South China Resources, Inc.

Parent Company Financial Statements
December 31, 2013 and 2012

and

Independent Auditors' Report

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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 Stockholders and the Board of Directors
South China Resources, Inc.

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of South China Resources, Inc., which comprise the parent company statements of financial position as at December 31, 2013 and 2012, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of South China Resources, Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 19 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of South China Resources, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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PTR No. 4225149, January 2, 2014, Makati City

April 11, 2014

SOUTH CHINA RESOURCES, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December		January 1
	2013	2012 (As Restated; Note 2)	2012 (As Restated; Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱131,373,780**	₱595,693,581	₱674,138,103
Receivables (Note 5)	**6,677,025**	38,780,168	5,139,383
Due from related parties (Note 14)	**1,024,538,929**	562,909,428	279,237,931
Prepayments and other current assets (Note 6)	**306,712**	683,778	294,147
Total Current Assets	**1,162,896,446**	1,198,066,955	958,809,564
Noncurrent Asset Held for Sale (Note 8)	**–**	–	31,722,243
Noncurrent Assets			
Investments in a subsidiary and an associate (Note 8)	**322,298,000**	322,298,000	322,298,000
Available-for-sale (AFS) financial assets (Note 7)	**362,560,662**	290,576,239	284,849,125
Property and equipment (Note 9)	**53,451**	103,482	3,270,913
Deferred exploration costs (Note 1)	**–**	–	21,563,806
Other noncurrent assets (Note 10)	**–**	–	3,823,191
Total Noncurrent Assets	**684,912,113**	612,977,721	635,805,035
TOTAL ASSETS	**1,847,808,559**	**1,811,044,676**	**1,626,336,842**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other liabilities (Note 11)	**6,574,905**	11,000,350	736,062
Income tax payable (Note 13)	**112,546**	7,758,921	21,962
Total Current Liabilities	**6,687,451**	18,759,271	758,024
Noncurrent Liabilities			
Deferred tax liability (Note 13)	**4,976,921**	1,322,249	–
Retirement benefit obligation (Note 12)	**2,871,641**	2,611,913	2,273,513
Total Noncurrent Liabilities	**7,848,562**	3,934,162	2,273,513
Total Liabilities	**14,536,013**	22,693,433	3,031,537
Equity (Note 15)			
Common stock - ₱1 par value			
Authorized - 1,000,000,000 shares			
Issued - 600,489,569 shares in 2013, 2012 and 2011	**600,489,569**	600,489,569	600,489,569
Subscribed - 306,070,000 shares in 2013, 2012 and 2011 (net of subscription receivables of ₱229,552,500 as of December 31, 2013, 2012 and 2011)	**76,517,500**	76,517,500	76,517,500
Additional paid-in capital	**72,272,140**	72,272,140	72,272,140
Unrealized valuation gains on AFS financial asset net of deferred tax liability (Note 7)	**24,244,915**	18,499,717	10,389,619
Share in unrealized valuation gains on AFS financial assets (Note 8)	**–**	–	–
Retained Earnings			
Appropriated	**500,000,000**	500,000,000	500,000,000
Unappropriated	**564,753,079**	521,681,268	364,214,477
Treasury stock (Note 15)	**(4,961,650)**	(1,040,750)	(578,000)
Other comprehensive loss (Note12)	**(43,007)**	(68,201)	–
Equity	**1,833,272,546**	1,788,351,243	1,623,305,305
TOTAL LIABILITIES AND EQUITY	**₱1,847,808,559**	₱1,811,044,676	₱1,626,336,84

See accompanying Notes to Parent Company Financial Statements.

SOUTH CHINA RESOURCES, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2013	2012 (As Restated; Note 2)
REVENUES		
Gain on sale of AFS financial assets (Note 7)	**₱18,944,678**	₱183,593,532
Interest income (Notes 4, 7 and 14)	**12,311,178**	26,676,945
Dividend income (Note 7)	**5,775,742**	4,300,582
Gain on sale of Held To Maturity (HTM) investments (Note 7)	**–**	1,274,911
Foreign exchange gains - net	**22,428,404**	–
	59,460,002	215,845,970
COSTS AND EXPENSES		
Research and development expenses	**4,381,198**	–
Personnel costs	**3,706,831**	8,434,767
Travel and transportation	**1,717,347**	6,609,541
Professional fees	**1,175,061**	6,272,638
Taxes and licenses	**598,964**	3,399,367
Telecommunications and postage	**198,080**	219,688
Supplies	**146,420**	288,032
Rent and utilities (Note 16)	**145,092**	143,224
Entertainment and representation	**140,406**	1,647,966
Dues and subscription	**134,113**	452,962
Trainings and seminars	**102,740**	156,334
Depreciation and amortization (Note 9)	**61,481**	3,228,362
Repairs and maintenance	**36,695**	72,342
Write-off of deferred exploration costs (Note 1)	**–**	21,633,806
Foreign exchange losses - net	**–**	17,460,202
Write-off of project advances (Note 10)	**–**	4,128,213
Provision for impairment loss on AFS financial assets (Note 7)	**–**	7,263
Others	**3,539,835**	3,552,696
	16,084,263	77,707,403
GAIN ON DISPOSAL OF NONCURRENT ASSET HELD FOR SALE (Note 8)	**–**	32,153,046
INCOME BEFORE INCOME TAX	**43,375,739**	170,291,613
PROVISION FOR INCOME TAX (Note 13)	**303,928**	12,824,822
NET INCOME	**43,071,811**	157,466,791
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Unrealized valuation gains on AFS financial assets - net of deferred tax liability (Note 7)	**5,745,198**	8,110,098
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains (losses) on defined benefit plan (Note 12)	**25,194**	(68,201)
	5,770,392	8,041,897
TOTAL COMPREHENSIVE INCOME	**₱48,842,203**	₱165,508,688

See accompanying Notes to Parent Company Financial Statements.

SOUTH CHINA RESOURCES, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱43,375,739**	₱170,291,613
Adjustments for:		
Write-off of deferred exploration costs (Note 1)	**–**	21,633,806
Depreciation and amortization (Note 9)	**61,481**	3,228,362
Write-off of project advances (Notes 10)	**–**	4,128,213
Unrealized foreign exchange losses (gains)	**(22,428,404)**	16,644,348
Provision for impairment loss on AFS financial assets (Note 7)	**–**	7,263
Gain on sale of:		
AFS financial assets (Note 7)	**(18,944,678)**	(183,593,532)
Noncurrent asset held for sale (Note 8)	**–**	(32,153,046)
HTM investments (Note 7)	**–**	(1,274,911)
Interest income (Notes 4, 7 and 13)	**(12,311,178)**	(26,676,945)
Dividend income (Note 7)	**(5,775,742)**	(4,300,582)
Operating loss before working capital changes	**(16,022,782)**	(32,065,411)
Decrease (increase) in:		
Receivables	**31,476,546**	(1,703,141)
Prepayments and other current assets	**377,066**	(389,631)
Increase in accounts payable and other liabilities	**(4,425,445)**	10,264,288
Retained benefit expense	**284,922**	270,199
Net cash flows (used) in operations	**11,690,307**	(23,623,696)
Interest received	**6,021,251**	18,184,475
Income tax paid	**(7,950,303)**	(5,087,863)
Net cash flows from (used in) operating activities	**9,761,255**	(10,527,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
AFS financial assets (Note 7)	**58,705,982**	495,559,937
Noncurrent asset held for sale (Notes 5 and 8)	–	31,937,645
HTM investments (Note 7)	–	17,844,160
Payments received from related parties	**54,012,589**	7,240,199
Dividends received	**5,745,455**	4,300,582
Interest received	**4,733,892**	3,412,373
Advances to related parties (Note 12)	**(513,277,835)**	(286,017,053)
Acquisitions of:		
AFS financial assets (Note 7)	**(95,532,169)**	(223,498,601)
HTM investments (Note 7)	–	(103,898,005)
Property and equipment (Note 9)	**(11,450)**	(60,931)
Additions to:		
Deferred exploration costs (Note 1)	–	(70,000)
Project advances (Note 10)	–	(305,022)
Net cash flows used in investing activities	**(₱485,623,536)**	(₱53,554,716)

