COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W - 3 0 5

Company Name

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

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

UNITS 2203 AND 2204, RAFFLES CORPORATE CENTER, F. ORTIGAS JR. ROAD, ORTIGAS CENTER, PASIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
keppel.prop@kepland.com.ph	(632) 584-6170	0917-8719371

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,258	06/11	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Lee Foo Tuck	leeft@kepland.com.ph	(632) 584-6170	0917-8719371

Contact Person's Address

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended 31 December 2014

2. SEC Identification Number PW305

3. BIR Tax Identification No. 000-067-618 VAT

SEC Electronic Records Management Division
APR 16 2015
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

KEPPEL PHILIPPINES PROPERTIES, INC.

4. Exact name of registrant as specified in its charter

Philippines

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

6. Industry Classification Code: ☐ (SEC Use Only)

12 ADB Avenue, Ortigas Center, Mandaluyong City 1550 (business office temporarily moved to Units 2203-2204 Raffles Corporate Center F. Ortigas Jr. Avenue (formerly Emerald Ave.) Ortigas Center, Pasig City)

7. Address of registrant's principal office Postal Code

(632) 584-6170 to 71

8. Registrant's telephone number, including area code

N/A

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

10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock – ₱ 1.00 Par Value	296,629,900 (Inclusive of Treasury Shares)
Debt Outstanding	Nil

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes [/] No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Section 11 of the Revised Securities Act (RSA) and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [/] No [ ]

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

Yes [/] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:

₱ 225,790,684

DOCUMENTS INCORPORATED BY REFERENCE

14. 2014 Audited Consolidated Financial Statements (incorporated as reference to item 7 of SEC Form 17-A)

KEPPEL PHILIPPINES PROPERTIES, INC.
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SEC FORM 17-A

PART I- BUSINESS AND GENERAL INFORMATION

1. BUSINESS

The Company

Keppel Philippines Properties, Inc. (the Company or KPP), is a stock corporation organized under the laws of the Philippines. The Company was first incorporated on 07 February 1918 under the name Hoa Hin Co., Inc., then renamed Cebu Shipyard and Engineering Works, Inc. in 1957, and then to its present name Keppel Philippines Properties Inc. in 1998.

The Company currently holds investments in associates involved in property holding and development, and renders property management consultancy services to these associates.

Business

The Company holds investments in associates involved in property holding and development, and renders property management consultancy services to these associates.

Associated companies are engaged in acquisition and development of suitable land sites for residential, office and commercial uses.

i) Residential

Palmdale Heights

The project is located on a 23,924 sqm site in Sandoval Avenue, Brgy. Pinagbuhatan, Pasig City, Metro Manila. The project comprises six residential blocks (a total of 828 units at 138 units per block), two-storey clubhouse, swimming pools, parks, playgrounds and parking areas for sale with total 232 parking slots. Each residential unit has a floor area of 40 to 50 sqm.

As at December 31 2014, 86% (716 units) of the 828 launched units and 38% (87 units) of the 232 parking lots have been sold.

On December 28, 2012, the developer of Palmdale Heights, Buena Homes Sandoval, Inc. (BHSI) entered into a Contract to Sell (CTS) agreement with Phinma Property Holdings Corporation (PPHC) wherein BHSI sold a parcel of land with a total area of 20,009 square meters for a total consideration of ₱100 million was already paid.

The disposal of the land resulted to a loss amounting to ₱32.2 million which includes the write-off of the related capitalized management fees and construction cost amounting to ₱13.6 million and ₱7.9 million, respectively.

ii) Office/Retail

The Podium

The Podium is the first phase of the retail component in the mixed-use development. It is located in the central business district of Ortigas, Mandaluyong City, Manila. Within the five-storey mall, it offers a first-class shopping experience with a mix of 156 specialty stores featuring well known international and local labels. It has a wide selection of fine restaurants, service outlets and two cinemas.

Total leasable area is 16,995 square metres ("sqm") excluding the areas for a 13.72 sqm snack bar and the 770.81 sqm cinemas. As of 31 December 2014, the area occupied is 88%. The operation of the mall is handled by Shopping Center Management Corporation.

In April 2011, SMKL entered into a Memorandum of Agreement with its JV partner, Banco de Oro Unibank (BDO), for the assignment of development rights allowing construction for and by BDO of an office tower on top of The Podium in Phase 1. The office tower will house BDO's business units and is estimated to be completed in 2015. BDO has also purchased from SMKL the entire basement car park in Phase 1.

Subsidiaries

CSRI Investment Corporation ("CSRI") was incorporated in the Philippines and was registered with SEC on 25 October 1990. CSRI, a wholly owned subsidiary of KPP, is a holding company with investments in stocks, shares, securities and other investment instruments similar or related in nature. CSRI's source of income is solely from investment in securities.

Buena Homes, Inc. ("BHI") was incorporated in the Philippines on 25 May 2000. BHI, a wholly owned subsidiary of KPP, is engaged in property holding and development. It is presently developing Palmdale Heights, a residential condominium project in Pasig City through Buena Homes (Sandoval) Inc. ("BHSI"), 40% owned by BHI.

Associates

The Company does not have a direct project being developed. Projects are owned by the Company's associated companies.

Associates	Ownership	Project
SMKL	40%	The Podium Mall
BHSI	40% owned through BHI	Palmdale Heights Residential Condominium

Competition

As a property developer, KPP considers the following property developers as the industry's key players in terms of end products:

	Net Income FY2014 In Php Billions
SM Prime Holdings, Inc.	13.18 upto 3rd qrtr 2014
Ayala Land Inc.	13.13 upto 3rd qrtr 2014
Robinson's Land Corporation	4.74

Competitive pressures are expected to remain as new players have embarked on aggressive developments.

In the residential sector, BHSI faces stiff competition from other developers who have set their targets on the middle income, a market segment that has also been the focus of BHSI. With its track record as a developer of quality housing projects, BHSI will remain competitive in this sector.

In the retail sector, the market is expected to remain competitive as more developers venture into, or expand in this sector. The Podium has established its presence since its launch in August 2002. With its unique design and spacious ambiance, The Podium has become the preferred meeting place for young professionals and also the venue of choice for gala events.

Transactions With and/or Dependence on Related Parties

In the normal course of business, significant transactions with related and associated companies consist of the following:

a. On 10 November 2010, the Company exercised its option to redeem 13,600,000 preferred shares held by KLL for a total consideration of ₱278.8 million. This amount was fully remitted at the end of year 2013.

b. The Company has a Consultancy Agreement with Keppel Land International (KLI) and pays KLI management consultancy fee computed based on agreed rates.

c. The Company provides management advisory and consultancy services to SMKL and ORDC. Management consultancy fees are computed based on agreed rates.

d. The Company grants advances to certain associated companies.

Need For Any Governmental Approval Of Principal Products Or Services

The Philippine real estate industry is regulated by numerous Government policies and guidelines, commencing from land acquisition and title issuance, development planning, design and construction up to mortgage financing/refinancing to pre-selling.

The Company, through its associated companies, has complied with the application and approval process required by the Government, which are described below:

After the developer has identified and finalized the project development plan, an application is made for a development permit. The developer is required to submit as part of each application for a development permit an Environmental Impact Statement (EIS) prepared by a qualified environmental consultant. Where a project or property is classified as "environmentally critical" the developer is required to obtain an Environmental Compliance Certificate (ECC) issued by the Department of Environment and Natural Resources (DENR). As a requirement for the issuance of ECC, an Environmental Geological and Geohazard Assessment Report (EGGAR) should be submitted.

After a development permit is obtained, an application is made for a license to sell the individual subdivision units from Housing and Land Use Regulatory Board. Approval may also be required from the Land Management Bureau (for industrial used land) or the Land Registration Authority (for residential used land) for the relevant subdivision plan.

The Company, through its associated companies, has complied with all applicable Philippine governmental and environmental laws and regulations.

Employees

The Company had 9 employees as at 31 December 2014. No significant hiring or recruitment is expected in 2015.

