from 1981 to 1998. He was elected again from 2004 to 2009. He resigned in March 21, 2010 in view of his appointment as Acting Secretary of the Department of Energy and after his term has ended, was re-elected again as Director on July 26, 2010.*

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

Corporate Governance Policy

The corporate governance policy of A. Soriano Corporation (the "Company") is set forth in its Manual on Corporate Governance, which serves as guide for the Company, its Board of Directors as well as officers and employees. The Manual contains basic policies, procedures and practices towards the following:

a. Sound, prudent, and effective management,
b. Efficient and effective management information system,
c. Effective risk management,
d. Reliability and integrity of financial and operational information,
e. Cost effective and profitable business operations,
f. Compliance with laws, rules, regulations and contracts, and
g. Enhancing the value of the Company.

Board Responsibilities

The Board of Directors is primarily responsible for the governance of the Company. It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

To ensure a high standard of best practice for the Company and its stockholders, the Board should conduct itself with honesty and integrity in the performance of its duties and functions –

[1] Reckoned from the election immediately following January 2, 2012.

(a) Implement a process for the selection of directors who can add value to the formulation of corporate strategies and policies;

(b) Provide sound strategic policies and guidelines to the Company on major capital expenditures;

(c) Ensure the Company's compliance with all applicable laws, regulations and best business practices;

(d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company;

(e) Identify the sectors in the community in which the Company operates and formulate policy of accurate, timely and effective communication with them,

(f) Adopt a system of check and balance within the Board;

(g) Identify and monitor key risk areas and performance indicators to enable the Corporation to anticipate and prepare for threats to its operational and financial viability;

(h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions;

(i) Constitute an Audit Committee and other committees necessary to assist the Board in the performance of its duties and responsibilities;

(j) Establish and maintain an alternative dispute resolution system;

(k) Meet at such times or frequency as may be needed;

(l) Keep the activities and decisions of the Board within its authority; and

(m) Appoint a Compliance Officer, among others.

Board Accountability and Audit

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Stockholders' Rights and Protection of Minority Stockholders' Interests

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

a. Right to vote on all matters that require their consent or approval;
b. Pre-emptive right to all stock issuances of the Company;
c. Right to inspect corporate books and records;
d. Right to information;
e. Right to dividends; and
f. Appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.

It is the duty of the Board to promote the right of the stockholders, remove impediments to the exercise of those rights and provide avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders an avenue to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company

Disclosure and Transparency

The essence of corporate governance is transparency. The more transparent the internal workings of the Company are, the more difficult it is for Management and dominant stockholders to mismanage the Company or misappropriate its assets.

It is therefore essential that all material information about the Company which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

(c) How often does the Board review and approve the vision and mission?

No fix schedule, on as needed basis.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, and if applicable, the members of the Company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Andres Soriano III	Anscor Consolidated Corp. Anscor Property Holdings, Inc. Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc. Phelps Dodge International Philippines, Inc. Phelps Dodge Philippines Energy Products Corporation A. Soriano Air Corporation Cirrus Medical Staffing, Inc. **Andres Soriano Foundation, Inc.**	ED - Chairman NED NED – Chairman NED - Chairman NED – Chairman NED – Chairman NED NED **ED-Chairman**
Eduardo J. Soriano	Cirrus Global, Inc. Anscor Property Holdings, Inc. A. Soriano Air Corporation Phelps Dodge International	Chairman NED – Chairman NED – Chairman NED

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Philippines, Inc. Phelps Dodge Philippines Energy Products Corporation	NED
Ernest K. Cuyegkeng	Anscor Property Holdings, Inc. Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc. Phelps Dodge International Philippines, Inc. Phelps Dodge Philippines Energy Products Corporation A. Soriano Air Corporation Cirrus Global, Inc. **Andres Soriano Foundation, Inc.**	ED NED NED ED ED ED ED **NED**
Oscar J. Hilado	Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc.	NED NED
Jose C. Ibazeta	Anscor Consolidated Corp. Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc. Phelps Dodge International Philippines, Inc. Phelps Dodge Philippines Energy Products Corporation Island Aviation, Inc. Ansor Property Holdings, Inc.	NED ED ED NED NED NED - Chairman NED

(ii) Directorship in Other Listed Companies

Identify, and if applicable, the members of the Company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Andres Soriano III	International Container Terminal Services, Inc.	NED
Ernest K. Cuyegkeng	Arthaland Corporation	ID – Chairman
John L. Gokongwei, Jr.	JG Summit Holdings, Inc. **Robinsons Retail Holdings, Inc.** Universal Robina Corporation Robinsons Land Corporation Cebu Air, Inc. **JG Summit Petrochemical Corp.** **Oriental Petroleum and Minerals Corp.** **Manila Electric Company**	NED - Chairman **ED - Chairman** NED NED NED **NED** **NED** **NED**
Oscar J. Hilado	PHINMA Corporation Trans-Asia Oil and Energy Development Corporation First Philippine Holdings Corporation Philex Mining Corporation	NED – Chairman NED – Chairman ID ID
Jose C. Ibazeta	International Container Terminal Services, Inc.	NED

Roberto R. Romulo	**Robinsons Retail Holdings, Inc.**	**ID**

(iii) Relationship within the Company and its Group

Provide details, and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Andres Soriano III	Anscor Consolidated Corp.	Chairman

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None.	None.
Non-Executive Director	None.	None.
CEO	None.	None.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Andres Soriano III	25,000	50,465,265	2.020%
Eduardo J. Soriano	20,000	**19,169,214**	0.767%
Ernest K. Cuyegkeng	20,000	-	0.001%
John L. Gokongwei, Jr.	130,960	214,974	0.014%
Oscar J. Hilado	20,000	6,000,000	0.241%
Jose C. Ibazeta	32,951	-	0.001%
Roberto R. Romulo	20,000	-	0.001%
TOTAL	**268,911**	**75,849,453**	**3.045%**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☐ No ☑

The existence of the various Board Committees, namely, Executive Committee, Compensation Committee, Audit Committee and Investment Committee and the presence of Independent Directors in the Board of Directors provide the checks and balances.

Identify the Chair and CEO:

Chairman of the Board	Andres Soriano III
CEO/President	Andres Soriano III

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman / CEO	President
Role	Preside at the meetings of the Board of Directors and of the Stockholders Carry out the resolutions of the Board of Directors Have general supervision and administration of the affairs of the Company. To represent the Company at all functions and proceedings and, unless otherwise directed by the Board, to attend and/or vote (in person or by proxy) at any meeting of shareholders of corporations in which the Company may hold stock and at any such meeting, to exercise any and all the rights and powers incident to the ownership of such stock which the owner thereof might possess or exercise if present. To execute on behalf of the Company all contracts, agreements and other instruments affecting the interests of the Company, which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors. To sign certificates of stock. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors. Ensure that the meetings of the Board are held in accordance with the Bylaws. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestion of Management and other directors. Maintain qualitative and timely lines of communication and information between the Board and Management.	To supervise and direct the day-to-day business affairs of the Company. Subject to guidelines prescribed by law or by the Chairman of the Board and Chief Executive Officer, to appoint, remove, suspend or discipline employees of the Company, prescribe their duties, determine their salaries. To exercise such powers and perform such duties as the Chairman of the Board and Chief Executive Officer may from time to time assign to him. Unless otherwise directed by the Board of Directors or by the Chairman of the Board and Chief Executive Officer, to exercise the latter's functions in the event or absence or temporary disability of the Chairman of the Board and Chief Executive Officer and the Vice Chairman of the Board.

Accountabilities	To make reports to the Directors and Stockholders	To ensure that the administration and operational policies of the Company are carried out under the direction and control of the Chairman of the Board and Chief Executive Officer.
Deliverables	Initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors	To recommend to the Chairman of the Board and Chief Executive Officer specific projects for the attainment of corporate objectives and policies. To oversee the preparation of the budgets and the statements of accounts of the Company. To prepare such statements and reports of the Company as may be required by law.