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM A FINANCING ACTIVITIES		
Acquisition of treasury stock (Note 15)	**(₱3,920,900)**	(₱462,750)
Net cash flows used in financing activities	**(3,920,900)**	(462,750)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**15,463,380**	(13,899,972)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(464,319,801)**	(78,444,522)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**595,693,581**	674,138,103
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱131,373,780**	₱595,693,581

See accompanying Notes to Parent Company Financial Statements.

SOUTH CHINA RESOURCES, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	Common Stock (Note 15)			Unrealized Valuation Gains on AFS Financial Assets - net	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 15)		Treasury Stock	
	Issued	Subscribed - net	Additional Paid-in Capital	(Note 7)	(Note 12)	Appropriated	Unappropriated	(Note 15)	Total
Balances at January 1, 2012; as previously reported	₱600,489,569	₱76,517,500	₱72,272,140	₱10,389,619	₱–	₱500,000,000	₱366,487,990	(₱578,000)	₱1,625,578,818
Effect of adoption of Revised PAS 19	–	–	–	–	–	–	(2,273,513)	–	(2,273,513)
Balances at January 1, 2012, as restated	600,489,569	76,517,500	72,272,140	10,389,619		500,000,000	364,214,477	(578,000)	1,623,305,305
Net income; as previously reported	–	–	–	–	–	–	157,736,990	–	157,736,990
Effect of the adoption of the Revised PAS 19	–	–	–	–	(68,201)	–	(270,199)	–	(338,400)
Net income; as restated	–	–	–	–	(68,201)	–	157,466,791	–	157,398,590
Other comprehensive income	–	–	–	8,110,098		–	–	–	8,110,098
Total comprehensive income	–	–	–	8,110,098	(68,201)	–	157,466,791		165,508,688
Treasury stock acquisition (Note 15)	–	–	–	–	–	–	–	(462,750)	(462,750)
Balances at December 31, 2012	₱600,489,569	₱76,517,500	₱72,272,140	₱18,499,717	(₱68,201)	₱500,000,000	₱521,681,268	(₱1,040,750)	₱1,788,351,243
Balances at December 31, 2012, as previously reported	₱600,489,569	₱76,517,500	₱72,272,140	₱18,499,717	₱–	₱500,000,000	₱ 524,224,980	(₱1,040,750)	₱ 1,790,963,156
Effect of adoption of Revised PAS 19	–	–	–	–	(68,201)	–	(2,543,712)	–	(2,611,913)
Balances at December 31, 2012, as restated	600,489,569	76,517,500	72,272,140	18,499,717	(68,201)	500,000,000	521,681,268	(1,040,750)	1,788,351,243
Net income	–	–	–	–	–	–	43,071,811	–	43,071,811
Other comprehensive income	–	–	–	5,745,198	25,194	–	–	–	5,770,392
Total comprehensive income	–	–	–	5,745,198	25,194	–	43,071,811	–	48,842,203
Treasury stock acquisition (Note 15)	–	–	–	–	–	–	–	(3,920,900)	(3,920,900)
Balances at December 31, 2013	**₱600,489,569**	**₱76,517,500**	**₱72,272,140**	**₱ 24,244,915**	**(₱43,007)**	**₱500,000,000**	**₱ 564,753,079**	**(₱4,961,650)**	**₱1,833,272,546**

See accompanying Notes to Parent Company Financial Statements.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Organization and Business

Corporate Information

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

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

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

Status of Operations

Oil and Gas Exploration

The Parent Company is a participant in Service Contracts (SC) entered into with the Philippine government, through the Department of Energy (DOE), to conduct exploration, exploitation and development.

In 2012, the Parent Company wrote-off the balance of allowance for impairment loss on deferred exploration costs which amounted to ₱88.7 million. The allowance for impairment losses on deferred exploration costs pertains to the following SCs and GSECs:

- GSEC 65 - West Culion;
- GSECs 68 and 71 - North Calamian;
- GSEC 79 - Murphy Oil and Ragay Gulf;
- GSEC 82 - Cagayan Basin;
- GSEC 90 - Lingayen Gulf;
- SC-71 - formerly Area 4 Offshore Mindoro-Cuyo; and
- SC-41 - Offshore Sulu Sea Sandakan Basin.

Real Estate Development

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

On July 12, 2011, the groundbreaking ceremony for the Project was held and construction for the Project's Tandem Building 1 commenced thereafter. As of December 31, 2013 and 2012, structural works has an accomplishment rate of 86.7% and 54.7%, respectively. The Tandem Building 1 is expected to be completed in the first quarter of 2014.

On December 14, 2011, the Housing and Land Use Regulatory Board (HLURB) released the Company's License to Sell (LTS) for the Project. SOC Land has gained access to local and international markets and is currently marketing the units under the Tandem Building 1.

SOC Land had ventured into the horizontal development arena. The company has recently acquired a property in Binan, Laguna and will be the first house and lot/lots only project of SOC Land that will be known as Althea Residences. Strategically located and just a stone's throw away from Binan Municipal Hall, Althea Residences is positioned to set the trend in middle income housing with competitive pricing. The project will be formally launched in the second quarter of 2014 and initially offer 214 choice lots, commercial and residential combined. With 214 choice lots - 43 commercial and 171 residential lots, Althea is positioned to cater to the middle income market with competitive pricing. A total of 64 house and lot packages are also available as part of the allocated residential lots which are as follows:

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

The second tandem building of Anuva known as Azalea was formally launched expecting to sell 476 units combined of studio, 1BR and 2BR.

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

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

Approval of the Parent Company Financial Statements
The parent company financial statements as at December 31, 2013 and 2012 and for the years then ended were approved and authorized for issue by the Board of Directors (BOD) on April 11, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and revised standards and Philippine Interpretations from IFRIC which were applied starting January 1, 2013. Except for the adoption of PAS 19, Employee Benefits, these new and revised standards and interpretations did not have any significant impact on the Parent Company financial statements.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)(Amendments)*
  The amendments to PAS 1 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 Company's financial position or performance. The amendments were applied retrospectively and resulted to the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits (Revised)*
  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Company 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 Company 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 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 obligation 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.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Company's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows (in **₱)**:

	Balance as previously reported	Effect of change in accounting policy	Balance as restated
Retirement benefit obligation as of January 1, 2012	–	2,273,513	2,273,513
Retained earnings as of January 1, 2012	866,487,990	(2,273,513)	864,214,777
Retirement benefit obligation as of December 31, 2012	–	2,611,913	2,611,913
Retained earnings as of December 31, 2012	1,024,224,980	(2,543,712)	1,021,681,268
Personnel costs for the year ended December 31, 2012	8,164,568	270,199	8,434,767
Net income for the year ended December 31, 2012	157,736,990	(270,199)	157,466,791
Other comprehensive income for the year ended December 31, 2012	18,499,717	(68,201)	18,431,516

The adoption did not have any impact on the statements of cash flows.