	No. of Employees
Senior Management	1
Human Resources	2
Finance and Administration	5
Information Technology	1
Total	9

Major Risk Factors

The Company, through its associated companies, is engaged in real estate development. Property values in the Philippines are affected by the general supply and demand of real estate. The supply and demand is in turn affected by economic, political and industry factors.

Economic: Results of operations is influenced by the general condition of the Philippine and global economy. Any economic contraction, failure to register improved economic performance, may adversely affect the Company's operations.

Political: The Company's business is also influenced by the political situation in the country. Any political instability in the future could have a material adverse effect in the Company's business.

Industry: The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions in the Philippines. Property values in the Philippines are affected by the general supply and demand of real estate.

To manage these risks, BHSI and SMKL obtains updates on markets/prices and current economic and political developments. An assessment is then made of the financial viability of proposed projects in the light of current economic, political and industry indicators.

Projects Under Development

SMKL Phase 2 Mixed Use Development

The project site is a 12,540 sqm plot beside The Podium. It is the site of the former Benguet Centre Building which was demolished in May 2010. When completed, the development will have an expanded and integrated 6-level basement car park (estimated gross floor area of 77,520 sqm) and 5-storey retail mall (estimated gross floor area of 40,000 sqm) linked to the existing Podium mall. A 42-storey Grade A, LEED Gold certified office tower (estimated gross floor area of 112,500 sqm) will be constructed on top of the expanded retail mall.

Excavation works started in January 2014 and was completed in November 2014. Main contract works were awarded in January 2015. The mall is planned to be operational by November 2016. Construction of the office tower is planned to begin after completion of the mall in 2016.

Consultants appointed for this project include the following:

Type of Works	Consultants
Concept Architect	Arquitectonica
Design Architect	FSL & Associate Co.
Construction and Cost Manager	JAA23 Construction Management, Inc
Structural Engineer	Eccruz Corporation

2. PROPERTIES

As at 31 December 2014, the Company's investments in real estate properties are as follows:

	Type Of Property	Location	Description	Remarks
a.	Land & Buildings	ADB Avenue, Ortigas Center, Mandaluyong City	2-hectare site on which contains The Podium Mall	40% owned by the Company through its associate, SMKL. Not mortgaged
b.	Land	Sandoval Avenue, Pasig City.	Land consisting of five (5) contiguous lots containing an aggregate of 29,189 sq. m, the undeveloped site of Palmdale Heights	40% owned by the Company through its associate, BHSI. Not mortgaged.

3. LEGAL PROCEEDINGS

The Company and its subsidiaries are not party to any lawsuit.

4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no other matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

The common equity of the Company is traded in the Philippine Stock Exchange. The Company has no restriction for any cash dividends declared that limit the ability to pay on common equity or that are likely to do so in the future. However, no cash dividends were declared from 2003 to 2014.

STOCK PRICES	2015		2014		2013	
	High	Low	High	Low	High	Low
First Quarter	₱4.32	₱3.81	₱3.00	₱2.80	₱3.50	₱2.25
Second Quarter			4.23	2.82	3.20	2.83
Third Quarter			6.00	4.23	3.00	2.80
Fourth Quarter			4.82	4.48	3.10	2.50

The Company has no plans of acquisition, business combination, or other reorganization that will take effect in the near future that involves issuances of securities.

There were no recent sales of unregistered or exempt securities.

The Company's common shares were last traded on 2 March 2015 (the latest practicable trading date) at ₱4.02 per share.

As of 31 December 2014, the number of shareholders on record was 1,259 and common shares outstanding were 293,828,900. Following is the table of the Company's top 20 stockholders as of 31 December 2014:

	Name	No. of Shares Held	% to Total
1.	Keppel Land Limited	148,365,050	50.49
2.	Kepwealth,Inc	51,033,178	17.37
3.	Keppel Corporation Limited	35,783,741	12.18
4.	PCD Nominee Corporation - Filipino	30,274,080	10.30
5.	PCD Nominee Corporation - Foreign	4,871,554	1.66
6.	International Container Terminal Services Inc.	4,265,171	1.45
7.	George S. Dee, Jr.	3,442,891	1.17
8.	PNOC Shipping and Transport Corporation	2,227,511	0.76
9.	Visayan Surety & Insurance Corporation	1,671,664	0.57
10.	Lee Foo Tuck	1,455,708	0.50
11.	Sulpicio Lines, Inc.	694,719	0.24
12.	Augusto Go	410,423	0.14
13.	Negros Navigation Company, Inc.	357,777	0.12
14.	Eduardo Go Hayco	269,277	0.09
15.	Ho Tong Hardware, Inc.	248,018	0.08
16.	Adrienne Gotian Chu	236,795	0.08
17.	Mary Margaret G. Dee	236,788	0.08
18.	Tessa L. Navera	225,005	0.08
19.	Janette Nellie Go Chiu	200,055	0.07
20.	East Visayan Milling Corp.	181,453	0.06

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

A. Results of Operations

The Company holds investments in associates involved in property holding and development. It derives its revenue from rendering management consultancy services to associates.

Year Ended 31 December 2014 Compared To Same Period In 2013

The Company generated total gross revenues of ₱27.7 million, a decrease of ₱10.1 million or 27% from ₱37.8 million total gross revenues for year 2013. This is due to the combined effects of the following:

- Equity in net earnings of associates decreased by ₱5.9 million (23%) from ₱26.2 million in 2013 to ₱20.3 million in 2014. The decrease is due to Podium's lower occupancy and rental rate caused by the on-going major renovation in its retail spaces. Podium implemented a temporary mall-wide rental discount ranging from 30% to 40% to compensate the tenants for the inconvenience of the on-going construction works.

- Management and franchise fees went down by ₱2.5 million, from ₱9.2 million in 2013 to ₱6.7 million in 2014, due to the decrease in Podium's rental income on which the management and franchise fees from SMKL is based.

- Interest income dropped by ₱1.8 million to ₱0.6 million from ₱2.4 million in 2013 due to the decline in bank deposits interest rate during the year.

General and administrative expenses increased by ₱2.1 million, due to increases in salaries and professional fees.

Net income for the year amounted to ₱2.3 million, a decrease of ₱14.2 million from ₱16.5 million in 2013.

Year Ended 31 December 2013 Compared To Same Period In 2012

The Company posted revenue of ₱37.8 million, or a decreased of ₱8.0 million or 17.5% from ₱45.8 million total gross revenues for year 2012. The decreased in revenue was due to decline in interest income:

- Interest income went down to ₱2.4 million from ₱11.9 million in 2012 due to lower interest rate and a lower level of money market placements due to repatriation of the proceeds relating to the redemption of preferred shares in 2012. Furthermore, interest-bearing loans and advances to associates were collected in year 2012.

Interest Income	2013	2012	Decrease	
	In Million Php			
Bank	2.4	10.7	(8.3)	-77%
On Loans	-	1.2	(1.2)	-100%
	2.4	11.9	(9.5)	-80%

General and administrative expenses remained at the same level as 2012.

Other income (charges) comprise of:

- Gain on sale of investment property amounting to ₱ 3.6 million

- Other income pertains to commission income and rental income.

- Foreign exchange loss in 2013 arose from realized transactions denominated in Singapore Dollars (SGD). The Peso strengthened against the SGD on the dates the payables to KLI were settled.

Net income for the year amounted decreased by ₱3.0 million to ₱16.6 million from ₱19.6 million in 2012.

Year Ended 31 December 2012 Compared To Same Period In 2011

The Company generated total gross revenues of ₱45.8 million, or a net decreased of ₱181.3 million or 80% from ₱227.1 million total gross revenues for year 2011. The net decreased in revenues was attributable to the following:

- Equity in net earnings of associates amounted to ₱25.1 million, or a net decreased of ₱182.1 million or 88%, compared with ₱207.2 million in 2011.