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board of Directors is in the process of formulating the plan for succession for the Company.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Company promotes the election of a mix of executive and non-executive directors, that would allow a healthy balance of ideas, opinion, wisdom and experience on the management and business of the Company and in order that no director or small group of directors can dominate the decision-making process.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. This necessarily means that a director has some experience in the sector or industry to which the Company belongs. Moreover, the Board may provide for additional qualifications for directors which may include, among others, the following:

a. College education or equivalent academic degree;
b. Practical understanding of the business of the Company;
c. Membership in good standing in relevant industry, business or professional organization; and
d. Previous business experience.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Foster the long-term success of the Company, and sustain its	Same role.	Same role.

	competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.		
Accountabilities	Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities. Act judiciously. Exercise independent judgment. Observe confidentiality.	Same accountabilities.	Same accountabilities.
Deliverables	Formulate the Company's vision, mission, strategic or objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.	Same deliverables.	Same deliverables.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company's By-Laws provide for the definition of an independent director in conformity with the definition of an independent director as provided for in the Securities Regulations Code and its implementing rules and regulations. As defined, an "independent director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:

A. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

B. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;

C. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

E. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

F. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;

G. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or

H. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

The Company ensures that its independent directors comply with the above definition for an independent director. Further, the Company's independent directors are required to submit annually a certification that they possess all the qualifications and none of the disqualifications to serve as independent directors, listing therewith all their affiliations with other companies.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company adheres to the provision of SEC Memorandum Circular No. 09-11 dated December 5, 2011, which prescribes a term limit of five consecutive years for independent directors (reckoned from the effectivity date of the Circular.)

After the lapse of the five-year service period, the independent director shall be ineligible for election unless he/she has undergone a "cooling off" period of two years, provided that the independent director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as an independent director of the Company. After the "cooling off" period, the independent director may serve for another five consecutive years. After serving as independent director for ten years, he or she shall no longer qualify for election as an independent director of the Company.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None	None	None	None

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent to such Chairman in care of the Secretary of the Company), on March 1 of every year or at such earlier or later date as the Board of Directors may fix.	A director must have at least twenty thousand (20,000) shares of stock of the Company in his name in the books of the Company. The Board may provide for additional qualifications which may include, among others, the

	Each nomination under the preceding paragraph shall set forth (i) the name, age, business address, if known, address of each nominee, (ii) the principal occupation or employment of each such nominee, (ii) the number of shares of stock of the Company which are beneficially owned by each such nominee, and (iv) interests and positions held by each nominee in other Company's. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Company. The Board, by a majority vote may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director and if the Board should so determine the defective nomination and the nomination of a disqualified person shall be disregarded.	following: a. College education or equivalent academic degree; b. Practical understanding of the business of the Company; c. Membership in good standing in relevant industry, business or professional organization; and d. Previous business experience. Majority of the directors shall be citizens of the Philippines. Majority of the directors shall also be residents of the Philippines.
(ii) Non-Executive Directors	Same process as the election of executive directors.	Same criteria as election of executive directors. Further, the non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.
(iii) Independent Directors	Same process as the election of executive directors.	Same criteria as election of executive directors. Further, he or she must comply with the definition of an independent director and possess all the qualifications and none of the disqualifications for serving as independent director as

		provided for in the Company's By-Laws and the provisions of the Securities Regulation Code and its implementing rules and regulations.
b. Re-appointment		
(i) Executive Directors	Same process for nomination and election of executive directors set forth above.	Same criteria for nomination and election of executive directors set forth above.
(ii) Non-Executive Directors	Same process for nomination and election of non-executive directors set forth above.	Same criteria for nomination an election of non-executive directors set forth above.
(iii) Independent Directors	Same process for nomination and election of independent directors set forth above.	Same criteria for nomination and election of independent directors set forth above. Further, the re-election of independent directors must observe the term limit prescribed in SEC Memorandum Circular No. 09-11.
c. Permanent Disqualification		
(i) Executive Directors	The following are the grounds for permanent disqualification of a director: a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or	Same as grounds for permanent disqualification of a director.

	order of the Commission or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities. The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Company Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission of BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization; c. Any person convicted by final judgment or order of a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting,	

	misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; d. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Company Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order; e. Any person judicially declared as insolvent; f. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above. g. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Company Code committed within five (5) years prior to date of his election or appointment.	
(ii) Non-Executive Directors	Same as grounds for permanent disqualification of an executive director.	Same as grounds for permanent disqualification of non-executive directors.
(iii) Independent Directors	Same as grounds for permanent disqualification of an executive director. Further, an independent director may also be permanently disqualified as independent director if he or she becomes an officer, employee or consultant of the Company. Provided, however,	Same as grounds for permanent disqualification of independent directors.

	that the said independent director may continue to serve as a director if the Company still complies with the requirement on the number of independent director(s) as required by the By-Laws.	
d. Temporary Disqualification		
(i) Executive Directors	The Board may provide for the temporary disqualification of a director for any of the following reasons: a. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists. b. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless that absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election. c. Dismissal or termination for cause as director of any Company covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination. d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final. A temporarily disqualified director shall, within sixty (60) business days from such disqualification,	Same as grounds for temporary disqualifications of executive directors.

	take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	
(ii) Non-Executive Directors	Same as grounds for temporary disqualification of executive directors.	Same as grounds for temporary disqualifications of non-executive directors.
(iii) Independent Directors	Same as grounds for temporary disqualification of executive directors. In addition, if the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.	Same as grounds for temporary disqualifications of independent directors.
e. Removal		
(i) Executive Directors	The Company adheres to the provision of the Corporation Code on removal of directors. Section 28 of the Corporation Code, as amended, provides that any director may be removed from office by a vote of the stockholders holding or representing two-thirds of the outstanding capital stock, provided, that such removal shall take place either at a regular meeting of the Company or at special meeting called for the purpose, and in either case, after previous notice to stockholders of the Company of the intention to propose such removal at the meeting. A special meeting of the stockholders for the purpose of removal of directors must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. Should the secretary fail or refuse to call the special	Removal may be with or without cause provided that removal without cause may not be used to deprived minority stockholders or members of the right of representation to which they may be entitled under Section 24 of the Corporation Code, as amended.

	meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders by any stockholder of the Company signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal must be given by publication or by written notice.	
(ii) Non-Executive Directors	Same as process for removal of executive directors.	Same criteria for removal of executive directors.
(iii) Independent Directors	Same as process for removal of independent directors.	Same criteria for removal of executive directors.
f. Re-instatement		
(i) Executive Directors	A director may only be re-instated through election during annual stockholders meeting or by majority vote of the directors to fill a vacancy in the Board in case where a director resigns due to a disqualification (e.g., appointment to a Cabinet position) and after cessation of such disqualification.	Same as process for re-instatement of executive directors.
(ii) Non-Executive Directors	Same as re-instatement of executive directors.	Same as process for re-instatement of non-executive directors.
(iii) Independent Directors	Same as re-instatement of independent directors.	Same as process for re-instatement of independent directors.
g. Suspension		
(i) Executive Directors	The Company's By-Laws or Manual on Corporate Governance does not provide for grounds for suspension of Directors. However, Directors of the Company are expected to observe the highest standard of business conduct or ethics and as such are expected to fully inform the Board of Directors of any potential issue in exercising his or her functions and duties as Director.	No criteria but Directors are expected to exercise prudence and sound independent judgment.
(ii) Non-Executive Directors	Same as above.	Same as above.
(iii) Independent Directors	Same as above.	Same as above.