- PAS 27, *Separate Financial Statements (As Revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate parent company financial statements. The adoption of the amended PAS 27 does not have a significant impact on the Company's financial statements.

- PAS 28, *Investments in Associates and Joint Ventures (As Revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, 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 adoption of the amended PAS 28 does not have a significant impact on the Company's financial statements.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  These amendments 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 presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 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 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of PFRS 10 does not have any significant impact to the Parent Company based on the assessment performed. The Parent Company assessed that it controls the Subsidiary in accordance with PFRS10.

- PFRS 11, *Joint Arrangements*
  PFRS 11 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 (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
  The application of PFRS 11 has no impact on the Company since there are no jointly controlled entities that are accounted for under the proportionate consolidation method.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The adoption of this standard does not have a significant impact on the Company's financial statements.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 22.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation 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 Company.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans (Amendments)*
  The amendments to PFRS 1 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 Company.

Annual Improvements to PFRSs (2009-2011 cycle)

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment 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 Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  The amendments 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 Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment 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 does not have any significant impact on the Company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment 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 amendment does not have any significant impact on the Company's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment 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 Company's financial position or performance.

<u>Amendments to Existing Standards Effective Subsequent to December 31, 2013</u>
The Company will adopt the standards enumerated below when these became effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS to have significant impact on its financial statements.

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

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

- PAS 36, *Impairment of Assets (Amendments) - Recoverable Amount Disclosures for Non-Financial Assets*
  These amendments 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 amendments affect disclosures only and have no impact on the Company's financial position or performance.

- 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. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*
  These amendments are effective for annual periods beginning on or after January 1, 2014. They 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. This amendment does not apply to the Company.

- *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 Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment 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 Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment 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 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 require 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 Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment 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 Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify 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 Company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify 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 Company's financial position or performance.

<u>Annual Improvements to PFRSs (2011-2013 cycle)</u>
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'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment 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.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment 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 Company's financial position or performance.

- PAS 40, *Investment Property*
  The amendment 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 Company's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, 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 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 Company'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 Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Deferred Effectivity

- 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 Philippine SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Summary of Accounting Policies

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

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

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

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

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

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

The principal or the most advantageous market must be accessible to the 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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Parent Company has no financial assets or liabilities at FVPL and HTM investments as of December 31, 2013 and 2012.

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

The Parent Company’s loans and receivables consist of “Cash and cash equivalents”, “Receivables” and “Due from related parties”.

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

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

The Parent Company evaluates its AFS financial assets whether the ability and intention to sell them in the near term is appropriate. When the Parent Company is unable to trade these financial assets due to inactive markets and management’s intent to do so significantly changes in the foreseeable future, the Parent Company may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intent to hold the financial asset accordingly until maturity.

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

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

Where the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets and the Group will be precluded from using the HTM investments category for the current period and for the next two succeeding periods from the tainting date.

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

Other Financial Liabilities
Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

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

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.

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

AFS Financial Assets Carried at Fair Value
In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any

impairment loss on that financial asset previously recognized, is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

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

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss.

AFS Financial Assets at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial Assets
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to pay.

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Prepayments and Other Current Assets

Prepayments

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

Input Value-added Tax (VAT)

Input VAT represents VAT imposed on the Parent Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. The input VAT is recognized as an asset and will be used to offset against the Parent Company's current output VAT liabilities and any excess will be claimed as tax credits. Any excess which will be claimed as tax credits within twelve (12) months or within the normal operating cycle is presented as part of "Prepayments and other current assets" in the parent company statement of financial position. Otherwise, these are classified as other noncurrent assets. Input VAT is stated at its estimated NRV.

Investments in a Subsidiary and an Associate

Investments in a Subsidiary

Investments in a subsidiary is accounted for at cost less any allowance for impairment loss in the parent company financial statements. A subsidiary is an entity over which the Parent Company has a power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Investments in an Associate

The Parent Company's investment in an associate is accounted for using the equity method. An associate is an entity in which the Parent Company has significant influence.

Under the equity method, investment in an associate is carried in the parent company statement of financial position at cost plus post acquisition changes in the Parent Company's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The parent company statement of comprehensive income reflects the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Parent Company recognizes its share of any changes and discloses this, when applicable, in the parent company statement of changes in equity. Unrealized gains and losses resulting from transactions between the Parent Company and the associates are eliminated to the extent of the interest in the associates.

The share in net income or loss of the associate is shown as "Equity in net income (losses) of an associate" in profit or loss. This is the income attributable to equity holders of the associate and therefore is profit after tax.

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

After application of the equity method, the Parent Company determines whether it is necessary to recognize an additional impairment loss on the Parent Company's investment in its associate. The Parent Company determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Parent Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the "Equity in net income (losses) of an associate" in profit or loss.

Upon loss of significant influence over an associate, the Parent Company measures and recognizes any retaining 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 retaining investment and proceeds from disposal is recognized in profit or loss.

Deferred Exploration Costs

Deferred exploration costs are accounted for using the full cost method determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are deferred pending determination of whether the contract area contains oil and gas reserves in commercial quantities. When the SC is permanently abandoned or the Parent Company has withdrawn from the consortium, the related deferred exploration costs are provided with valuation allowance or written-off. An SC is considered permanently abandoned if the SC has expired and/or there are no definite plans for further exploration and/or development.

Deferred exploration costs are assessed for impairment when:

- the period for which the Parent Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Parent Company has decided to discontinue such activities in the specific area; or
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36.

Property and Equipment

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

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

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

Category	Number of Years
Transportation equipment	5
Office furniture and equipment	5
Leasehold improvements	5

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

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

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

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

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

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

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

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

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

Gain on Sale of AFS Financial Assets and HTM Investments
Realized gain or loss on sale of AFS financial assets and HTM investments is recognized in profit or loss when the Parent Company disposes its AFS financial assets and HTM investments. Gain or loss is computed as the difference between the proceeds of the disposal and its carrying amount.

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

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

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

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

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

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

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

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

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

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

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

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

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

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events After the Reporting Date

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

Judgment

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

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

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

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

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

Determining Significant Influence over an Associate
The Parent Company considers its investment in Premiere Development Bank (PDB) as an investment in an associate. The Parent Company concluded that it has significant influence over the operating and financial policies of PDB due to the following:

- representation on the BOD;
- participation in policy-making processes, including participation in decisions about dividends and other distributions;
- material transactions between the investor and investee; and
- interchange of managerial personnel.

The Parent Company has no control over PDB since it does not own directly or indirectly more than 50% of the voting rights of the latter.

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

<u>Estimates and Assumptions</u>
Valuation of Financial Instruments
PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Parent Company utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity. The fair value of the Parent Company's financial assets and liabilities are disclosed in Note 17.