  The decrease is due to an absence of a one-time gain booked in 2011 by SMKL which recorded a gain from sale of the entire basement carpark area and assignment of development rights in Phase 1. Excluding this one-time transaction, the Company's equity in net earnings of SMKL derived from commercial space rental posted a ₱4.4 million increased as compared to last year.

  BHSI recorded a loss, accounted for a decreased in equity in net earnings of ₱32.2 million due to BHSI disposal of the land and write-off of capitalized construction cost.

- Management and franchise fees increased by ₱1.9 million or 27% from ₱ 7.0 million in year 2011 to ₱8.9 million.

- Interest income decreased to ₱11.9 million from ₱12.9 million in 2011 due to the collection of loans and advances to associates and a lower level of money market placements due to repatriation of the proceeds relating to the redemption of preferred shares.

Interest Income	2013	2011	Decrease	
	In Million Php			
On Loans	1.2	2.0	(0.8)	-40%
Bank	10.7	10.9	(0.2)	-2%
	11.9	12.9	(1.0)	-8%

General and administrative expenses went up by ₱2.3 million or 11% due to increased in salaries, consultancy fees, professional fees, rental, taxes & licenses and write off of bad debts.

Other income (charges) comprise of:

- Other income pertains to commission income and rental income.

- Foreign exchange loss in 2013 arose from realized transactions denominated in Singapore Dollars (SGD). The SGD strengthened against the Peso on the dates the payables to KLI were settled.

Net income for the year amounted to ₱19.6 million, a decreased of ₱183.8 million compared with 2011.

KEY PERFORMANCE INDICATORS

For The Years Ended	December 2014	December 2013	% Change
Return On Assets	0.13%	0.96%	-86%
Earnings Per Share	₱0.008	₱0.057	-86%
Operating Expense Ratio	91.94%	61.79%	49%
Net Tangible Asset Value Per Share	₱3.59	₱3.58	0.3%
Working Capital Ratio	3:2	3:3	-3.0%

a. Return On Assets – The Company gauges its performance by determining the return on assets (net income after tax over total assets at beginning). It indicates how effectively the assets of the Company are utilized in generating profit. Net income after taxation decreased to ₱2.3 million from ₱16.7 million due primarily to a significant drop in equity in net earnings of associates and a joint venture.

		2014		2013
Net Income After Tax (a)	₱	2,298,288	₱	16,654,812
Total Assets At Beginning (b)	₱	1,755,282,708	₱	1,738,135,256
Return On Assets (a/b)		0.13%		0.96%

b. Earnings Per Share – It shows the income earned from each share of common stock outstanding. The EPS in 2014 was lower by 86% compared to last year due mainly to the decrease in income after tax.

		2014		2013
Net Income After Tax (a)	₱	2,298,288	₱	16,654,812
Number of Common Stock (b)		293,828,900		293,828,900
Earnings Per Share (a/b)	₱	0.008	₱	0.057

c. Operating Expense Ratio – It measures operating expenses as a percentage of revenues. The operating expense ratio increased by 49% due to the 27% decrease in revenues.

		2014		2013
Operating Expenses (a)	₱	25,454,425	₱	23,358,840
Revenues (b)	₱	27,685,775	₱	37,805,386
Operating Expense Ratio (a/b)		91.94%		61.79%

d. Net Tangible Asset Value Per Share – It shows the tangible value of each share of common stock outstanding. The tangible value per share increased by 0.3% compared to the previous year due to increase in retained earnings.

Note: Net Tangible Assets include ₱594.7 million subscription proceeds for Preferred Stock. As these Preferred Stocks are redeemable, the subscription proceeds have been excluded from Net Tangible Assets in the computation of Net Tangible Asset Per Share.

	2014	2013
Net Tangible Assets	₱ 1,650,450,063	₱ 1,648,170,924
Less : Preferred Stock	₱ (594,741,000)	₱ (594,741,000)
Net Tangible Assets Attributable To Common Stock	₱ 1,055,709,063	₱ 1,053,429,924
Number of Common Stock	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱3.59	₱3.58

e. Working Capital Ratio – The Company's ability to meet obligations is measured by determining current assets over current obligations. The Working Capital ratio decreased by 3.0%.

	2014	2013
Current Assets (a)	₱ 345,039,611	₱ 355,937,322
Current Liabilities (b)	₱ 107,756,629	₱ 106,370,970
Working Capital Ratio (a/b)	3:2	3:3

B. Financial Position

Year Ended 31 December 2014 Compared To Same Period In 2013

Total assets increase by ₱3.0 million to ₱1,758 million in 2014 as compared with last year's figure of ₱1,755 million.

The significant causes of material changes in financial position from period to period are as follows:

i. Investments in associates increase by ₱15.5 million to ₱1,333.0 million from ₱1,317.5 million last year due to the increase in equity in net earnings of associates which amounted to ₱20.3 million, net of ₱4.8 million dividend received during the current year.

ii. Due from related parties decrease by ₱13.2 million primarily due to collection on reimbursable charges from associates.

iii. Other current assets increase by ₱1.7 due to creditable withholding tax and prepayments.

Year Ended 31 December 2013 Compared To Same Period In 2012

Total assets went up by ₱17 million to ₱1,755 million in 2013 as compared with last year's figure of ₱1,738 million.

The causes of material changes in financial position from period to period are as follows:

i. Cash and cash equivalents decreased to ₱152.5 million from ₱164.6 million in the previous year, mainly due to net cash used in operating activities amounted to ₱15.4 million.

ii. Investments in associates increased by ₱26.2 million to ₱1,317.5 million from ₱1,291.3 million last year due to equity in net earnings of associates which amounted to ₱26.2 million for the current year.

iii. Property and equipment net decreased by ₱0.6 million due to depreciation charges.

iv. Due from related parties decreased by ₱2.3 million primarily due to collection on reimbursable charges from associates

Year Ended 31 December 2012 Compared To Same Period In 2011

Total assets decreased by ₱159 million to ₱1,738 million in 2012 as compared with last year's figure of ₱1,897 million.

The causes of material changes in financial position from period to period are as follows:

i. Cash and cash equivalents decreased to ₱164.6 million from ₱307.4 million in the previous year mainly due to the payment for the redemption of preferred shares amounting to ₱278.8 million, partially offset by the collection of loans and advances from associates. Net cash used in operating activities amounted to ₱6.2 million.

ii. Investments in associates decreased by ₱54.2 million to ₱1,290.8 million from ₱1,345 million last year due to ₱79.3 million reclassification of preferred shares investment into available-for-sale financial asset, partially offset by the equity in net earnings of associates which amounted to ₱25.1 million for the current year.

iii. Property and equipment net decreased by ₱0.9 million due to depreciation charges.

iv. Due to related parties decreased by ₱178.8 million primarily due to repatriation of the proceeds relating to the redemption of the preferred shares.

7. TRENDS, EVENTS OR UNCERTAINTIES THAT HAVE AFFECTED OR THAT ARE REASONABLY EXPECTED TO AFFECT REVENUES OR INCOME

a) As at 31 December 2014,

- There are no known material commitments for capital expenditures.
- There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues or income from continuing operations.
- There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- There are no seasonal aspects that had a material impact on the results of operations of the Company.

b) There are no events nor any default or acceleration of an obligation that will trigger direct or contingent financial obligation that is material to the Company.

c) There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entries or other persons created during the reporting period.

d) The Group is a party to certain lawsuits or claims arising from the ordinary course of business. The Group management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have material effect on the financial statements.

e) The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions. Property values in the Philippines are affected by the general supply and demand of real estate.

8. INFORMATION ON EXTERNAL AUDITORS

Fees paid by the Group to an Independent Accountant is made up of audit and audit related fees only. There were no other fees paid.

	2014	2013
Audit and Audit Related Fees	₱525,200	₱514,570

The Audit Committee's approval policies and procedures included assessing the proposed scope of audit work to be conducted, evaluating if there are material audit issues to be resolved, and then determining whether the fee charged is commensurate with the work carried out.

9. FINANCIAL STATEMENTS

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page23) are filed as part of this Form 17-A (pages 24 to 75).