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Andres Soriano III	2,203,285,312
Eduardo J. Soriano	2,203,285,312
Ernest K. Cuyegkeng	2,203,285,312
John L. Gokongwei, Jr.	2,203,285,312
Oscar J. Hilado	2,203,285,312
Jose C. Ibazeta	2,203,285,312
Roberto R. Romulo	2,203,285,312

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

The Company requires that a new director, before assuming office attend a seminar on corporate governance conducted by a duly recognized private or government institution.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

None as the Company's Directors and Senior Management have considerable expertise in their respective fields. However, Directors and Senior Management regularly attend briefings and conferences and avail themselves of publications to update their knowledge and skills in their field of expertise.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Andres Soriano III	September 16, 2014	Corporate Governance	SGV & Co.
Eduardo J. Soriano	September 16, 2014	Corporate Governance	SGV & Co.
Oscar J. Hilado	July 28, 2014	Business Continuity Management Training Corporate Governance	SGV & Co.
Ernest K. Cuyegkeng	September 16, 2014	Corporate Governance	SGV & Co.
Jose C. Ibazeta	September 16, 2014	Corporate Governance	SGV & Co.
Roberto R. Romulo	April 1, 2014 June 17, 2014	Corporate Governance Enhancement Corporate Governance	PLDT SGV & Co.
John L. Gokongwei, Jr.	June 17, 2014	Corporate Governance	SGV & Co.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	A director should ensure that his personal interest does not conflict with the interests of the Company. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.	The Company has a long-standing policy to require the highest standards of ethics and morality for the Company and its employees. An employee has a duty of loyalty to the Company. An employee shall not have conflicting interests in any competitor of the Company or in any organization with which the Company does business. Such interest creates an unfavorable impression and raises an implication of impropriety.	Same with Senior Management.
(b) Conduct of Business and Fair Dealings	A director should conduct fair business transactions with the Company. The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests.	Same with Directors.	An employee on a full-time employment with the Company is expected to devote his full regular working time to the Company. The Company and its representatives are expected to transact business on an ethical basis.
(c) Receipt of gifts from third parties		Same with Directors.	Relationship with commercial customers or suppliers may occasionally present circumstances when gifts or favors are exchanged as an accepted practice. Such practice is considered proper under the following guidelines:

	Gifts of nominal value and if given on special occasions, e.g., birthdays, Christmas, etc., may be permissible.		a. Certain business courtesies, such as payment for a modest lunch or dinner in connection with a business meeting, normally would not be a gift within the context of the general policy. Employees concerned should endeavor to keep such courtesies on a reciprocal basis, to the extent practicable, in order to demonstrate that no gift is sought or granted. b. Advertising novelties would not be inappropriate to give or receive, provided the item is on no appreciable value, and is widely distributed to others und er essentially the same business relationship with the donor. c. Company products, models, and pictures made available under customer and public relations program would not be in violation of the general policy. d. Offers by present or potential suppliers to provide expense-paid trips for pleasure must be declined. Offers of suppliers to provide expense-paid trips to suppliers' facility or other destination for business must be referred to Management before being considered.
(d) Compliance with Laws & Regulations	A Director should ensure that he or she and the Company comply with all laws and rules and regulations.	Senior Management should ensure that he or she and the Company comply with all laws and rules and regulations.	All employees should ensure that they and the Company comply with all laws and rules and regulations.
(e) Respect for Trade Secrets/Use of Non-public Information	A director should keep secure and confidential all non-public information he may require or learn by reason of his position	Same policy as in case of Directors.	All employees have the duty to keep all sensitive information confidential and in case of doubt they should elevate the matter to superior officers for

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	as director. He should not reveal confidential information without the authority of the Board.		clarification and guidance.
(f) Use of Company Funds, Assets and Information	Use of Company funds, assets and information for personal benefit is not permissible. Company equipment may be borrowed under justifiable conditions subject to Company guidelines.	Same policy applicable to Directors.	Same policy applicable to - Directors.
(g) Employment & Labor Laws & Policies	A Director should ensure that the Company complies will all employment and labor laws and rules and regulations.	Senior Management should ensure that the Company complies will all employment and labor laws and rules and regulations.	All employees should ensure that the Company complies with all employment and labor laws and rules and regulations.
(h) Disciplinary action	No specific policy but Directors are expected to act based on highest standard of conduct and if a situation will arise that will result to a potential issue with the Company, a Director is expected to fully inform the Board and if necessary voluntarily refrain from exercising his functions as Director until such time that the potential issue is resolved.	Based on decision of Chairman of the Board and CEO.	The Company believes that the most effective discipline is that which is self-motivated. The individual's views, dignity, as well as their need for security are recognized by the organization. Effort is exerted to promote effective employee-management relations, to prevent situations requiring disciplinary actions. The objective of disciplinary action is corrective rather than punitive. When clearly warranted however, disciplinary action is to be initiated promptly, and in accordance with Company's policy and procedure. Due process shall be observed at all times. Action must be timely and prudent. Impartiality and open-mindedness should characterize the investigation of cases. In the application of penalties/sanctions, uniformity and fairness should be exercised.
(i) Whistle Blower	It is the Company's policy to	Same policy applicable to Directors.	Same policy applicable to directors.

	investigate complaints fairly and protect the identity of complainant.		
(j) Conflict Resolution	Through amicable settlement acting with utmost professionalism with Independent Directors as impartial arbiters.	Same policy applicable to Directors.	Conflict resolution is handled by the Company's Labor-Management Council.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

With respect to the Board of Directors, the Chairman monitors compliance with code of ethics or conduct. For Company employees, monitoring of compliance is through Personnel Department.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Only inter-company receivables and payables are permissible.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	The Company does not allow related party transactions with substantial stockholders, officers and their family and directors and their family.
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None.
Name of Officer/s	None.
Name of Significant Shareholders	None.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Through open dialogue conducted with utmost professionalism with the Chairman and the Independent Directors as impartial arbiters.
Group	Same as above.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None.		
None.		
None.		
None.		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None.		
None.		
None.		
None.		

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None.		
None.		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the Company and its stockholders, and the Company and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	No conflict or differences for the last three years.
Corporation & Third Parties	No conflict or differences for the last three years.
Corporation & Regulatory Authorities	No conflict or differences for the last three years.

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Per By-Laws, meetings of the Board of Directors must be held quarterly. In practice, meetings of the Board of Directors are held at least five times a year.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Andres Soriano III	April 23, 2014	5	5	100%
Member	Eduardo J. Soriano	April 23, 2014	5	5	100%
Member	Ernest K. Cuyegkeng	April 23, 2014	5	5	100%
Member	John L. Gokongwei, Jr.	April 23, 2014	5	5	100%
Member	Jose C. Ibazeta	April 23, 2014	5	5	100%
Independent	Oscar J. Hilado	April 23, 2014	5	5	100%
Independent	Roberto R. Romulo	April 23, 2014	5	5	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members?

Per By-Laws, a majority of the entire membership of the Board shall constitute a quorum for the transaction of any business.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

At least two to three days in advance.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Yes. Specifically, the Corporate Secretary should –

a. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;

b. Be loyal to the mission, vision and objectives of the Company;

c. Work fairly and objectively with the Board, Management and stockholders;

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

d. Have appropriate administrative and interpersonal skills;

e. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;

f. Have a working knowledge of the operations of the Company;

g. Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;

i. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and

j. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code.

k. Issue a Certification every January 30th of the year on the attendance of directors in meetings of the board of directors countersigned by the Chairman of the Board.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X] No [ ]

Committee	Details of the procedures
Executive	The Directors are provided with materials in advance.
Audit	The Directors are provided with materials in advance.
Nomination	Not applicable.
Remuneration	The Directors are provided with materials in advance.
Investment	The Directors are provided with materials in advance.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
For investments in financial assets, Directors may seek external advice from Maybank ATR Kim Eng Securities. For accounting and tax, with SGV & Co. For legal matters, with law firm of Picazo Buyco Tan Fider and Santos.	Same.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None.	None.	None.
None.	None.	None.
None.	None.	None.

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Determined by the Compensation Committee using benchmarking based on industry standards.	Same process applicable to CEO.
(2) Variable remuneration	Not applicable.	Not applicable.
(3) Per diem allowance	Not applicable.	Not applicable.
(4) Bonus	Bonus of not more than 3% of the preceding year's net income is approved by the Compensation Committee and the Board of Directors.	Same process for CEO.
(5) Stock Options and other financial instruments	Not applicable.	Not applicable.
(6) Others (specify)	Not applicable.	Not applicable.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Entitled to per diem allowance of P20,000 for every Board meeting attended.	Entitled to fixed per diem allowance based on Board meeting attendance and annual director's bonus as may be approved by the Board within Company policy.	Per diem allowance is fixed at P20,000 while annual director's bonus as may be approved by the Compensation Committee and the Board of Directors should not exceed

			1% of the net income after tax during the preceding year.
Non-Executive Directors	Same per diem allowance as mentioned above.	Same compensation structure as mentioned above.	Same as above.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Per diem allowance and annual bonus not exceeding 1% of the net income after tax of the preceding year.	This was formally approved by the stockholders as a standing policy during the Annual Stockholders on April 21, 2004. Annually, the Company requests the stockholders during the Annual Stockholders Meeting to ratify all acts and resolutions of the Board of Directors. Part of such acts and resolutions is approval of directors' bonus, latest approval of which from stockholders was made during the Annual Stockholders' Meeting held on April 23, 2014.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors and Independent Directors
(a) Fixed Remuneration	P51,528,374.00	
(b) Variable Remuneration		
(c) Per diem Allowance		
(d) Bonuses	P23,800,000.00	
(e) Stock Options and/or other financial instruments		
(f) Others (Specify)	P1,172,189.00	
Total	P76,500,563.00∗	P10,701,562.00

∗Includes compensation for two executive officers who are not directors.