Impairment Losses on Accounts Receivable and Due from Related Parties
The Parent Company reviews the balance of accounts receivable and due from related parties at each reporting date to assess whether impairment losses should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant loans and receivables, the Parent Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Parent Company's assessment of the accounts since their inception. These assessments take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

There are no allowance for impairment losses on accounts receivable and due from related parties as of December 31, 2013 and 2012. The aggregate carrying amount of receivable and due from related parties amounted to ₱1.03 billion and ₱601.7 million as of December 31, 2013 and 2012, respectively (see Notes 5 and 14).

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

In 2012, the Parent Company recognized impairment loss amounting to ₱7,263 due to the significant decline in value of an AFS financial asset (see Note 7). As of December 31, 2013 and 2012, the Parent Company's allowance for impairment on AFS financial assets amounted to ₱3.3 million. (see Note 7).

The carrying amounts of AFS financial assets amounted to ₱362.6 million and ₱290.6 million as of December 31, 2013 and 2012, respectively (see Note 7). The change in the fair value of the AFS financial assets is recorded as "Unrealized valuation gains on AFS financial assets" account in the equity section of the parent company statement of financial position.

As of December 31, 2013 and 2012, the unrealized valuation gains on AFS financial assets amounted to ₱24.2 million and ₱18.5 million, respectively (see Note 7).

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

Impairment of Nonfinancial Assets
The Parent Company assesses impairment on nonfinancial assets whenever events or changes in circumstances in dicate that the carrying amount of these assets may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

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

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

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

No provision for impairment losses was recognized in 2013 and 2012. The carrying values of nonfinancial assets amounted to ₱322.7 million and ₱323.0 as of December 31, 2013 and 2012, respectively.

Impairment of Deferred Exploration Costs
The full recovery of the deferred exploration costs incurred in connection with the Parent Company's participation in the acquisition, exploration and development of petroleum concessions is dependent upon the discovery of oil and gas in commercial quantities and the success of future development thereof. When the SC/GSEC is permanently abandoned or the entity has withdrawn from the consortium, the related deferred exploration costs are written-off. SCs and GSECs are considered permanently abandoned if the SCs and GSECs have expired and/or there are no definite plans for further exploration and development. The Parent Company has provided full valuation allowance on deferred exploration costs incurred for certain SCs and GSECs on which management has no definite plans for further exploration and development.

The balances of deferred exploration costs at the valuation of allowance were written off in 2012.

Recognition of Deferred Tax Assets
Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and excess MCIT to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets have been recognized on deductible temporary differences, unused NOLCO and excess MCIT (see Note 13).

4. Cash and Cash Equivalents

	2013	2012
Cash on hand and with banks	**₱108,947,799**	₱84,970,345
Cash equivalents	**22,425,981**	510,723,236
	₱131,373,780	₱595,693,581

Cash with banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the respective short-term investment rates. Interest income earned amounted to ₱5.1 million and ₱18.2 million in 2013 and 2012, respectively. Outstanding accrued interest receivable related to the short-term investments amounted to ₱0.02 million and ₱0.8 million as of December 31, 2013 and 2012, respectively (see Note 5).

5. Receivables

	2013	2012
Receivable from officers and employees	**₱4,228,358**	₱4,115,966
Accrued interest (see Notes 4 and 7)	**2,078,401**	2,428,777
Others	**370,266**	32,235,425
	₱6,677,025	₱38,780,168

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

Other receivables
Other receivables as of December 31, 2012 include receivable from cash dividends declared by domestic shares. This is expected to be collected within the next financial year.

No impairment loss on receivables was recognized in 2013 and 2012.

6. Prepayments and Other Current Assets

	2013	2012
Input VAT	**₱53,562**	₱421,088
Prepayments	**90,938**	117,632
Supplies	**99,392**	102,230
Security deposit (see Note 16)	**62,820**	42,828
	₱306,712	₱683,778

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

7. AFS financial assets

	2013	2012
Shares of stock	**₱248,005,110**	₱194,510,493
Quoted bonds	**100,246,315**	87,451,509
Golf club shares	**17,650,000**	11,955,000
	365,901,425	293,917,002
Less allowance for impairment loss on AFS financial assets	**3,340,763**	3,340,763
	₱362,560,662	₱290,576,239

Movements in the allowance for impairment loss are as follows:

	2013	2012
Balances at beginning of year	**₱3,340,763**	₱3,333,500
Provision	**–**	7,263
Balances at end of year	**₱3,340,763**	₱3,340,763

Shares of stock
Listed shares consist of equity securities that are traded in the PSE, New York Stock Exchange (NYSE), Shanghai Stock Exchange (SSE), Taiwan Stock Exchange (TWSE), Bursa Malaysia (MYX), Stock Exchange of Thailand (SET), London Stock Exchange (LSE) the Stock Exchange of Hong Kong Limited (HKEx) and the Singapore Exchange (SGX). Listed shares have no fixed maturity dates or coupon rates and are measured at fair value. The fair values of listed shares are determined at their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs as of reporting date. The unrealized fair value changes of the investments are presented as “Unrealized valuation gains on AFS financial assets” in the equity section of the parent company statement of financial position.

Dividend income earned from equity securities classified as "AFS financial assets" amounted to ₱5.8 million in 2013 and ₱4.3 million in 2012. In 2012, the Group recognized provision for impairment loss on AFS financial assets amounting to ₱7,263. Allowance for impairment loss in AFS investments amounted to ₱3.3 million as of December 31, 2013 and 2012.

AGP International Holdings Ltd. (AGP International)
In 2010, the Parent Company subscribed to and subsequently fully paid for 26,086,957 preferred shares of AGP International at a purchase price of ₱264.0 million. AGP International invested in 40% of the outstanding capital stock of AGP Philippines Holdings, Inc. (AGP Philippines), which was incorporated on December 13, 2010. In 2010, AGP Philippines finalized the acquisition of all of the shares of DMCI Holdings, Inc. (DMCI-HI) in Atlantic Gulf & Pacific Group of Manila, Inc. (AG&P). The shares comprise of 973,089,025 shares directly owned and 17 shares beneficially owned by DMCI-HI, representing 98.19% of the outstanding capital of AG&P. AG&P provides 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. Accordingly, the Parent Company's risk factor types include those factors that impact, either positively or negatively, the markets for engineering and construction services.

On January 31, 2012, the Parent Company, together with the other legal owners of AGP International's preferred shares, entered into a Share Purchase Agreement with AGP International to sell its shares to the latter for $0.4 cents per share. On the same date, AGP International and AG&P executed a waiver and release form in favor of each seller, relieving them from any claims related to the shares. The Parent Company recognized gain on the sale of its shares in AGP International amounting to ₱184.6 million in 2012.

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

Acquisition of bonds
In 2012, the Parent Company acquired various bonds which were initially recognized as HTM investments and measured at amortized cost using the effective interest method.

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

Reclassification of HTM investments to AFS financial assets
Under the provisions of PAS 39, no investment should be classified as HTM during the current financial year and in the next two financial years if the reporting entity has sold or reclassified more than an insignificant (in relation to the total) amount of such investments before maturity.

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

The fair value of bonds classified as “AFS financial assets” as of December 31, 2013 and December 31, 2012 amounted to ₱100.2 million and ₱87.5 million, respectively.

Interest income earned from bonds classified as “AFS financial assets” in 2013 and 2012 amounted to ₱4.7 million and ₱3.6 million, respectively.