10. CHANGES IN AND DISAGREEMENTS WITH EXTERNAL AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in and/or disagreements with the Company's external auditors on accounting and financial disclosures.

PART III- CONTROL AND COMPENSATION INFORMATION

11. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Board of Directors

(1) Linson Lim Soon Kooi, 53

Mr. Linson Lim Soon Kooi, 53, Malaysian, has been a Director of the Company since November 2006. He was President of the Company from June 2009 to June 2011, when he was appointed as Chairman of the Board of directors.

Mr. Lim joined Keppel Land Group in 1995. He is President (Vietnam & Philippines) of Keppel Land International and General Director of Keppel Land in Vietnam. He is also a Director of several subsidiaries and associated companies of Keppel Land Group.

Mr. Lim holds a Bachelor of Engineering Degree from Monash University, Australia and is a member of the Institute of Engineers in Malaysia.

(2) Choo Chin Teck[1], 70

Mr. Choo Chin Teck, 70, Singaporean, has been a Director of the Company since November 1999. He is the Director of Corporate Services and the Company Secretary of Keppel Land International Limited. He has held various senior positions in the Keppel Land Group and is presently a Director of Keppel Thai Properties Public Co. Limited, and a number of other subsidiaries and associated companies of Keppel Land Group. Mr. Choo holds a Master of Business Administration from Brunel University. He graduated with a Bachelor of Science in Accountancy from the University of Singapore. He resign on _______

(3) Ramon J. Abejuela, 66

Mr. Ramon J. Abejuela[1], 66 years old, Filipino, has been an Independent Director of the Company since November 1999 to June 2008. He was re-elected in June 2009 and is currently the Chairman of the Audit Committee of the Company.

Mr. Abejuela serves as Director of Philippine Nutrifoods Corporation and NCP Publishing Corporation.

Mr. Abejuela holds a Bachelor of Science in Chemical Engineering (Cum Laude) Degree from De La Salle University and Master's Degree in Business Management-General Management Curriculum from Asian Institute of Management.

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[1] Mr. Choo Chin Teck resigned as member of the Board of Directors on 02 March 2015.

(4) Celso P. Vivas, 68

Mr. Celso P. Vivas[1], 68, Filipino, has been an Independent Director of Keppel Philippines Properties, Inc. since November 2004 and is a member of the Company's Audit Committee.

Mr. Vivas has over 47 years of experience in audit, finance, enterprise risk management and corporate governance.

Mr. Vivas is a Certified Public Accountant and is currently Vice-Chairman and CEO of the Corporate Governance Institute of the Philippines. He is a member of Marubeni Foundation's Board of Trustees and Canadian Chamber of Commerce's Board of Governors. He is also an Independent Director and Chairman of the Audit Committee of Keppel Philippines Marine, Inc., as well as an Independent Director and a member of the Audit Committee of Keppel Philippines Holdings, Inc. He was Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Company until his retirement in 2001.

Mr. Vivas holds a Bachelor of Business Administration (Cum Laude) Degree from the University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (SGV & Co. Scholar). He is also a graduate of Company Directors' Course from Australian Institute of Company Directors (ICD Scholar).

(5) Stefan Tong Wai Mun, 42

Mr. Stefan Tong Wai Mun, 42, Malaysian, was elected as a Director of the Company in June 2007. He is currently the President and Director of Keppel Philippines Holdings, Inc. He is also the Executive Vice President and Director of Keppel Philippines Marine, Inc. and Director of Keppel Subic Shipyard, Inc. He is also a Director of various Keppel companies in the Philippines.

Mr. Tong holds a Bachelor of Commerce (Honours) Degree from University of Western Australia. He is also a Member of the Institute of Chartered Accountants in Australia.

(6) Mr. Lee Foo Tuck, 59

Mr. Lee Foo Tuck, 59, Singaporean, was elected as a Director of the Company in May 2008. He was Vice President (Finance and Administration) and Treasurer of the Company from April 2004 to June 2008. He was Senior Vice President of the Company from July 2008 to June 2011, when he was appointed as President of the Company.

Mr. Lee has more than 30 years of extensive experience in accounting and finance. Prior to joining the Company he has held managerial positions in several multinational companies from various industries.

(7) Lim Kei Hin, 57

Mr. Lim Kei Hin, 57, Singaporean, was elected a Director of the Company in June 2011. Mr. Lim joined the Keppel Land Group as Chief Financial Officer in July 2007.

Prior to joining the Keppel Land Group, he was with Singapore Airlines Limited and has more than 20 years of diverse experience having served in different financial and general management roles in Singapore, the Philippines, Australia and the United States. His last appointment was Chief Financial Officer of Singapore Airport Terminal Services Limited.

Mr Lim is a Director of Keppel REIT Management Limited and a number of subsidiaries and associated companies of the Keppel Land Group.

Mr. Lim holds a Bachelor of Science (Economics) Degree in Accounting & Finance (Honours) from London School of Economics & Political Science, UK.

(7) Tan Siew Ngok, 58

Ms. Tan Siew Ngok, 58, Singaporean, was elected as a Director of the Company in March 2015. Ms. Tan is the General Manager (Finance and Administration) of Keppel Land International Limited from 2011 to present. She is also a Director of subsidiaries and associated companies of the Keppel Land Group.

Ms. Tan holds a Bachelor in Commerce (Accountancy) Degree from Nanyang University, Singapore. She is a Fellow of CPA, Australia and a Fellow of Institute of Singapore Chartered Accountants.

[1] Independent Director

Key Officers

Mr. Lee Foo Tuck, 59, Singaporean, was appointed President in June 2011. He has been with the Company since April 2004. He held the position of Vice President (Finance and Administration) and Treasurer from April 2004 to June 2008, when he was appointed Senior Vice President of the Company. Mr. Lee is a Certified Accountant and is a Fellow of the Association of Chartered Certified Accountants (U.K.). He has more than 30 years of experience in accounting and finance. He has held various managerial positions in several organizations prior to joining the Company.

Almira A. Añonuevo, 40, Filipino, was appointed Treasurer of the Company on 14 June 2012. She joined the Company on 25 July 2011 as Manager, Finance & Accounting. She is a Certified Public Accountant and has received various International Standard Certifications for her competencies in Understanding the Requirements of Quality Management Systems, Management Systems Auditing Techniques and Leading Management Systems Audit. She started her professional accounting stint as an Experienced Auditor at SGV & Co., while in the Keppel Group, as Finance Manager for Keppel Communications Philippines, Inc. She has also served as Consultant and Audit Manager to various local and multinational companies, namely; Schutzengel Telecoms, Trisilco Folec Philippines, Inc. and Eagle Broadcasting Corporation.

Atty. Ma. Melva E. Valdez, 55, Filipino, has been the Corporate Secretary of the Company since 1999. She also served as Director of the Company from 24 June 2008 to 11 June 2009. She was elected director of Keppel Philippines Holdings (KPH) in 2001. Atty. Valdez is also the Corporate Secretary of KPH since 1998. She is a Senior Partner and Chairman of the law firm of Jimenez Gonzales Bello Valdez Caluya & Fernandez (JGLaw). She is also the Corporate Secretary of Keppel Philippines Marine, Inc. (KPMI), Mabuhay Vinyl Corporation (listed corporations), Subic Shipyard & Engineering Works, Inc. and Asian Institute of Management. She is also a member of the Board of Directors of Leighton Contractors (Philippines), Inc., Servier Philippines, Inc., Buena Homes (Sandoval), Inc. and Asia Contractors Holdings, Inc. She holds directorship positions in the following companies: Logwin Air + Ocean Philippines, Inc., KPSI Property, Inc., Opon Realty & Development Corp., Opon-Ke Properties, Inc., KP Capital, Inc., Bridex Electric Philippines, Inc., Asia Control Systems Philippines, Inc., Kepwealth Property Philippines, Inc., Trisilco Folec Philippines, Inc. and Norfolk International, Inc. Atty. Valdez graduated from the University of the Philippines with a Bachelor of Arts Degree in Political Science and a Bachelor's Degree in Law. She has 24 years of working experience in her field of profession as a lawyer.