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	Not applicable.	Not applicable.	Not applicable.
2) Credit granted	Not applicable.	Not applicable.	Not applicable.

3) Pension Plan/s Contributions	P7,933,000.00	Not applicable.	Not applicable.
(d) Pension Plans, Obligations incurred	Not applicable.	Not applicable.	Not applicable.
(e) Life Insurance Premium	Not applicable.	Not applicable.	Not applicable.
(f) Hospitalization Plan	Annual medical benefit of P500,000.00 per ED.	Not applicable.	Not applicable.
(g) Car Plan	Car Plan with vehicle cost equivalent to P3M – P5 M. May be availed every 5 years.	Not applicable.	Not applicable.
(h) Others (Specify)	Not applicable.	Not applicable.	Not applicable.
Total	Not applicable.	Not applicable.	Not applicable.

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None.	None.	None.

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Narcisa M. Villaflor – Vice President and Comptroller	P76,500,563.00*
Joshua L. Castro – Assistant Vice President and Assistant	

Includes compensation of the three Executive Directors of the Company.

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions/ Key Responsibilities/ Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)		
Executive	3	1	1	Based on By-Laws	The Executive Committee may act on matters within the competence of the Board, except as specifically limited by law or by the Board Directors.
Audit	1	1	1	Audit Committee Charter	The Audit Committee is formed to assist the Board in the performance of its oversight responsibility for (1) financial reporting process of the company; (2) risk management and system of internal controls; (3) audit process; (4) monitoring the compliance with applicable laws, rules and regulatory requirements; and (5) the independence and performance of the company's internal and external audits. The Audit Committee shall: a. Review and reassess the adequacy of the Audit Committee Charter annually and recommend any proposed changes to the Board for approval. b. Provide oversight of financial reporting and disclosures which include the following: -appropriateness of accounting policies adopted by Management - reasonableness of estimates, assumptions, and judgments used in the FS preparation - identification of material errors and fraud, and sufficiency of risk controls - actions or measures in case of finding of error or fraud in financial reporting - review of unusual or complex transactions including all related party trans actions - assessment of financial annual and interim

					reports as to completeness, clarity, consistency and accuracy of disclosures - review and approval of mgt representation letter before submission to external auditor - communication with legal counsel covering litigation, claims, contingencies or other significant legal issues - assessment of the correspondence between the company and regulators re FS filings and disclosures - setting a framework for fraud prevention and detection - Business Continuity Plan - evaluation of compliance with the Code of Conduct - qualifications of an internal auditor - review internal audit reports c. Review the annual audited financial statements with the CFO and comptroller, including major issues regarding accounting and auditing principles and practices as well as adequacy of internal controls on asset/fund management. d. Review an analysis made by the CFO and comptroller of financial reporting issues and judgments made in connection with the preparation of the Company's quarterly and yearend financial statements. These issues may include, among others, compliance with existing Philippine Financial Reporting Standards (PFRS). e. Review with the CFO and comptroller problems that the external auditors may have encountered and management letter prepared by the external auditors that arise from the yearly-concluded audit engagement for the Group. f.Review with the CFO and Comptroller exposure drafts by Philippine Financial Reporting Standards Council as they materially impact on the Company's financial statements. g. Review with the CFO on a quarterly basis the investment operating results and

						with the CFO and Comptroller the quarterly financial reports prior to submission to the SEC and PSE. h. Recommend the fees to be paid to the external auditors for audit services as well as fees to other firms for internal audit-related work, if any. i. Evaluate and determine the non-audit work, if any, of the external auditors and review periodically the non audit fee paid to external auditors. The Committee shall disallow any non-audit work that will conflict with the duties of external auditors or may pose a threat to external auditors' independence. The non-audit work, if allowed should be disclosed in the Company's SEC Report 17-A. j. Meet with the external auditors prior to the audit to review planning and scope of audit work. k. Recommend to the Board either to replace the engagement partner from the same auditing firm as prescribed on a rotation basis by the SEC or to replace the external auditors, if necessary. l. Review with the Company's lawyers legal matters that may have a material impact on the financial statements, the Company's compliance with laws, rules and requirements of regulatory agencies and any material reports or inquiries received from regulators or government agencies. m. Organize an internal audit department or consider the appointment of an independent internal auditor, if necessary, and the terms and conditions of its engagement. n. Review the annual internal audit plan (scope, resources and budgetary cost) to ensure its conformity with the objectives of the Company. o. Evaluate the adequacy and effectiveness of the company's internal control system, including controls related to financial reporting and information technology security. p. Assess the Audit Committee performance annually through a self assessment worksheet as shown in Annex

					"A". In rating its overall level of compliance, the following shall apply: Poor 1 to 3 Satisfactory 4 to 6 Very Satisfactory 7 to 8 Outstanding 9 to 10 The results of such assessment will be validated by the Company's compliance officer. The Committee will receive comments from management, internal auditor, general counsel and external auditors, with the end view of improving the Committee's performance. The entire assessment process should be documented and forms part of the Company's records.
Nomination	None.				Not applicable.
Remuneration	2		1	No Charter.	To establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and business environment in which it operates.
Investment Committee	3	1		Investment Policy Charter for Liquid Funds	Review and approve investments of the Company in financial assets.

2) Committee Members

(a) Executive Committee

Office	**Name**	**Date of Appointment**	No. of Meetings Held for 2014	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Andres Soriano III	April 1999	4	4	100%	15 years
Member (ED)	Eduardo J. Soriano	April 1999	4	4	100%	15 years
Member (NED)	Ernest K. Cuyegkeng	April 2007	4	4	100%	7 years
Member (ID)	Oscar J. Hilado	April 1999	4	2	50%	15 years
Member (ED)	Jose C. Ibazeta	April 2006	4	4	100%	8 years

(b) Audit Committee

Office	**Name**	**Date of Appointment**	**No. of Meetings Held for** 2014	**No. of Meetings Attended**	**%**	**Length of Service in the Committee**

Chairman	Oscar J. Hilado	April 2003	2	2	100%	11 years
Member (ED)	Eduardo J. Soriano	April 2003	2	2	100%	11 years
Member (NED)	Jose C. Ibazeta	April 2004	2	2	100%	10 years

Disclose the profile or qualifications of the Audit Committee members.

OSCAR J. HILADO, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of Holcim Phils., Inc.; Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Trans Asia Power Generation Corporation (1996 to present); Chairman of Trans Asia Oil & Energy Development Corporation (April 2008 to present); Director of Manila Cordage Corporation (1986 to present); Director of Seven Seas Resorts & Leisure, Inc., Pamalican Resort, Inc. (May 2011 to present), First Philippine Holdings Corporation (November 1996 to present), Philex Mining Corporation (December 2009 to present); Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce, (1958) Masters Degree in Business Administration, Harvard Graduate School of Business, (1962).

EDUARDO J. SORIANO, Director of the Comp-any since 21 May 1980; Vice Chairman-Treasurer of the Company (1990 to present); Chairman of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present); Chairman and President of Anscor Property Holdings, Inc. (1985 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

JOSE C. IBAZETA, Director of the Company from 1981 to 1998, 2004 to present; Director of International Container Terminal Services, Inc. (1987 to present), Anscor Consolidated Corporation (1980 to present), Anscor Property Holdings, Inc. (1982 to present), A. Soriano Air Corporation (1988 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), NewCo, Inc. (1997 to present), ICTSI Ltd, ICTHI. President of Seven Seas Resorts & Leisure, Inc. (2008 to present) and Pamalican Resort, Inc. (May 2011 to present); Member, Finance Committee of Ateneo de Manila University (1997 to present); Board of Trustees of Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (March 2007 to March 2010) and Acting Secretary of Energy (April –June 2010); Graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), Masters Degree in Business Administration, University of San Francisco, (1968).