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

	2013	2012
Balances at beginning of year	**₱18,499,717**	₱10,389,619
Fair value adjustments	**23,926,239**	8,332,277
Disposals	**(13,204,120)**	1,100,070
	29,221,836	19,821,966
Less deferred tax liabilities	**4,976,921**	1,322,249
Balances at end of year	**₱24,244,915**	₱18,499,717

8. **Investments in a Subsidiary and an Associate**

The Parent Company’s investments in a subsidiary and an associate consist of:

		Percentage of Ownership	
	Business	**2013**	2012
Subsidiary:			
SOC Land	Real estate	**322,298,000**	100
Associate:			
Premiere Development Bank	Banking	**–**	–

SOC Land

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

In 2010, the Parent Company diversified its business and invested into real property development through SOC Land Development Corporation (SOC Land; the Subsidiary), a wholly-owned subsidiary. SOC Land was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010. The registered office address of SOC Land is 6/F YL Holdings Building, 115 V.A. Rufino corner Salcedo Streets, Legaspi Village, Makati City. The primary purpose of SOC Land is to deal and engage in real estate business.

On July 28, 2010, the Parent Company purchased 24,023 square meters parcel of land located at East Service Road of South Superhighway, Barangay Buli, Muntinlupa City at a price of ₱321.0 million. As of December 31, 2010, the Parent Company classified the land under “Investment property” in the parent company statement of financial position at cost of ₱321.0 million which approximates its fair value. On March 4, 2011, the Parent Company transferred this investment property with fair value of ₱312.3 million (see Note 8), in exchange for 312,298 additional shares in SOC Land.

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

On July 12, 2011, the groundbreaking ceremony for the Project was held and construction for the Project's Tandem Building 1 commenced thereafter. As of December 31, 2013 and 2012, structural works has an accomplishment rate of 86.7% and 54.7%, respectively. The Tandem Building 1 is expected to be completed in the first quarter of 2014.

On December 14, 2011, the Housing and Land Use Regulatory Board (HLURB) released the Company's License to Sell (LTS) for the Project. SOC Land has gained access to local and international markets and is currently marketing the units under the Tandem Building 1.

SOC Land had ventured into the horizontal development arena. The company has recently acquired a property in Binan, Laguna and will be the first house and lot/lots only project of SOC Land that will be known as Althea Residences. Strategically located and just a stone's throw away from Binan Municipal Hall, Althea Residences is positioned to set the trend in middle income housing with competitive pricing. The project will be formally launched in the second quarter of 2014 and initially offer 214 choice lots, commercial and residential combined. With 214 choice lots - 43 commercial and 171 residential lots, Althea is positioned to cater to the middle income market with competitive pricing. A total of 64 house and lot packages are also available as part of the allocated residential lots which are as follows:

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

The second tandem building of Anuva known as Azalea was formally launched expecting to sell 476 units combined of studio, 1BR and 2BR.

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

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

The summarized financial information of SOC Land for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Total assets	**₱1,310,532,096**	₱801,702,780
Total liabilities*	**1,131,043,940**	567,095,131
Net loss	**55,131,189**	55,878,525

*Includes ₱1,002.8 million and ₱490.0 million due to the Parent Company as of December 31, 2013 and 2012, respectively.

Premiere Development Bank (PDB)
PDB is a private development bank incorporated in the Philippines in 1960. PDB is engaged in transactions and undertakings, including but not limited to, trust functions, operation of demand deposit accounts, foreign currency transactions, quasi-banking functions, domestic letters of credit, dealership of bonds and other debt instruments, subject to applicable regulations, financial allied and non-allied undertakings, performance of all kinds of services for commercial banks or operation under an expanded banking authority and other transactions that may be allowed to be engaged in by private development banks.

PDB operates within the Philippines and maintains 38 branches in Metro Manila and in the Provinces of Bulacan, Rizal, Laguna, Cavite and Batangas.

As of December 31, 2010, the Parent Company's equity share in PDB is 4.79% of PDB's outstanding shares and the Parent Company accounts for its investment in PDB under the equity method since the Parent Company exercises significant influence over the operating and financial policies of PDB.

On June 1, 2011, the Parent Company, together with other shareholders, entered into a Share Purchase Agreement (the Agreement) with Security Bank Corporation for the sale of their common shares in PDB. The sellers are the legal owners of an aggregate of 7,071,263 common shares in PDB, representing 96.42% of the issued and outstanding capital stock of PDB.

Under the Agreement, the price per share amounted to ₱181.7 which resulted to a total share consideration of ₱1.3 billion. Under the agreement, the Parent Company agreed to sell its 351,454 shares of PDB for ₱63.9 million.

As a result of the Agreement, the Parent Company reclassified its investment in PDB amounting to ₱31.7 million as held for sale and presented it under the "Noncurrent asset held for sale" account in the parent company statement of financial position as of December 31, 2011.

On January 20, 2012, the Monetary Board of the Bangko Sentral ng Pilipinas approved the transaction contemplated in the Agreement. The Parent Company recognized gain on sale amounting to ₱32.2 million. The receivable from Security Bank Corporation amounted to ₱31.9 million as of December 31, 2012 and is expected to be collected in 2013 (see Note 5).

9. Property and Equipment

December 31, 2013

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Cost:				
Balances at beginning of year	**₱13,020,964**	**₱1,782,720**	**₱458,886**	**₱15,262,570**
Additions	**–**	**11,450**	**–**	**11,450**
Balances at end of year	**13,020,964**	**1,794,170**	**458,886**	**15,274,020**
Accumulated depreciation and amortization:				
Balances at beginning of year	**13,020,964**	**1,688,167**	**449,957**	**15,159,088**
Depreciation and amortization	**–**	**52,552**	**8,929**	**61,481**
Balances at end of year	**13,020,964**	**1,740,719**	**458,886**	**15,220,569**
Net book values	**₱–**	**₱53,451**	**₱–**	**₱53,451**

December 31, 2012

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Cost:				
Balances at beginning of year	₱13,020,964	₱1,748,577	₱432,098	₱15,201,639
Additions	–	34,143	26,788	60,931
Balances at end of year	13,020,964	1,782,720	458,886	15,262,570
Accumulated depreciation and amortization:				
Balances at beginning of year	9,865,731	1,632,897	432,098	11,930,726
Depreciation and amortization	3,155,233	55,270	17,859	3,228,362
Balances at end of year	13,020,964	1,688,167	449,957	15,159,088
Net book values	₱–	₱94,553	₱8,929	₱103,482

Fully depreciated property and equipment
As of December 31, 2013, the cost of fully depreciated property and equipment amounted to ₱13.9 million and ₱0.4 million, respectively. These are retained in the records and still used by the Parent Company until these are disposed or the Parent Company vacate the leased premises.

10. Other Noncurrent Assets

As of December 31, 2011, other noncurrent assets amounting to ₱3.8 million pertain to advances for the processing of bid documents, costs for pre-bidding conferences and consultancy fees related to the Parent Company’s participation in the bid submission for the Philippine Mining Development Corporation’s Diwalwal Mineral Reservation Project and advances for its prospective agriculture-related projects. In 2012, the balances of the advances as of December 31, 2011 and additional advances disbursed in 2012 amounting to ₱0.3 million for these projects were written-off due to the Parent Company’s assessment that they will no longer be recoverable.