Atty. Myla Gloria A. Amboy, 44, Filipino, was elected as the Company's Assistant Corporate Secretary on 31 March 2007. She is a Senior Associate of the law firm of Jimenez Gonzales Bello

Valdez Caluya & Fernandez (JG Law). She is also the Assistant Corporate Secretary of SM Keppel Land, Inc., CSRI Investment Corporation, and Opon Ventures Inc. and the Corporate Secretary of Opon Realty Development Corporation, Opon-KE Properties, Inc. and Servier International Philippines, Inc.

The members of the Board of Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

The Officers are appointed annually by the Board of Directors at its first meeting following the Annual Meeting of the Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been appointed or shall have been qualified.

As stated in this report, the business experience of the Company's directors and officers covers the past five years.

Significant Employees

No other employees other than the officers mentioned above, are expected to make significant contributions to the business.

Directorships in Other Reporting Companies

The following are directorships held by Directors in other reporting companies:

Celso P. Vivas

Name of Corporation	**Position**
Keppel Philippines Holdings, Inc.	Independent Director
Keppel Philippines Marine, Inc	Independent Director

Stefan Tong Wai Mun

Name of Corporation	**Position**
Keppel Philippines Holdings, Inc.	Director and President
Keppel Philippines Marine, Inc	Director and Executive Vice President

Family Relationship

There are no family relationship among the directors and officers listed above.

Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or control person of the Company:

(a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(c) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

(d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

12. EXECUTIVE COMPENSATION

The Company has three (3) executive officers as of 31 December 2014.

Name	Principal Position
Lee Foo Tuck	President
Almira A. Anoñuevo	Manager – Finance & Administration
Elizabeth M. Perez	Asst. Manager – Finance & Administration

The aggregate annual compensation (including salary and benefits) paid to the executive officers is summarized in the table below:

A

Top three executive officers as a group unnamed	Salary	Bonus	Others	Total
	In Php Millions			
2015 (Estimate)	4.80	0.01	0.20	5.01
2014	4.40	0.01	0.20	4.61
2013	3.24	0.01	0.20	3.45

B

Other officers and directors as a group unnamed	Salary	Bonus	Others	Total
	In Php Millions			
2015 (Estimate)	2.30	0.40	0.50	3.20
2014	2.20	0.40	0.50	3.10
2013	2.20	0.20	0.60	3.00

Executive Officers do not receive any other form of remuneration aside from the above compensation. There are no arrangements and/or employment contracts between the Company and executive officers providing for any compensatory plan or arrangement for payment upon resignation, retirement, termination or cessation of employment.

With respect to directors' remuneration, the directors are being paid directors' fees amounting to ₱60,000 each per annum. Each director also receives an amount of ₱7,000 per diem for attendance at every Board Meeting.

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the last completed fiscal year and the ensuing year.

13. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Record and Beneficial Owners:

As of 31 December 2014, the Company has no knowledge of any individual or any party who beneficially owns Keppel Philippines Properties, Inc. stock in excess of 5% of the Company's common stock except as set forth in the table below:

Title of Class	Name and Address of Record Owner and relationship with The Company	Name of Beneficial Owner and relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common Shares of Stock	Keppel Land Limited [1] 230 Victoria Street, #15-05 Bugis Junction Towers, Singapore 188024 (Stockholder)	Same as Record Owner	Singaporean	148,365,050	50.49%
Common Shares of Stock	Kepwealth, Inc. [2] Unit 3-B Country Space I Bldg, Sen. Gil Puyat Avenue, Makati City (Stockholder)	Same as Record Owner	Filipino	51,033,178	17.37%
Common Shares of Stock	Keppel Corporation Limited [3] 1 HarbourFront Avenue #18-01 Keppel Bay Tower, Singapore 098632 (Stockholder)	Same as Record Owner	Singaporean	35,783,741	12.18%
Common Shares of Stock	PCD Nominee Corp. – Filipino [4] G/F Makati Stock Exchange Building 6767 Ayala Avenue Makati City	Various [5]	Filipino	30,274,080	10.30%

1 Mr. Linson Lim Soon Kooi; is authorized as proxy to vote for the shareholdings of Keppel Land Limited.

2 Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote in the shares of Kepwealth in the Company.

3 Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote for the shareholdings of KCL in the Company.

4 PCD Nominee Corporation (PCNC) is a wholly owned subsidiary of the Philippine Central Depository, a corporation established to improve operations in securities transactions and to provide a fast, safe and highly efficient system for securities settlement in the Philippines. PCNC acts as trustee-nominee for all shares lodged in the PCD system, where trades effected on the Philippine Stock Exchange are finally settled with the PCD.

However, while PCNC is the actual shareholder in the said company, shares held by PCNC do not grant voting powers to it as beneficial ownership of the shares still remain with the lodging stockholder. By policy, PCNC does not vote the shares it was entrusted with in its name.

5 The Insular Life Assurance Company, Ltd. is the beneficial owner of the following shares of the Company as of 31 December 2014:

	No. of shares held	% of class
The Insular Life Assurance Company, Ltd.	18,496,016	6.29%

(b) Security Ownership of Management:

As of 31 December 2014, the shareholdings of all Directors of Keppel Philippines Properties, Inc. are set forth in the table below:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares of Stock	Lim Kei Hin	1 Director's Qualifying Share	Singaporean	0.00%
Common Shares of Stock	Choo Chin Teck	1 Director's Qualifying Share	Singaporean	0.00%
Common Shares of Stock	Ramon J. Abejuela	1 Director's Qualifying Share	Filipino	0.00%
Common Shares of Stock	Celso P. Vivas	1 Director's Qualifying Share	Filipino	0.00%
Common Shares of Stock	Linson Lim Soon Kooi	1 Director's Qualifying Share	Malaysian	0.00%
Common Shares of Stock	Stefan Tong Wai Mun	10,000	Malaysian	0.00%
Common Shares of Stock	Lee Foo Tuck	1,455,708	Singaporean	0.50%

None of the compensated executive officers have Security Ownership in the Company as shown in the list of shareholders purchases provided by the Company's transfer agent.

The total security ownership of all directors and officers as a group unnamed is 1,465,713 shares or 0.50% of total shares outstanding.

(c) Voting Trust Holders of 5% or more

As of 31 December 2014, there are no individuals or parties who hold 5% or more of the Company's common stock under a voting trust or similar agreement.

(d) Changes in control

There were no events or arrangements which may result in a change in control of the Company.

14. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the fiscal year, no director of the Company has received or become entitled to receive any benefit by reason of any contract with the company, a related corporation, a firm of which the director is a member or a company of which a director has a substantial financial interest.

No executive officer or stockholder holding at least 5% interest in the Company received any benefit by reason of the Company's contracts/dealings with any subsidiary, related corporation, or firm of which such persons have a direct or material interest.

PART IV – CORPORATE GOVERNANCE

15. Please refer to attached Annual Corporate Governance Report (ACGR), filed as part of this Form 17-A.

PART V- EXHIBITS AND SCHEDULES

16. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits- See accompanying Index to Exhibits (page 86)

The following exhibit is filed as a separate section of this report:
No. (18) on Index to Exhibits - Subsidiaries of the Registrant (page 87)

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C
Reports on SEC Form 17-C filed during the last six (6) month period covered by this report are as follow:

Date	Events Reported
01 April 2014	Setting of Date of the Corporation's Y2014 Annual Stockholders' Meeting and Fixing the Record Date for Stockholders Entitled of and to Vote during the Annual Stockholders' Meeting
15 April 2014	Approval of SEC Form 17-A FY2013 Approval and Release of Audited Financial Statements as of 31 December 2013
25 April 2014	Schedule, Venue and Agenda of the Y2014 Annual Stockholders' Meeting of Keppel Philippines Properties, Inc.
13 May 2014	Amendment of Articles of Incorporation
16 June 2014	Approval of Directors' Remuneration for Y2013
16 June 2014	Approval of the following during the Annual Stockholder's Meeting: Appointment of External Auditors

	Election of Directors Presentation and Approval of Y2013 Annual Report and Audited Financial Statements as of 31 December 2013 Approval of Directors' Remuneration for Y2013 Amendment of the Articles of Incorporation
16 June 2014	Approval of the following during the Organizational Meeting of the Board of Directors: Election of Officers Appointment of Members of Various Committees
28 July 2014	Amendment of the Corporation's Manual on Corporate Governance
18 February 2015	Approval and Release of Audited Financial Statements as of 31 December 2014
03 March 2015	Resignation/Election of Director

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on 10 April 2015.