Describe the Audit Committee's responsibility relative to the external auditor.

In relation to the external auditor, the Audit Committee shall:

a. Review with the CFO and Comptroller problems that the external auditors may have encountered and management letter prepared by the external auditors that arise from the yearly-concluded audit engagement for the Group.

b. Recommend the fees to be paid to the external auditors for audit services as well as fees to other firms for internal audit-related work, if any.

c. Evaluate and determine the non-audit work, if any, of the external auditors and review periodically the non audit fee paid to external auditors. The Committee shall disallow any non-audit work that will conflict with the duties of external auditors or may pose a threat to external auditors' independence. The non-audit work, if allowed should be disclosed in the Company's SEC Report 17-A.

d. Meet with the external auditors prior to the audit to review planning and scope of audit work.

e. Recommend to the Board either to replace the engagement partner from the same auditing firm as prescribed on a rotation basis by the SEC or to replace the external auditors, if necessary.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	None.	Not applicable.	Not applicable.	Not applicable.		Not applicable.
Member (ED)	None.	Not applicable.	Not applicable.	Not applicable.		Not applicable.
Member (NED)	None.	Not applicable.	Not applicable.	Not applicable.		Not applicable.
Member (ID)	None.	Not applicable.	Not applicable.	Not applicable.		Not applicable.
Member	None.	Not applicable.	Not applicable.	Not applicable.		Not applicable.

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held for 2014	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Oscar J. Hilado	April 2003	1	1	100%	11 years
Member (ED)	Andres Soriano III	April 2003	1	1	100%	11 years
Member (ED)	Eduardo J. Soriano	April 2003	1	1	100%	11 years

(e) Others (Specify) – Investment Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held for 2014	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Andres Soriano III	April 2003	4	4	100%	11 years
Member (ED)	Eduardo J. Soriano	April 2003	4	4	100%	11 years
Member (ED)	Ernest K. Cuyegkeng	April 2003	4	4	100%	11 years
Member (NED)	Jose C. Ibazeta	April 2004	4	4	100%	10 years

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None.	None.
Audit	None.	None.
Nomination	Not applicable.	Not applicable.
Remuneration	None.	None.
Investment Committee	None.	None.

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Review and approval of investments in operating companies.	Favorable returns to the Company.
Audit	Review of Accounting, Tax and Internal Control Issues.	No material issues.
Nomination	Not applicable.	Not applicable.
Remuneration	Review and approve salary increase and bonus distribution based on industry standards.	Comparability with industry standards.
Investment	Review and approval of investments in financial assets.	Favorable returns to the Company and reaction to Philippine stock market conditions.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Review and approval of investments in operating companies.	Favorable returns to the Company.
Audit	Review of Accounting, Tax and Internal Control Issues.	No material issues.
Nomination	Not applicable.	Not applicable.
Remuneration	Review and approve salary increase and bonus distribution based on industry standards.	Comparability with industry standards.
Investment	Review and approval of investments in financial assets.	Favorable returns to the Company and reaction to Philippine stock market conditions.

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company's investment objectives consist mainly of:

i. maintaining a bond portfolio that earns adequate cash yields, and
ii. maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk, and equity price risk. These risks are monitored by the Company's Investment Committee.

The Investment Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The BOD reviews and approves the Company's risk management policies.

(c) Period covered by the review;

Review would cover the period January to December.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The review is conducted annually and based on main risks identified, i.e., credit risk, liquidity risk, interest rate risk, foreign currency risk, and equity price risk.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit risk	The Company transacts only with recognized and creditworthy counterparties. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in foreign equity funds are made in mutual funds and/or hedge funds with investments in A-rated companies with good dividend track record as well as capital appreciation.	Preservation of capital.
Liquidity risk	Invest in highly liquid investments yielding good returns. Where applicable, long-term debt or equity are used for financing when the business requirement call for it to ensure adequate liquidity in the subsidiaries and affiliates' operations.	Ensure that the Company will always have sufficient liquidity to meet its liabilities when they are due.
Market risks (interest rate risk, foreign currency risk, equity price risk)	To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies including Philippine peso and other major currencies such as the US dollar and the Euro. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.	Manage and minimize market risks.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Same as Company risks.	Same as Company policy.	Same as Company objectives.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Minimal.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit risk	Carrying amounts of assets represent maximum credit exposure. Credit quality is monitored and managed using internal credit ratings. Credit quality is evaluated on the basis of the credit strength of the security and/or counterparty issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty, realizability is thus assured. Standard grade assets are considered moderately realizable.	Capital risk is reviewed and monitored by the Investment Committee.
Liquidity risk	This involves monitoring the maturity profile of the Company's financial liabilities and financial assets used for liquidity management.	The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liability when they are due. This is done by primarily investing in highly liquid investments. Liquidity risk is reviewed and monitored by the Investment Committee.
Market risks (interest rate risk, foreign currency risk, equity price risk)	Market risks are monitored and measured through sensitivity analyses.	Market risks are reviewed and monitored by the Investment Committee.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Same as risk exposure for Company.	Same as risk assessment for Company.	Same as risk management and control for Company.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
CFO	Monitor and review risks based on Company's monitoring and measurement process.	Make initial recommendation to the Investment Committee.
Investment Committee	Monitor and review risks based on Company's monitoring and measurement process.	Report findings and recommendations to the Board of Directors.
Board of Directors	Evaluate findings and recommendations of the Investment Committee.	Review risk management policies of the Company.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

In line with the nature of business and size of the Company, internal control is included in the audit scope of external auditor's review of the internal control processes of the Company.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board through the Audit Committee reviews the effectiveness of the internal control system and considers them as adequate and effective. The external auditors provide the Chairman or President and Head of Audit Committee of the Company and its subsidiaries with any internal control breakdown or possible non-compliance with internal control procedures. The Audit Committee report its findings to the Board of Directors.

(c) Period covered by the review;

One year.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The review is conducted annually and criteria used would include materiality and frequency of internal control breakdown or possible non-compliance with internal control procedures.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Owing to the nature of business and the size of the Company in terms of number of employees limited internal audit function is included in the audit scope of the external auditor.	Review for breakdown or possible non-compliance.	Outsourced.	SGV & Co.	Findings are reported to Chairman and/or President and Heads of the Audit Committee of the Company and its subsidiaries.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. Based on the Audit Committee Charter, the Audit Committee may organize an internal audit department or consider the appointment of an independent internal auditor, if necessary, and the terms and conditions of its engagement. Further, one of the functions of the Audit Committee is to review the annual internal audit plan (scope, resources and budgetary cost) to ensure its conformity with the objectives of the Company.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Findings are reported directly to the Chairman and/or President and Heads of the Audit Committee of the Company and its respective subsidiaries. Yes, the external auditor performing internal audit have direct and unfettered access to the board of directors and the Audit Committee and all record, properties and personnel of the Company.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
None.	Not applicable.
None.	Not applicable.
None.	Not applicable.

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Internal audit review is included in the audit

Issues[6]	scope of the external auditor in reviewing the internal control processes of the Company and its subsidiaries and reviewed by the Audit Committee.
Findings[7]	
Examination Trends	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Internal audit review is included in the audit scope of the external auditor in reviewing the internal control processes of the Company and its subsidiaries.	Same.

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The Company only engages reputable external auditors with proven track record.	The Company only engages reputable financial analysts with proven track record.	The Company only engages reputable investment banks with proven track record.	The Company only engages reputable rating agencies with proven track record.

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Signatories to the Certificate on Compliance with the SEC Code of Corporate Governance are the Chairman and CEO and the Compliance Officer.

H. ROLE OF STAKEHOLDERS

6 "Issues" are compliance matters that arise from adopting different interpretations.
7 "Findings" are those with concrete basis under the company's policies and rules.