11. Accounts Payable and Other Liabilities

	2013	2012
Accrued expenses		
Personnel	**₱3,188,300**	₱3,188,300
Entertainment and representation	**1,500,000**	1,500,000
Professional fees	**492,800**	528,165
Travel and transportation	**184,899**	2,505,000
Taxes	**–**	1,349,000
Others	**1,024,023**	503,500
Accounts payable	**113,854**	34,335
Government payables	**71,029**	1,392,050
	₱6,574,905	₱11,000,350

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

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

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

12. Retirement Benefit Obligation

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

Net benefit expense

	2013	2012 (As Restated; see Note 2)
Current service cost	**₱160,871**	₱153,020
Interest cost on benefit obligation	**145,018**	131,902
	₱305,889	₱284,922

Amounts Recognized in Comprehensive Expenses pertaining to actuarial gain and loss amount to a gain of ₱25,194 and a loss of ₱68,201, in 2013 and 2012, respectively.

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

	2013	2012 (As Restated; see Note 2)
Opening defined benefit obligation	**₱2,611,913**	₱2,273,513
Current service cost	**153,020**	139,472
Interest cost	**131,902**	130,727
Actuarial gain due to experience adjustments	**(25,360)**	(28,745)
Actuarial loss due to changes in assumptions	**166**	96,946
Closing defined benefit obligation	**₱2,871,641**	₱2,611,913

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

	2013	2012 (As Restated; see Note 2)
Discount rate	**5.80%**	7.00%
Future salary increase	**3.00%**	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2013, assuming if all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱131,052)
	(100)	146,363
Future salary increases	100	₱126,108
	(100)	(114,664)

13. **Income Taxes**

The Parent Company’s provision for income tax represents MCIT in 2013 and regular corporate income tax in 2012.

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

	2013	2012
Deferred tax asset:		
Unrealized foreign exchange loss	**₱–**	₱16,644,348
NOLCO	**15,569,078**	–
Accrued expenses	**1,350,000**	1,350,000
Pension liability	**2,871,641**	–
MCIT	**303,928**	–
Allowance for impairment loss on AFS financial assets	**7,263**	7,263
	20,101,909	
Deferred income tax liability:		
Unrealized foreign exchange gains	**22,428,404**	–
Balances at end of year	**(₱2,326,495)**	₱18,001,611

The Parent Company recognized directly in equity, deferred tax liability amounting to ₱3.6 million and ₱1.3 million pertaining to unrealized valuation gains on fair value change of AFS financial assets on 2013 and 2012, respectively.

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

<u>NOLCO</u>

	2013	2012
Balances at beginning of year	**₱–**	₱10,235,558
Additions	**15,569,078**	–
Application	**–**	(10,235,558)
	₱ 15,569,078	₱–

<u>MCIT</u>

	2013	2012
Balances at beginning of year	**₱–**	₱365,039
Application	**–**	(365,039)
Additions	**303,928**	–
Balances at end of year	**₱303,928**	₱–

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

	2013	2012
Income tax at statutory tax rate of 30%	**₱13,012,722**	₱51,168,544
Additions to (reductions in) income tax resulting from:		
Nondeductible expenses	**674,420**	2,026,104
Change in unrecognized deferred tax assets	**(6,832,651)**	(24,649,172)
Gain on sale of asset held for sale subjected to capital gains tax	**(4,322,060)**	(9,645,914)
Interest income subjected to final tax	**(1,586,338)**	(5,455,343)
Nontaxable income	**(642,165)**	(619,397)
	₱303,928	₱12,824,822

14. **Related Party Transactions**

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

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

	Transaction	Amount	Outstanding balance	Terms	Conditions
Subsidiary:					
SOC Land					
2013	Advances	**₱512,762,210**	**₱1,002,752,030**	Due and demandable; noninterest bearing	Unsecured; No impairment
2012		281,000,000	489,989,820		
Other related parties:					
Puyat Steel Corporation (PSC)					
2013	Advances	**–**	**–**	30 days, 8% per annum	Secured by receivables and finished goods with fair value equivalent; No impairment.
2012		–	45,300,000		
International Pipe Industries Corporation (IPIC)					
2013	Advances	**(5,500,000)**	**21,648,112**	30 days, 8% per annum	Secured by receivables and finished goods with fair value equivalent; No impairment.
2012		5,000,000	27,493,111		
South China Petroleum International (SCPI)					
2013	Advances	**12,290**	**138,787**	Due and demandable	Unsecured; No impairment
2012		17,053	126,497		
2013		**₱507,274,500**	**₱ 1,024,538,929**		
2012		₱286,017,053	₱562,909,428		

a. SOC Land

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

b. PSC

PSC is a world-class manufacturer of galvanized and pre-painted steel sheets and coils used in roofing and walling profiles and bended accessorial products established in 1956. PSC set up the first galvanizing plant in the Philippines to answer to the need of a country for galvanized iron sheets to be used in the construction, building and roofing materials. In 1998, PSC inaugurated in Rosario, Batangas, the Philippines' first ever state-of-the-art continuous galvanizing line utilizing the modern non-oxidizing furnace (NOF) technology in a globally competitive stature. By the year 2000, PSC became the first NOF continuous galvanizing plant to be ISO 9002 certified. PSC is under common control with the Parent Company.

The BOD, through a board resolution dated January 24, 2008, authorized the Parent Company to enter into a related party agreement with PSC to advance an amount of up to ₱130.0 million for the acquisition of raw materials to be processed into finished steel products. The funding facility extended to PSC is secured by way of assignment to the Parent Company of finished goods inventories and all receivables and proceeds of postdated checks issued arising from the sale of the finished goods. The funding facility is renewable on a yearly basis. Under this arrangement, the Parent Company receives a guaranteed return on investment (ROI) of at least 8% per annum. Interest earned by the Parent Company in relation to these advances amounted to ₱0.7 million and ₱3.2 million in 2013 and 2012, respectively.

PSC fully settled its payable to the Parent Company amounting to ₱45.0 million on May 3, 2013.

c. IPIC

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

In May 2011, the BOD authorized the Company to enter into a related party agreement with IPIC to provide a standby fund facility of up to ₱50.0 million for the acquisition of raw materials to be processed into finished steel pipe products. The Company will receive a guaranteed return on investment of at least 8% per annum. Interest earned by the Company in relation to these advances amounted to ₱1.6 million and ₱1.7 million in 2013 and 2012, respectively. Amounts due from IPIC includes outstanding interest receivable amounting to ₱ 148,111 and ₱493,111 as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, the outstanding receivable from IPIC amounted to ₱21.5 million and ₱27.0 million, respectively. The amount is collectible within a year.

IPIC's accounts receivable and finished goods with fair value equivalent to the outstanding balance are used as collateral for the amount owed to the Company.

d. SCPI

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

e. Key Management Personnel Compensation

Short-term employee benefits of key management personnel amounted to ₱2.2 million and ₱2.3 million in 2013 and 2012, respectively.