By:

Lee Foo Tuck
President

Almira A. Añonuevo
Treasurer

Atty. Ma. Melva E. Valdez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 13th day April of 2015 affiant (s) exhibiting to me his/their Community Tax Certificates, as follows:

Names	TIN No.
Lee Foo Tuck	235-817-895
Almira A. Añonuevo	187-488-070
Ma. Melva E. Valdez	123-493-209

Doc. No. 123
Page No. 26
Book No. 1
Series of 2015.

PAOLO D. NIETO
Appointment No. M-100 / Notary Public / Makati
Valid Until 31 December 2016
JGLaw, 6th Floor, SOL Bldg., 112 Amorsolo St.,
Legaspi Village, Makati City
PTR No. 4750994 / 05 January 2015 / Makati City
IBP No. 978195 / 06 January 2015 / Makati City
Roll No. 62942

KEPPEL PHILIPPINES PROPERTIES, INC.
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

* These schedules, which are required by Part IV (e) of RSA Rule 48, have been omitted because they are either not applicable, or the information required to be presented is included in the Company's Consolidated Financial Statements or the Notes to Consolidated Financial Statements.

CONSULATE GENERAL OF THE PHILIPPINES
HO CHI MINH CITY, SOCIALIST REPUBLIC OF VIETNAM

ACKNOWLEDEGMENT

I, **Atty. LE THI PHUNG**, Honorary Consul General of the Consulate General of the Philippines in Ho Chi Minh City, Socialist Republic of Vietnam, do hereby certify that **LINSON LIM SOON KOOI**, at the time he signed the attached document before me and believe that his signature affixed thereto are genuine.

For the contents of the attached document, the Consulate General of the Philippines assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Philippines in Ho Chi Minh City, Socialist Republic of Vietnam, this 20th day of March 2015.

CONSULATE GENERAL OF THE PHILIPPINES HO CHI MINH CITY

Atty. LE THI PHUNG
Consul General a. h.

Doc. No. : 0878
Page No. : 10
Service No. : 0878
Fee Paid : VND 575,000
O.R. No. : 6807396
Series of 2015

40/5 Pham Viet Chanh Street, Ward 19, Binh Thanh District, Ho Chi Minh City, Viet Nam.
Tel: +84 8 3518 0045 Fax: +84 8 3518 0047
Website: hanoipe.dfa.gov.ph

Keppel Philippines Properties

Keppel Philippines Properties, Inc.
Units 2203-2204 Raffles Corporate Center
F. Ortigas Jr. Road, Ortigas Center
Pasig City 1605, Philippines

Tel : (632) 5846170
(632) 5846171
(632) 5843913
Fax: (632) 5843915

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of Keppel Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

LINSON LIM SOON KOOI
Chairman of the Board

LEE FOO TUCK
President

ALMIRA A. ANONUEVO
Treasurer

Signed this 16th day of February 2015

SUBSCRIBED AND SWORN to before me this APR 1 0 2015 at MANILA, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Expiry Date
Lee Foo Tuck	E3425160D	Sept. 27, 2012	March 14, 2018
Almira A. Anonuevo	EB1292024	Oct. 20, 2010	Nov. 2, 2015

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PAGE NO. 21
BOOK NO. 41
SERIES OF 2015

ATTY. RICHARD L. ANOLIN
NOTARY PUBLIC UNTIL DECEMBER 31, 2015
COMMISSION NO 2014-059
FOR THE CITY OF MANILA PHILIPPINES
IBP LIFETIME NO 05179/02-25-05/MLA
PTR NO 3628182 01/05/15/MLA
ROLL NO 33596
MCLE COMPLIANCE NO IV-002385018/16/14
RODOLFO ANOLIN AND ASSOCIATES LAW OFFICE
2/F YMCA OF MANILA BLDG
350 ANTONIO VILLEGAS ST
ERMITA MANILA TEL 525-05-80
EMAIL ADD atty.richardanolin@yahoo.com

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Keppel Philippines Properties, Inc.
Units 2203 and 2204, Raffles Corporate Center
F. Ortigas Jr. Road (formerly Emerald Avenue)
Ortigas Center, Pasig City

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751347, January 6, 2015, Makati City

February 16, 2015

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 22)	**₱151,498,654**	₱152,478,158
Receivables (Notes 7 and 22)	**5,171,155**	3,568,497
Due from related parties (Notes 15 and 22)	**168,865,094**	182,123,992
Other current assets (Notes 8 and 21)	**19,504,708**	17,766,675
Total Current Assets	**345,039,611**	355,937,322
Noncurrent Assets		
Receivables - noncurrent portion (Notes 7 and 22)	**–**	1,666,000
Available-for-sale financial assets (Notes 9 and 22)	**79,512,230**	79,512,230
Investments in associates and a joint venture (Note 10)	**1,332,947,243**	1,317,469,011
Property and equipment - net (Note 12)	**307,480**	313,420
Refundable deposits (Note 22)	**107,110**	56,108
Pension asset - net (Note 17)	**298,215**	328,617
Total Non-Current Assets	**1,413,172,278**	1,399,345,386
TOTAL ASSETS	**₱1,758,211,889**	₱1,755,282,708
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 13 and 22)	**₱5,543,223**	₱4,077,698
Due to related parties (Notes 15 and 22)	**100,000,000**	100,000,000
Income tax payable	**118,139**	198,005
Provisions (Note 19)	**2,095,267**	2,095,267
Total Current Liabilities	**107,756,629**	106,370,970
Noncurrent Liability		
Net deferred tax liability - net (Note 18)	**5,197**	740,814
Total Liabilities	**107,761,826**	107,111,784
Equity (Note 14)		
Capital stock	**356,104,000**	356,104,000
Additional paid-in capital	**602,885,517**	602,885,517
Treasury shares - at cost	**(2,667,645)**	(2,667,645)
Other reserves	**646,637**	665,786
Retained earnings	**693,481,554**	691,183,266
Total Equity	**1,650,450,063**	1,648,170,924
TOTAL LIABILITIES AND EQUITY	**₱1,758,211,889**	₱1,755,282,708

See accompanying Notes to Consolidated Financial Statements.

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUE AND INCOME			
Equity in net earnings of associates and a joint venture (Note 10)	**₱20,323,109**	₱26,194,363	₱25,052,772
Management consultancy and franchise fees (Note 15)	**6,741,020**	9,158,538	8,907,185
Interest income (Notes 6, 15 and 17)	**621,646**	2,452,485	11,874,283
	27,685,775	37,805,386	45,834,240
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**(25,454,425)**	(23,358,840)	(23,365,739)
OTHER INCOME (CHARGES)			
Foreign exchange loss – net	**(142,285)**	(110,198)	(430,465)
Gain on sale of investment properties (Note 11)	–	3,571,429	–
Commission income (Note 15)	–	–	712,553
Rental income (Note 11)	–	179,031	51,711
Others	**820**	961	1,000
	(141,465)	3,641,223	334,799
INCOME BEFORE INCOME TAX	**2,089,885**	18,087,769	22,803,300
PROVISION FOR INCOME TAX (Note 18)			
Current	**538,240**	1,145,686	2,685,358
Deferred	**(746,643)**	287,271	519,881
	(208,403)	1,432,957	3,205,239
NET INCOME	**2,298,288**	16,654,812	19,598,061
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be recycled to profit or loss			
Actuarial gain (loss) on defined benefit plan (Note 17)	**36,754**	(197,252)	(76,702)
Income tax relating to actuarial loss (gain) (Notes 17 and 18)	**(11,026)**	59,176	23,011
Share on actuarial losses of an associate and a joint venture (Note 10)	**(44,877)**	(57,684)	(1,665)
	(19,149)	(195,760)	(55,356)
TOTAL COMPREHENSIVE INCOME	**₱2,279,139**	₱16,459,052	₱19,542,705
Basic/Diluted Earnings Per Share (Note 20)	**₱0.01**	₱0.06	₱0.07

See accompanying Notes to Consolidated Financial Statements.