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Not applicable due to nature of business of the Company, i.e., holding company.	Not applicable.
Supplier/contractor selection practice	Not applicable due to nature of business of the Company, i.e., holding company.	Not applicable.
Environmentally friendly value-chain	Handled by the Company's separate social responsibility arm, Andres Soriano Foundation.	The Andres Soriano Foundation has a separate Annual Report.
Community interaction	Handled by the Company's separate social responsibility arm, Andres Soriano Foundation.	The Andres Soriano Foundation has a separate Annual Report.
Anti-corruption programmes and procedures?	The Company does not engage in corrupt practices.	
Safeguarding creditors' rights	It is the Company's policy to fully settle all its liabilities when they become due.	Long and short term loans with banks.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes, the Company has a separate corporate responsibility report by its Foundation, the Andres Soriano Foundation.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company gives paramount importance to its employees' safety, health and welfare. As such, the Company maintains a safe working environment and reasonable working hours to all its employees. Above average health and medical benefits are provided. Recreational activities to promote camaraderie and employees welfare are also conducted.

(b) Show data relating to health, safety and welfare of its employees.

So far, no major health, safety and welfare issues concerning employees.

(c) State the company's training and development programmes for its employees. Show the data.

Conducted on as needed basis. Further, Finance and Legal personnel attend regular seminars on updates and new developments in their respective fields.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company provides vacation and sick leave entitlements, group accident insurance, medical and hospitalization benefits, bereavement benefit, paternity leave, rice subsidy, educational assistance, Christmas gift certificates, eyeglasses reimbursement, death benefit, loan facilities, retirement benefits, and salary increases/bonuses depending on results of operations to all employees.

4) What are the company's procedures for handling complaints by employees concerning illegal (including

corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Company has a Labor-Management Council which handles employee complaints. These complaints are treated confidentially. As an alternative, employees may directly file complaints to Management. These are also treated confidentially.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of February 28, 2014)

Shareholder	Number of Shares	Percent	Beneficial Owner
Anscor Consolidated Corp.	1,257,900,646	50.316%	Anscor Consolidated Corp.
PCD Nominee Corp. (Non-Filipino)*	467,871,984	18.714%	PCD Nominee Corp. (Non-Filipino)
A-Z Asia Limited Phils. ,Inc. **	176,646,329	7.066%	A-Z Asia Limited Phils. ,Inc.
PCD Nominee Corp. (Filipino)	146,135,244	5.845%	PCD Nominee Corp. (Filipino)

**PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients of which MayBank ATR Kim Eng Securities, Inc., represented by Nilaida Enriquez, is the sole owner of more than 5%, specifically 33.315%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.*

***A-Z Asia Limited Philippines, Inc. is a holding company incorporated in the Philippines on April 25, 2003 represented by Mr. Raul Balaquiao as its Corporate Secretary.*

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Andres Soriano III	25,000	50,465,265	2.020%
Eduardo J. Soriano	20,000	19,169,614	0.767%
Ernest K. Cuyegkeng	20,000	-	0.001%

2) Does the Annual Report disclose the following:

Key risks	Yes.
Corporate objectives	Yes.
Financial performance indicators	Yes.
Non-financial performance indicators	Yes.
Dividend policy	Yes.
Details of whistle-blowing policy	No, but incorporated in the function of the Audit Committee.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes.
Training and/or continuing education programme attended by each director/commissioner	No, as this not one of the information required to be included in the Annual Report. However, a newly appointed Director separately submits to the SEC his attendance to a corporate governance seminar.
Number of board of directors/commissioners meetings held during the year	No, as this not one of the information required to be

	included in the Annual Report. However, a certification on the attendance of directors is submitted annually by the Company to the SEC.
Attendance details of each director/commissioner in respect of meetings held	No, as this not one of the information required to be included in the Annual Report. However, a certification on the attendance of directors is submitted annually by the Company to the SEC.
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee (Year 2014)

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Co.	P1,100,000.00	None

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- Printed copies of Annual Report and Information Statement provided to all stockholders of record.
- The Company maintains a website which includes downloadable Company reports.
- Timely disclosures to PSE which can be accessed through the PSE website.
- The Company has a Stock Relations Manager who handles stockholder inquiries.

5) Date of release of audited financial report:

March 28, 2014

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes.
Financial statements/reports (current and prior years)	Yes.
Materials provided in briefings to analysts and media	Yes.
Shareholding structure	Yes.
Group corporate structure	Yes.
Downloadable annual report	Yes.
Notice of AGM and/or EGM	Yes.
Company's constitution (company's by-laws, memorandum and articles of association)	Yes.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of Related Party Transaction (RPT)**

RPT	Relationship	Nature	Value
None.	Not applicable.	Not applicable.	Not applicable.
None.	Not applicable.	Not applicable.	Not applicable.

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

As reported in the Company's Information Statement duly filed with the SEC, the Company does not have any related party transaction except to the extent that inter-company receivables and payables are permissible.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	50% plus one share of the outstanding stock.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Stockholders approval during Annual Stockholders Meeting
Description	The Company secures Stockholders' approval for all matters required to be approved by the Stockholders under the Corporation Code, as amended. Further, as a matter of policy, the Company secures ratification of all acts and resolutions of the Board of Directors by the Stockholders.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	**Stockholders' Rights not in The Corporation Code**
No difference from those laid down in the Corporation Code.	No difference from those laid down in the Corporation Code.

Dividends

Declaration Date	Record Date	Payment Date
November 20, 2014 (P0.25 per share)	December 5, 2014	January 7, 2015

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion

the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Notices of Agenda of the Stockholders' Meeting are provided to all stockholders in advance.	There is an open forum, where any stockholder is free to ask questions to the Board of Directors.
Copies of Annual Report and Information Statement are provided to all stockholders in advance.	Stockholder may ask during open forum any matter concerning the Annual Report and/or Information Statement.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
    a. Amendments to the company's constitution - The Company secures approval from the Stockholders in case of amendments to the Articles of Incorporation and By-Laws. Advance notice of the amendments is provided to the Stockholders.

    b. Authorization of additional shares – Not applicable but if this happens the Company will follow the procedure for securing stockholders' approval for amendment of Articles of Incorporation.

    c. Transfer of all or substantially all assets, which in effect results in the sale of the company – Not applicable as the Company is an on-going concern and does not have any plan to transfer all or substantially all of its assets.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **YES**

    a. Date of sending out notices: March 28, 2014

    b. Date of the Annual/Special Stockholders' Meeting: April 23, 2014

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. - There are only minimal questions by stockholders during Annual Stockholders Meeting. But in addition to the open forum, some stockholders do take the opportunity to ask questions privately to Company officials after the Stockholders' Meeting.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Election of Directors	Unanimous.	None.	None.
Appointment of External Auditor	Unanimous.	None.	None.
Ratification of all acts, contracts and resolutions of Management and the Board of Directors since the last annual meeting of the Corporation.	Unanimous.	None.	None.

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

   Results of the Annual Stockholders' Meeting are immediately disclosed to the PSE and SEC.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None.	
None.	
None.	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Andres Soriano III Eduardo J. Soriano Ernest K. Cuyegkeng John Gokongwei, Jr. Oscar J. Hilado Jose C. Ibazeta Roberto R. Romulo	April 23, 2014	Unanimous consent.	0.01%	87.87%	87.88%
Special	None.	None.	None.	None.	None.	None.

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

There is no need to appoint an independent party to count and/or validate votes since the number of directors nominated are equal to the numbers of directors to be elected.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. **YES**

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The proxies must be properly dated and executed (signed).
Notary	Proxies need not be notarized.
Submission of Proxy	Must be submitted not less than 10 working days prior to the date of the Annual Stockholders' Meeting.
Several Proxies	A stockholder giving a proxy has the power to revoke it at any time prior to the Annual Meeting or by giving a subsequent proxy which must be received on the deadline for submission of proxy.
Validity of Proxy	Proxies are valid until revoked.
Proxies executed abroad	All proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	An invalidated proxy is not counted for purposes of quorum and voting.

Validation of Proxy	Validation of proxies is conducted not less than 5 days prior to the scheduled Annual Meeting.
Violation of Proxy	All valid proxies are counted for purposes of quorum and voting while all invalid proxies are not considered.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Notices of Annual Stockholders' Meeting are sent to stockholders of record at least 21 business days prior to the scheduled Annual Meeting.	Notices are sent to stockholders by courier/mail.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	11,448
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	March 28, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	March 28, 2014
State whether CD format or hard copies were distributed	CD format were distributed but during the Annual Meeting, stockholders attending in person were also provided with the hard copies in addition to the CD sent to them by mail.
If yes, indicate whether requesting stockholders were provided hard copies	Yes, stockholders are provided with hard copies upon request.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes.
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes.
The auditors to be appointed or re-appointed.	Yes.
An explanation of the dividend policy, if any dividend is to be declared.	No, because dividends are not announced in advance but in a separate disclosure to the PSE and SEC.
The amount payable for final dividends.	No, because dividends are not announced in advance but in a separate disclosure to the PSE and SEC.
Documents required for proxy vote.	Yes.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Dissenter's Right of Appraisal	Dissenter's Right of Appraisal is communicated to all stockholders as this is specifically included in the Information Statement distributed to all stockholders.