15. **Equity**

a. Common Stock

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

	December 31, 2013		December 31, 2012	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized - ₱1 par value	**1,000,000,000**	**1,000,000,000**	1,000,000,000	₱1,000,000,000
Issued	**600,489,569**	**600,489,569**	600,489,569	600,489,569
Subscribed	**306,070,000**	**306,070,000**	306,070,000	306,070,000
Treasury	**4,639,000**	**(4,961,650)**	907,000	(1,040,750)

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

In 2011, 3,300,000 subscribed shares were fully paid and issued. Collections from such subscribed shares amounted to ₱2.5 million in 2011. There were no collections in 2013 and 2012.

b. Retained Earnings

On April 7, 2010, the BOD approved a resolution earmarking ₱500.0 million of the Parent Company's retained earnings for purposes of funding its investments in SOC Land related to the Anuva Residences and Diwalwal Mine Reserve projects. On December 21, 2011, the BOD approved a resolution for the reversal of the 2010 appropriation of retained earnings and further earmarking ₱500.0 million of the Parent Company's retained earnings in 2011 for purposes of funding its investments related to the Anuva Residences and other investment projects.

c. Treasury Stock

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

In 2013 and 2012, the Parent Company acquired 3,732,000 and 407,000 of its own shares for a total cost of ₱3.9 million and ₱0.5 million, respectively.

16. Contracts and Commitments

Lease Agreements

a. In 2010, the Parent Company entered into a sublease contract with Bell Telecommunications, Inc. (BellTel) for the lease of office space located at 3/F Low Rise Pacific Star Building, Makati City. The contract is for a term of one year, renewable for another one year at the lessee's discretion. The lease agreement expired in 2012.

b. In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of ENZO Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight (8) months commencing on May 1, 2012 and expiring December 31, 2012. In line with the contract, the Parent Company paid a rental deposit amounting ₱42,828, which is classified under "Prepayment and other current assets" (see Note 6). Minimum lease payments within a year under this contract is ₱0.1 million.

Rent expense relates to these lease contracts, presented as "Rental and Utilities" in the parent company statement of comprehensive income amounted to ₱0.1 million and ₱0.1 million in 2013 and 2012, respectively.

17. Financial Instruments

Financial Risk Management Objectives and Policies

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

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

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

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

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

Credit Risk Management
In managing credit risk on these investments, capital preservation is paramount. The Parent Company trades only with recognized, creditworthy third parties. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed by management.

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

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

Credit Risk Concentration Profile
The Parent Company has no significant concentrations of credit risk.

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

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

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

The table below shows the credit quality by class of financial asset based on the Parent Company's rating system as of December 31, 2013 and 2012:

2013

	Neither Past Due Nor Impaired		Past Due		
	High Grade	**Standard Grade**	**But Not Impaired**	**Impaired**	**Total**
Loans and receivables					
Cash and cash equivalents*	**₱131,358,780**	**₱–**	**₱–**	**₱–**	**₱131,358,780**
Receivables	**–**	**–**	**6,677,025**	**–**	**6,677,025**
Due from related parties	**1,024,538,929**	**–**	**–**	**–**	**1,024,538,929**
Security deposits	**62,820**	**–**	**–**	**–**	**62,820**
AFS financial assets					
Shares of stock	**241,323,584**	**–**		**3,340,763**	**244,664,347**
Bonds	**100,246,315**	**–**	**–**	**–**	**100,246,315**
Golf club shares	**17,650,000**	**–**	**–**	**–**	**17,650,000**
	₱1,515,180,428	**₱–**	**₱6,677,025**	**₱3,340,763**	**₱1,525,198,216**

**Excluding cash on hand.*

2012

	Neither Past Due Nor Impaired		Past Due		
	High Grade	Standard Grade	But Not Impaired	Impaired	Total
Loans and receivables					
Cash and cash equivalents*	₱595,678,581	₱–	₱–	₱–	₱595,678,581
Receivables	–	–	38,780,168	–	38,780,168
Due from related parties	793,111	278,306,153	283,810,164	–	562,909,428
Others	42,828	–	–	–	42,828
AFS financial assets					
Shares of stock	191,169,730	–	–	3,340,763	194,510,493
Bonds	87,451,509	–	–	–	87,451,509
Golf club shares	11,955,000	–	–	–	11,955,000
	₱887,090,759	₱278,306,153	₱322,590,332	₱3,340,763	₱1,491,328,007

**Excluding cash on hand.*

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

The table below shows the aging analysis of financial assets per class that the Parent Company held as of December 31, 2013 and 2012. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

2013

	Neither Past Due nor Impaired	Past Due but Not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days	Impaired	Total
Loans and receivables							
Cash and cash equivalents*	**₱131,358,780**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱131,358,780**
Receivables	**–**	**–**	**2,329,750**	**100,111**	**4,395,274**	**–**	**6,825,135**
Due from related parties	**–**	**137,266,543**	**137,000,100**	**110,012,191**	**640,111,983**	**–**	**1,024,390,817**
Others	**62,820**	**–**	**–**	**–**	**–**	**–**	**62,820**
AFS financial assets							
Shares of stock	**241,323,584**	**–**	**–**	**–**	**–**	**3,340,763**	**244,664,347**
Bonds	**100,246,315**	**–**	**–**	**–**	**–**	**–**	**100,246,315**
Golf club shares	**17,650,000**	**–**	**–**	**–**	**–**	**–**	**17,650,000**
	₱490,641,499	**₱137,266,543**	**₱139,329,850**	**₱ 110,112,302**	**₱ 644,507,257**	**₱3,340,763**	**₱1,525,198,214**

***Excluding cash on hand.**

2012

	Neither Past Due nor Impaired	Past Due but Not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days	Impaired	Total
Loans and receivables							
Cash and cash equivalents*	₱595,678,581	₱–	₱–	₱–	₱–	₱–	₱595,678,581
Receivables	–	2,773,391	–	50,000	35,956,777	–	38,780,168
Due from related parties	279,099,264	186,000	2,008,889	80,187,942	201,427,333	–	562,909,428
Others	42,828	–	–	–	–	–	42,828
AFS financial assets							
Shares of stock	191,169,730	–	–	–	–	3,340,763	194,510,493
Bonds	87,451,509	–	–	–	–	–	87,451,509
Golf club shares	11,955,000	–	–	–	–	–	11,955,000
	₱1,165,396,912	₱2,959,391	₱2,008,889	₱80,237,942	₱237,384,110	₱3,340,763	₱1,491,328,007

*Excluding cash on hand.

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

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

2013

	Total	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months
Financial Assets:					
Cash and cash equivalents	**₱131,358,780**	**₱131,358,780**	**₱–**	**₱–**	**₱–**
Receivables	**6,825,135**	**–**	**2,429,861**	**68,000**	**4,327,274**
Due from related parties	**1,024,390,817**	**–**	**274,266,643**	**110,012,191**	**640,111,983**
AFS financial assets					
Shares of stock	**244,664,347**	**244,664,347**	**–**	**–**	**–**
Bonds	**100,246,315**	**100,246,315**	**–**	**–**	**–**
Golf club shares	**17,650,000**	**17,650,000**	**–**	**–**	**–**
	1,525,150,394	**493,919,442**	**276,696,504**	**110,080,191**	**644,439,257**
Financial Liabilities:					
Accounts payable and other liabilities**	**₱6,503,876**	**₱–**	**₱6,503,876**	**₱–**	**₱–**

***Excluding government payables*

2012

	Total	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months
Financial Assets:					
Cash and cash equivalents	₱595,693,581	₱595,693,581	₱–	₱–	₱–
Receivables	38,780,168		2,773,391	50,000	35,956,777
Due from related parties	562,909,428	–	793,111	–	562,116,317
AFS financial assets					
Shares of stock	191,169,730	191,169,730	–	–	–
Bonds	87,451,509	87,451,509	–	–	–
Golf club shares	11,955,000	11,955,000	–	–	–
	₱1,487,959,416	₱886,269,820	₱3,566,502	₱50,000	₱598,073,094
Financial Liabilities:					
Accounts payable and other liabilities**	₱9,608,300	₱–	₱9,608,300	₱–	₱–