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Capital Stock				Other Reserves			
	Common (Note 14)	Preferred (Note 14)	Additional Paid-in Capital (Note 14)	Treasury Shares - at cost (Note 14)	Actuarial Gain on Defined Benefit Plan (Notes 14 and 17)	Share on Actuarial Gain of an Associate and a Joint Venture (Notes 10 and 14)	Retained Earnings (Note 14)	Total Equity
At January 1, 2014	₱296,629,900	₱59,474,100	₱602,885,517	(₱2,667,645)	₱212,538	₱453,248	₱691,183,266	₱1,648,170,924
Net income	–	–	–	–	–	–	2,298,288	2,298,288
Other comprehensive income	–	–	–	–	25,728	(44,877)	–	(19,149)
Total comprehensive income	–	–	–	–	25,728	(44,877)	2,298,288	2,279,139
At December 31, 2014	₱296,629,900	₱59,474,100	₱602,885,517	(₱2,667,645)	₱238,266	₱408,371	₱693,481,554	₱1,650,450,063
At January 1, 2013	₱296,629,900	₱59,474,100	₱602,885,517	(₱2,667,645)	₱350,614	₱510,932	₱674,528,454	₱1,631,711,872
Net income	–	–	–	–	–	–	16,654,812	16,654,812
Other comprehensive income	–	–	–	–	(138,076)	(57,684)	–	(195,760)
Total comprehensive income	–	–	–	–	(138,076)	(57,684)	16,654,812	16,459,052
At December 31, 2013	₱296,629,900	₱59,474,100	₱602,885,517	(₱2,667,645)	₱212,538	₱453,248	₱691,183,266	₱1,648,170,924
At January 1, 2012	₱296,629,900	₱59,474,100	₱602,885,517	(₱2,667,645)	₱404,305	₱512,597	₱654,930,393	₱1,612,169,167
Net income	–	–	–	–	–	–	19,598,061	19,598,061
Other comprehensive income	–	–	–	–	(53,691)	(1,665)	–	(55,356)
Total comprehensive income	–	–	–	–	(53,691)	(1,665)	19,598,061	19,542,705
At December 31, 2012	₱296,629,900	₱59,474,100	₱602,885,517	(₱2,667,645)	₱350,614	₱510,932	₱674,528,454	₱1,631,711,872

See accompanying Notes to Consolidated Financial Statements.

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,089,885**	₱18,087,769	₱22,803,300
Adjustments for:			
Depreciation (Notes 12 and 16)	**162,462**	864,062	990,136
Bad debts (Note 16)	**–**	–	625,542
Foreign exchange losses (gains)	**142,285**	110,198	(62,815)
Gain on sale of investment properties (Note 11)	**–**	(3,571,429)	–
Current service cost (Note 17)	**233,366**	178,574	149,180
Interest income (Notes 6, 15 and 17)	**(621,646)**	(2,452,485)	(11,874,283)
Equity in net earnings of associates and a joint venture (Note 10)	**(20,323,109)**	(26,194,363)	(25,052,772)
Loss before changes in working capital	**(18,316,757)**	(12,977,674)	(12,421,712)
Decrease (increase) in:			
Receivables	**77,527**	(5,105,179)	(100,341)
Due from related parties	**13,258,898**	2,243,240	(2,601,603)
Other current assets	**(1,738,033)**	(1,205,682)	(727,454)
Increase (decrease) in:			
Accounts payable and other current liabilities	**1,465,525**	700,542	362,525
Due to related parties	**–**	(288,500)	288,500
Provisions	**–**	–	(467,097)
Net cash used in operations	**(5,252,840)**	(16,633,253)	(15,667,182)
Contribution to the retirement plan (Note 17)	**(152,901)**	(153,733)	(102,773)
Interest received	**594,152**	2,521,670	12,119,258
Income tax paid	**(618,106)**	(1,097,423)	(2,679,587)
Net cash used in operating activities	**(5,429,695)**	(15,362,739)	(6,330,284)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in refundable deposits	**(51,002)**	–	–
Proceeds from:			
Dividend from associate (Note 10)	**4,800,000**	–	–
Sale of investment properties (Note 11)	**–**	3,571,429	–
Payments for acquisition of property and equipment (Note 12)	**(156,522)**	(195,663)	(114,435)
Net cash provided by (used in) investing activities	**4,592,476**	3,375,766	(114,435)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in amounts due from related parties	**–**	–	42,616,984
Decrease in amounts due to related parties	**–**	–	(179,078,006)
Net cash used in financing activities	**–**	–	(136,461,022)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(142,285)**	(110,198)	62,815
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(979,504)**	(12,097,171)	(142,842,926)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**152,478,158**	164,575,329	307,418,255
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱151,498,654**	₱152,478,158	₱164,575,329

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Keppel Philippines Properties, Inc. ("Parent Company") and the following subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on February 7, 1918. The Parent Company's corporate life was extended for another fifty (50) years starting February 7, 1968.

Subsidiaries	Percentage of Ownership	Nature of Business
Buena Homes, Inc. (BHI)	100%	Investment holding
CSRI Investment Corporation (CSRI)	100%	Investment holding

The Parent Company is listed in the Philippine Stock Exchange (PSE). Its parent company is Keppel Land Limited (KLL) and the ultimate parent company is Keppel Corporation Limited (KCL), both incorporated in Singapore. KCL is listed in the Singapore Exchange (SGX). As of December 31, 2014 and 2013, the top five beneficial shareholders of the Parent Company are the following:

	Percentage of Ownership	
Shareholders	**2014**	2013
KLL	**50%**	59%
Kepwealth, Inc.	**17%**	14%
KCL	**12%**	10%
PCD Nominee Corporation	**12%**	10%
Public	**9%**	7%

The Group holds investments in associates involved in property holding and development and render management consultancy services to associates (see Note 15).

On December 6, 2010, the Group submitted its application to SEC to temporarily change its business address to Units 2203 and 2204, Raffles Corporate Center, F. Ortigas Jr. Road (formerly Emerald Avenue), Ortigas Center, Pasig City due to the ongoing reconstruction of the Group's principal office. The Group's principal office address is Penthouse, Benguet Centre Building, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The consolidated financial statements of the Group have been authorized for issue by the Board of Directors (BOD) on February 16, 2015.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements of the Group have been prepared under the historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱), which is the Group's functional currency. Amounts are rounded off to the nearest Philippine Peso, except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014. Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies.

All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Assessment of Control
Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Parent Company re-assesses whether or not it controls the investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company since the subsidiaries are wholly-owned by the Parent Company.

3. Changes in Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended PFRS, which became effective on January 1, 2014.

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. 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 did not have any impact on the Group's financial position or performance since it does not offset its financial instruments.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement,* on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for 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 did not have an impact on the Group's financial statements since it does not have goodwill allocated to a CGU or an intangible asset with indefinite useful life.

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at FVPL. The amendment must be applied retrospectively, subject to certain transition relief. This amendment did not have an impact to the Group's financial statements since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies*
  This Philippine Interpretation 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. The interpretation did not have any impact in consolidated financial statements as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

- 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. The amendment did not have any impact in the financial statements as the Group does not enter into hedging transactions.