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes, every stockholder has a right to nominate candidates for directors.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Major announcement of the Company and press releases need approval of the CFO and the Chairman & CEO.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To fully inform stockholders of the financial status of the Company.
(2) Principles	The Company promotes transparency to stockholders.
(3) Modes of Communications	The Company maintains a website with up to date information. Moreover, stockholders may freely call during office hours the Company's Stock Relations Manager for any inquiries.
(4) Investors Relations Officer	Rosalina M. Reyes, Tel No. 819-0251, Fax No. 811-5068, rose.reyes@anscor.com.ph

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Investment Committee and/or the Executive Committee reviews all planned acquisition of the Company following the investment policy of the Company. Investments of the Company are approved by the Board of Directors.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company engages advisors on the basis of their expertise and depends on the nature of the industry where the investment is to be made. The determination of which advisor to engage is made at the time that the investment is proposed and not in advance. Prior to approval by the Board, the proposed transaction is presented to the Independent Directors for evaluation.

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
The Company has a separate social responsibility arm, specifically, the Andres Soriano Foundation. The Foundation maintains a separate website where all its initiatives are reported. Main initiatives are:	
1. Small Island Sustainable Development Program (SISDEP). a. Environment Protection and Management b. Livelihood Assistance Program c. Community-Based Health Program d. Education Program	Small Island Communities, Northern Palawan (Cuyo, Agutaya, Magsaysay Municipalities) • Fisher folk households • Women, Children, Students and Out-of-School Youth
2. Cancer Care Program a. Research & Training/Education b. Assistance to Cancer Institute (Facilities Maintenance/Rehabilitation Activities)	Oncology Practitioners, Cancer Support groups, Key Leaders of Communities, Indigent Cancer Patients
3. Disaster Assistance Program a. Emergency Relief Assistance b. Rehabilitation Efforts	Disaster-stricken communities

The Company, through its Corporate Social Responsibility arm, the Andres Soriano Foundation, Inc. (ASF) continues to undertake community-development programs in the isolated and disadvantaged areas of North-eastern Palawan, and also offers various forms of aid and comfort to cancer patients and victims of natural disasters in partnership with its many partners and donors.

Small Island Sustainable Development Program

The Foundation's Coastal Resource Management Project supports 12 marine sanctuaries.

The Foundation's yearly Health Caravan provided 2,533 medical services to 2,125 patients, and supported 385 malnourished children.

Its community-based Tuberculosis Directly Observed Treatment Short Course project began full operation in 2014. These health initiatives were supported by the SHARE Foundation of Portugal, a long time donor.

A birthing clinic in Cocoro Island, Municipality of Magsaysay, was built in partnership with the Zuellig Family Foundation.

ASF built and/or renovated 5 classroom buildings in addition to six pre-school classrooms for public elementary schools and six rehabilitated Day Care Centers from prior years. It is also supervising three pre-school centers on islands without public schools this school term.

An ASF full academic scholar from Manamoc Island graduated in April 2014 with a degree in Accountancy. Fourteen technical-vocational scholars completed the six-month technical-vocational course at Dual-Tech in Laguna and started their on-the-job training.

In partnership with Solar Energy Foundation, ASF received 250 units of solar lamps and four units of solar suitcases for health stations and birthing clinics.

ASF's livelihood programs *helped victims of Typhoon Yolanda* set up 69 micro-enterprises *on* Quiniluban Island. A partnership with local-based resort by the Manamoc Livelihood Association generated P4.5 million in the sale of local products, 11% better than last year's performance, benefitting more than 300 families.

Cancer Care Program

In ASF's specialized oncology-nursing course, 22 registered and full-time duty nurses sent by six hospitals in the Western Visayas are officially enrolled in the course's pilot implementation.

In partnership with the Philippine General Hospital Cancer Institute, the Foundation continues to provide maintenance chemotherapy medicines for 45 indigent breast-cancer patients.

Disaster Relief and Rehabilitation Activities

For Typhoon Yolanda relief and rehabilitation efforts, ASF received nearly P10.0 million in cash and in-kind donations. More than 3,090 relief packs were distributed to Barangays Algeciras, Concepcion and Manamoc.

Also, ASF provided more than 200 GI sheets to residents with partially-damaged houses and school buildings in these barangays. In addition, the Foundation built 300 core shelter units for indigent families whose houses were totally-damaged, distributing construction materials with the beneficiaries providing labor. All units were completed and turned over in November 2014.

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Self-assessment.	Attendance and participation in the deliberations during Board meetings.
Board Committees	Assessment by Board of Directors	Attendance and participation in the deliberations during Board meetings.
Individual Directors	Assessment by the Chairman.	Attendance and participation in the deliberations during Board meetings.
CEO/President	Assessment by the Board of Directors.	Policy direction and financial performance of the Company.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Minor – If the offense involves an infraction of a rule/procedure rather than of a moral precept, or represents more of an omission or an oversight than a positive wrongdoing; or represents a mistake rather than a malicious intent. Moderate – If the offense implies an act of negligence or a disregard for established rules of conduct or involves either repeated violations within a relatively short time of what otherwise would be classified as minor offenses. Major – If the offense involves gross negligence or	Action taken by Labor-Management Council may include the following in order of severity: 1. Admonishment/Verbal Reprimand 2. Written Reprimand 3. Suspension 4. Involuntary Separation

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 2 8 JUN 2013 2013.

SIGNATURES

ANDRES SORIANO III **Chairman of the Board & Chief Executive Officer**	**OSCAR J. HILADO** **Independent Director**
ROBERTO R. ROMULO **Independent Director**	**ATTY. JOSHUA L. CASTRO** **Compliance Officer**

SUBSCRIBED AND SWORN to before me this 2 8 JUN 2013 day of ________ 2013, affiant(s) exhibiting to me their passport details, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
ANDRES SORIANO III	711786600	AUGUST 11, 2005	U. S. A.
OSCAR J. HILADO	XX4476833	SEPTEMBER 17, 2009	MANILA
ROBERTO R. ROMULO	EB7472105	FEBRUARY 25, 2013	MANILA
JOSHUA L. CASTRO	XX5562947	FEBRUARY 19, 2010	MANILA

REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
NOTARY PUBLIC
Appointment No. M-292; Roll No. 20642
Commission Expires on 12-31-14
PTR No. 3673104; 1-04-13; Makati City
IBP No. 920701; 1-04-13; Pasig City
TIN No. 100-364-501

Doc No. 400
Page No. 81
Book No. X
Series of 2013

A. SORIANO CORPORATION

SECRETARY'S CERTIFICATE

I, **ATTY. JOSHUA L. CASTRO**, Assistant Corporate Secretary of **A. SORIANO CORPORATION** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, do hereby certify that at the regular meeting of the Board of Directors held on February 18, 2015, the following resolutions were approved:

> "RESOLVED, as it is hereby resolved, that the Board of Directors of the Company approves the updates to its 2014 Annual Corporate Governance Report (ACGR) as follows:
>
> - Date of election and the number of years served of the members of the Board of Directors;
> - Directorship of some of the Directors in other listed companies;
> - Shareholdings of Directors in the Company;
> - Programs and seminars attended by the Directors during the year ;
> - Number of Board meetings during the year and attendance of Directors;
> - Aggregate remuneration of Executive Directors, Non-Executive Directors and Independent Directors;
> - Pension plan/s contribution of Executive Directors;
> - Remuneration of the Officers of the Company;
> - Number of meetings of the Board Committees held during the year and the length of service of its members in their respective Committees;
> - Ownership structure of the substantial stockholders and affiliates of the Company;
> - External Auditor's fee for the year 2014;
> - Dividend declared by the Company for the year 2014;
> - Details of attendance in the 2014 stockholders meeting of the Company;
> - Definitive information statements and management report for 2014;
> - Company's Investor Relation Officer; and
> - Corporate Social Responsibility initiatives

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of April, 2015 at Makati City.