***Excluding government payables*

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

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

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

Stock Exchange	Change in Stock Market Index	Effect on Income Before Income Tax	
		2013	2012
PSE	+10%	**11,305,044**	10,785,432
	-10%	**(11,305,044)**	(10,785,432)
HKEx	+5%	**3,733,652**	2,082,175
	-5%	**(3,733,652)**	(2,082,175)
NYSE	+10%	**4,756,439**	2,858,335
	-10%	**(4,756,439)**	(2,858,335)
SSE	+5%	**307,814**	197,759
	-5%	**(307,814)**	(197,759)
MYX	+5%	**96,738**	86,420
	-5%	**(96,738)**	(86,420)
SET	+5%	**–**	444,292
	-5%	**–**	(444,292)
TWSE	+5%	**440,431**	646,610
	-5%	**(440,431)**	(646,610)
NASDAQ	+10%	**1,439,770**	436,197
	-10%	**(1,439,770)**	(436,197)
LSE	+10%	**550,809**	549,865
	-10%	**(550,809)**	(549,865)
SGX	+10%	**442,888**	–
	-10%	**(442,888)**	–

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

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

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

Information on the Parent Company's foreign currency denominated monetary assets and their Philippine peso equivalent as of December 31, 2013 are as follows:

	2013		2012	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Financial Assets				
Cash – USD	**557,373**	**₱24,747,361**	6,401,477	₱262,780,630
Receivables – USD	**43,475**	**1,930,290**	18,065	741,572
AFS financial assets:				
Shares of stock				
Hong Kong Dollar	**13,048,990**	**74,673,048**	7,835,974	41,643,498
USD	**1,225,866**	**59,418,603**	732,776	30,080,469
Taiwan Dollar	**5,958,400**	**8,808,621**	9,113,598	12,932,195
Singapore Dollar	**126,600**	**4,428,881**	–	–
Thailand Baht	**–**	**–**	6,609,526	8,885,847
Malaysia Ringgit	**143,640**	**1,934,751**	128,355	1,728,399
Bonds – USD	**2,257,290**	**100,223,680**	2,130,366	87,451,509
	23,361,634	**₱276,165,235**	32,970,137	₱446,244,119

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

	2013		2012	
	Effect on income before tax		Effect on income before tax	
	Change in Peso-Foreign Exchange Rate		Change in Peso-Foreign Exchange Rate	
	Increase by 5%	**Decrease by 5%**	Increase by 5%	Decrease by 5%
USD	**₱9,315,997**	**(₱9,315,997)**	₱19,052,709	(₱19,052,709)
HKD	**652,450**	**(652,450)**	2,082,175	(2,082,175)
NTD	**297,920**	**(297,920)**	646,610	(646,610)
SGD	**6,330**	**(6,330)**	–	–
THB	**–**	**–**	444,292	(444,292)
MYR	**7,182**	**(7,182)**	86,420	(86,420)
	₱10,279,879	**(₱10,279,879)**	₱22,312,206	(₱22,312,206)

The exchange rates as of December 31, 2013 and 2012 were:

	USD	HKD	MYR	THB	SGD	NTD
2013	**₱ 44.40**	**₱ 5.42**	**₱ 13.47**	**−**	**₱ 34.98**	**₱ 1.48**
2012	41.05	5.31	13.47	1.34	−	1.42

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

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

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

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

Cash and Cash Equivalents, Receivables, Due from Related Parties and Accounts Payable and Other Liabilities
The carrying amounts of cash and cash equivalents, receivables, due from related parties and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

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

<u>Fair Value Hierarchy</u>
The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

December 31, 2013

	Level 1	**Level 2**	**Level 3**	**Total**
AFS financial assets:				
Shares of stock	**₱248,005,110**	**₱–**	**₱–**	**248,005,110**
Bonds	**100,246,315**	**–**	**–**	**100,246,315**
Golf club shares	**–**	**–**	**17,650,000**	**17,650,000**
	₱348,251,425		**₱17,650,000**	**₱365,901,425**

December 31, 2012

	Level 1	Level 2	Level 3	Total
AFS financial assets:				
Shares of stock	₱191,169,730	₱–	₱–	₱191,169,730
Bonds	87,451,509	–	–	87,451,509
Golf club shares	–	–	11,955,000	11,955,000
	₱278,621,239	₱–	₱11,955,000	₱290,576,239

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value for the period ended December 31, 2013 and 2012.

	2013	2012
Balances at beginning of year	**11,955,000**	₱130,000
Acquisition	**5,695,000**	12,163,000
Disposal	**–**	(338,000)
Balances at end of year	**₱17,650,000**	₱11,955,000

As of December 31, 2013 and 2012, there were no transfers between Level 1 and Level 3 fair value measurements.

Capital Management

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

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2013 and 2012.

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

	2013	2012
Common stock	**₱600,489,569**	₱600,489,569
Subscribed common stock – net	**76,517,500**	76,517,500
Additional paid-in capital	**72,272,140**	72,272,140
Retained earnings	**1,064,753,079**	1,024,224,980
Treasury stock	**(4,961,650)**	(1,040,750)
	₱1,809,070,638	₱1,772,463,439

18. Other Matters and Notes to Statements of Cash Flows

Comparative figures have been adjusted to conform to changes in presentation in the current year. Receivables from related parties which was previously presented under "Receivables" account was reclassified under "Due from related parties" account in the parent company statement of financial position.

In 2012, the noncash activities pertain to the reclassification of investments in debt securities of about ₱66.6 million from HTM investment to AFS financial assets on November 2, 2012 as discussed in Notes 7.

In 2011, noncash activity pertained to the acquisition of additional shares in SOC Land in exchange for the Parent Company's investment property.

19. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during 2011:

Output VAT

The Parent Company is a VAT-registered company with output VAT declaration of ₱587,357 for the year based on the amount of interest income earned on the Parent Company's advances to Puyat Steel Corporation and International Pipe Industries Corporation of ₱3,214,286 and ₱1,680,357, respectively.

Input VAT

Balance at beginning of year	₱368,288
Current year's domestic purchases for:	
Goods other than for resale or manufacture	7,087
Services lodged under other accounts	302,192
Less application	–
Balance at end of year	₱677,567

Documentary Stamp Tax (DST)

In 2012, DST paid to BIR ₱2,087 for insurance of transportation equipment and ₱517 due to change in address.

Capital Gains Tax (DST)

In 2012, the Parent Company paid ₱2,867,989 arising from the sale of Premier shares (see Note 8).

Stock Transaction Tax

In 2012, the Parent Company paid ₱115,673 arising from the sale of AFS financial assets listed in the PSE

Other Taxes and Licenses

In 2013, other taxes and licenses include all other taxes, local and national, including licenses and permit fees lodged under the taxes and licenses account under the costs and expenses section in the parent company statement of comprehensive income:

Details consist of the following:

License and permit fees	**₱264,719**
Others	**182,612**
	₱447,331

Withholding Taxes

Details of withholding taxes in 2012 are as follows:

Tax on compensation and benefits	**₱524,963**
Expanded withholding tax	**33,200**
	₱558,163