ATTY. JOSHUA L. CASTRO
Assistant Vice President and
Assistant Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 10th day of April, 2015 at Makati City, affiant exhibited to me his Passport No. EC2569878 issued in Manila on October 29, 2014 and expiring on October 28, 2019.

Doc. No. 250;
Page No. 51;
Book No. XIII;
Series of 2015.

REGINALDO L. HERNANDEZ
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-260; ROLL NO. 20642
COMMISSION EXPIRES ON 12-31-16
PTR NO. 4759341; 1-09-15; MAKATI CITY
IBP NO. 0984741; 1-07-15; PASIG CITY
TIN NO. 100-364-501

COVER SHEET

								P	W	-	2

SEC Registration Number

A . SORIANO CORPORATION

(Company's Full Name)

7/F PACIFIC STAR BUILDING
GIL J. PUYAT AVENUE COR. MAKATI AVE.
MAKATI CITY

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

ATTY. JOSHUA L. CASTRO
(Contact Person)

819-0251
(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

17-C
(Form Type)

3rd Wednesday of April

Month *Day*
(Annual Meeting)

Not Applicable
(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

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1. April 23, 2014
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3. BIR Tax Identification No. 000-103-216

4. A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

6. ______ (SEC Use Only)
Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office

1200
Postal Code

8. 8190251
Issuer's telephone number, including area code

9. N/A
Former name or former address, if changed since last report

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

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item Nos. 4 and 9

Item No. 4 - Resignations, Removal or Election of Registrant's Directors and Officers

At the annual meeting of stockholders of A. Soriano Corporation held on April 23, 2014, the following were elected directors:

1. Mr. Andres Soriano III
2. Mr. Eduardo J. Soriano
3. Mr. Ernest K. Cuyegkeng
4. Mr. Jose C. Ibazeta
5. Mr. John L. Gokongwei Jr.
6. Mr. Oscar J. Hilado
7. Mr. Roberto R. Romulo

Messrs. Oscar J. Hilado and Roberto R. Romulo are independent directors.

At the organizational meeting of the Board of Directors also held on April 23, 2014, the following were appointed executive officers:

Mr. Andres Soriano III	-	Chairman and CEO; President and COO
Mr. Eduardo J. Soriano	-	Vice Chairman & Treasurer
Mr. Ernest K. Cuyegkeng	-	Executive Vice President & Chief Financial Officer
Mr. William H. Ottiger	-	Corporate Development Officer
Ms. Narcisa M. Villaflor	-	Vice President & Comptroller
Atty. Lorna Patajo-Kapunan	-	Corporate Secretary
Atty. Joshua L. Castro	-	Assistant Vice President & Assistant Corporate Secretary

And the following were appointed members of the Audit Committee, Compensation Committee, and Executive Committee, respectively:

<u>Audit Committee</u>:

Mr. Oscar J. Hilado	Chairman
Mr. Eduardo J. Soriano	Member
Mr. Jose C. Ibazeta	Member

<u>Compensation Committee</u>:

Mr. Oscar J. Hilado	Chairman
Mr. Andres Soriano III	Member
Mr. Eduardo J. Soriano	Member

Executive Committee:

Mr. Andres Soriano III	Chairman
Mr. Eduardo J. Soriano	Vice Chairman
Mr. Oscar J. Hilado	Member
Mr. Ernest K. Cuyegkeng	Member
Mr. Jose C. Ibazeta	Member

Item No. 9 - Other Event

a. Appointment of A. Soriano Corporation's External Auditor

At the stockholders meeting held on April 23, 2014, Sycip Gorres Velayo & Co. was appointed as the Corporation's External Auditor.

b. Amending Article FOURTH of A. Soriano Corporation's Articles of Incorporation

On April 23, 2014, the Board of Directors of A. Soriano Corporation (the "Corporation"), by the affirmative vote of the majority of its members, and the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation, have approved the amendment of **Article FOURTH** of the Articles of Incorporation to specify the complete address of the Corporation from Metro Manila to **7th Floor, Pacific Star Building, Gil Puyat Avenue corner Makati Avenue, Makati City, Philippines, Postal Code 1209**, as required by the Securities and Exchange Commission.

c. Approval of the Stock Option Plan

On April 23, 2014, the Board of Directors of A. Soriano Corporation (the "Corporation"), by the affirmative vote of the majority of its members, and the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation, have approved the adoption of the Stock Incentive Plan (the "Plan") as presented.

SIGNATURE

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

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

April 23, 2014

111202014001360

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax(632) 725-5293 Email: mis@sec.gov.ph

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Receiving Branch	: SEC Head Office
Receipt Date and Time	November 20, 2014 01:14:05 PM
Received From	Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	PW00000002
Company Name	A. SORIANO CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	111202014001360
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	November 20, 2014
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

PW - 2

SEC Registration Number

A . SORIANO CORPORATION

(Company's Full Name)

7/F PACIFIC STAR BUILDING
GIL J. PUYAT AVENUE COR. MAKATI AVE.
MAKATI CITY

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

ATTY. JOSHUA L. CASTRO
(Contact Person)

819-0251
(Company Telephone Number)

1 2 | 3 1
Month | Day
(Fiscal Year)

17-C
(Form Type)

3rd Wednesday of April
Month | Day
(Annual Meeting)

Not Applicable
(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

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1 November 20, 2014
Date of Report (Date of earliest event reported)

2. SEC Identification Number: PW-2 3 BIR Tax Identification No. 000-103-216

4 A. SORIANO CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code

7. 7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
Address of issuer's principal office

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8 8190251
Issuer's telephone number, including area code

9. N/A
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10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein. Item No. 9 - Other Event

Item 9. Other Event

The Board of Directors of A. Soriano Corporation (Anscor), in its meeting held today, November 20, 2014, approved a cash dividend of **Twenty Five Centavos (P0.25)** per share payable on **January 7, 2015** to all stockholders of record as of **December 5, 2014**.

SIGNATURE

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

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

November 20, 2014

COVER SHEET

PW-2

SEC Registration Number

A. SORIANO CORPORATION

(Company's Full Name)

7/F PACIFIC STAR BUILDING
GIL J. PUYAT AVENUE COR. MAKATI AVE.
MAKATI CITY

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

ATTY. JOSHUA L. CASTRO

(Contact Person)

819-0251

(Company Telephone Number)

1 2 | 3 1
Month | Day
(Fiscal Year)

17-C

(Form Type)

3rd Wednesday of April

Month | Day
(Annual Meeting)

Not Applicable

(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

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(C) THEREUNDER

1 December 22, 2014
Date of Report (Date of earliest event reported)

2 SEC Identification Number PW-2 3. BIR Tax Identification No. 000-103-216

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Exact name of issuer as specified in its charter

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Province, country or other jurisdiction of incorporation

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Issuer's telephone number, including area code

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Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	2,500,000,000

11. Indicate the item numbers reported herein: Item No. 9

Item No. 9 Other Event (Purchase of 60% Stake of General Cable in Phelps Dodge Philippines)

A. Soriano Corporation ("Anscor") has acquired from General Cable Company, Ltd. ("GCC") all of GCC's shareholdings in Phelps Dodge International Philippines, Inc. ("PDP") and Phelps Dodge Philippines Energy Products Corporation ("PDEP") representing 40% and .02%, respectively, of the outstanding capital stock of PDP and PDEP for a total purchase price of $67,137,073. As a result of this transaction, Anscor will now own 100% of the stock of PDP directly, and of PDEP indirectly, through PDP. Prior to this transaction, Anscor had owned 40% of PDP The purchase price was determined through negotiations between the parties. The additional investment of Anscor in PDP was funded through borrowings from a local bank.

Anscor pursued the additional investment as it believes in the continuing success of PDP. PDP operates the largest wire and cable manufacturing facilities in the Philippines providing state-of-the-art products that facilitate communication and information technologies, move transportation and progress onward and power up the nation.

The law firm of Picazo Buyco Tan Fider and Santos acted as the legal advisor of Anscor

SIGNATURE

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

A. SORIANO CORPORATION

By:

ATTY. JOSHUA L. CASTRO
Corporate Information Officer

December 22, 2014