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

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment is effective immediately and 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. The amendment did not have an impact on the Group's financial position or performance since the Group's policy is already consistent with the amendment.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment is effective immediately and clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

Future Change in Accounting Policies
The Group will adopt the following new and amended standards and interpretations enumerated below when these becomes effective.

Effective in 2015

- PAS 19, *Employee Benefits- Defined Benefit Plans: Employee Contributions* (Amendment)
  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. The amendments do not have an impact on the consolidated financial statements since employees or third parties do not contribute to the Group's retirement plan.

Annual Improvements to PFRSs (2010 - 2012 cycle)
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 Group as it has no share-based payments.

- Amendment to 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 Group shall consider this amendment for future business combinations.

- Amendment to 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 on the judgment made by management in aggregating operating segments and have no impact on the Group's financial position or performance.

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  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 Group's financial position or performance since the Group does not carry its property and equipment at revalued amount.

- Amendment to 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 will not have an impact on the Group's financial position or performance since the key management personnel of the Group are employees of the Group.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 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. The amendment will have no impact on the Group's consolidated financial statements since the Group has not entered into any joint arrangements.

- 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 will have no impact on the Group's financial position or performance since the Group's accounting policy is already consistent with the improvement.

- 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 Group shall consider this amendment for future acquisition of investment property.

Effective in 2016

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

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

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group is currently assessing the impact of these amendments in the separate financial statements of each entity in the Group.

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment will not have an impact on the Group's consolidated financial statements since the Group is an existing PFRS preparer and has no activities subject to rate regulation.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment will not have an impact on the Group's financial statements since the Group does not have noncurrent assets held for sale nor any discontinued operations.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. The amendment will not have an impact on the Group's financial statements since the Group does not offer servicing contracts that involves continuing involvement in a derecognized financial asset.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendments will not have any impact on the Group's consolidated financial statements since it does not offset its financial instruments.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments will not have an impact on the Group's financial statements since the Group's policy is already consistent with the amendment.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendments will not have an impact on the Group's financial statements since the Group already presents the required interim disclosures in its interim financial statements.

Effective in 2018

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

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

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

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

  The amendments will not have an impact on the Group's consolidated financial statements the Group is not involved in any hedging transactions.

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

  The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and will have no impact on the classification and measurement of financial liabilities.

No effective date yet

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The interpretation will not have an impact on the Group's consolidated financial statements since the Group is not involved in pre-selling activities in its real estate inventories.

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

4. Summary of Significant Accounting Policies

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

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Initial recognition

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Financial assets are classified in four categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets; while financial liabilities are classified in two categories: financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability 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 total liabilities and equity, net of any related income tax benefits.

As of December 31, 2014 and 2013, the Group does not have financial assets and liabilities at FVPL and HTM investments.

Day 1 profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss. In cases where no observable data is used, the difference between the transaction price and model values is recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" profit amount.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Loans and receivables are carried at cost or amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as non-current assets.

This accounting policy relates to the consolidated statement of financial position captions "Cash and cash equivalents", "Receivables", "Due from related parties" and "Refundable deposits".

AFS financial assets
AFS financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Subsequent to initial recognition, AFS financial assets are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported in OCI until the investment is derecognized or the investment is determined to be impaired. Assets under this category are classified as current assets if maturity is within twelve months from the end of the reporting date and as non-current assets if maturity date is more than a year from the end of the reporting date.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment loss.

Classified under this category are the Group's unquoted club shares and redeemable preferred shares carried at cost.

Other financial liabilities
This category pertains to financial liabilities that are not held-for-trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or loans and borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Group's "Accounts payable and other current liabilities", "Due to related parties" and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

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

Assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivable 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 (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or 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 a collective assessment of impairment.

If, in a subsequent period, the amount of 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, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of impairment loss is recognized in profit or loss.

AFS financial assets carried 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.

The Group recognizes impairment losses on AFS equity investments when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Group considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period).

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

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. 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 or the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

Fair Value

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

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

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

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

Financial assets

The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Non-financial assets

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

Fair value hierarchy

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

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

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

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

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

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

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

Other current assets

Creditable withholding taxes

Creditable withholding taxes represent amounts withheld by the Group's counterparties in relation to revenue earned. Subsequently, these amounts are applied against the income tax payable.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in the operations or expire with the passage of time.

Investments in Associates and a Joint Venture

Associates are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is an entity, not being a subsidiary or an associate, in which the Group exercises joint control together with one or more venturers. Investments in associates and joint venture are accounted for under the equity method of accounting.

Under the equity method, the investments in associates and joint venture are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less dividends declared and impairment in value. If the Group's share of losses of an associate and joint venture equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses. The interest in an associate and joint venture is the carrying amount of the investment in the associate and joint venture under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate and joint venture. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investments in the associates and joint venture. The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the associates. This is included in the "Equity in net earnings of associates and a joint venture" account in the consolidated statement of comprehensive income. After the Group's interest is reduced to zero, additional losses are provided to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any change and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates, joint venture and the Group are identical and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

Unrealized gains arising from intercompany transactions with its associates and joint venture are eliminated to the extent of the Group's interest in the associate and joint venture. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

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

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are stated at cost, less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Depreciation of investment properties is computed using the straight-line method over its estimated useful life of 10 years.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when such cost is incurred if the recognition criteria are met.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Transportation equipment	2-5
Office equipment	1-4
Furniture and fixtures	4

The useful lives, residual value and depreciation method are reviewed periodically to ensure that the period, residual value and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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

Impairment of Non-financial Assets
The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of 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 or 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 present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

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

Investments in associates and joint venture
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investments in associates or jointly controlled entities are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in profit or loss.

Provisions
Provisions are recognized when the Group 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. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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 interest expense.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Management consultancy fees and franchise fees
Management consultancy fees and franchise fees are recognized on an accrual basis in accordance with the terms and conditions of the agreement.

Interest income
Interest income is recognized as interest accrues, taking into account the effective yield on the asset.

Rental income
Rental income is recognized in profit or loss when earned.

Commission income
Commission income is recognized when earned.

General and Administrative Expenses
General and administrative expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. General and administrative expenses are recognized in profit or loss in the period these are incurred.

Equity
Capital stock
Capital stock is measured at par value for all shares issued.

Additional paid-in capital
Additional paid-in capital represents capital contribution in excess of par value of the capital stock.

Reserves
Reserves pertaining to other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in the statement of income for the year in accordance with PFRS. Other comprehensive income includes remeasurement gains or losses on the Group's retirement benefits and the share of the Group on actuarial gain of its associate and joint venture.

Retained earnings
Retained earnings represent the cumulative balance of net income or loss of the Group, net of any dividend declaration.

Treasury shares
Treasury shares are recorded at cost and presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is deducted from additional paid-in capital to the extent of the specific or

average additional paid-in capital when the shares were issued and from retained earnings for the remaining balance.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to remeasurements comprising actuarial gain on defined benefit plan assets.

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

(a) there is a change in the contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal and extension was initially included in the lease term;
(c) there is a change in the determination of whether the 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 of the change in circumstances that gave rise to the reassessment for scenarios (a), (c) and (d) above and at the date of renewal or extension period for scenario (b).

Group as a lessee
Lease of assets under which the lessor effectively retains all the risks and rewards of ownership is classified as operating lease. Lease payments under an operating lease are recognized as an income on a straight-line basis over the lease term.

Foreign Currency Transactions
The consolidated financial statements are presented in Philippine Peso, which is the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expense in the period they are realized.

Retirement Cost
The Group has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset

ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement costs comprise the following:

(a) Service costs
(b) Net interest on the net defined benefit liability or asset
(c) Remeasurements of net defined benefit liability or asset

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

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

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability) are recognized immediately in OCI under "Actuarial gain on defined benefit plan" in the period in which they arise. Remeasurements are not recycled to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting net pension asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Short-term Employee Benefits
Short-term employee benefits include items such as salaries and wages, social security contributions and nonmonetary benefits, if expected to be settled wholly within twelve months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

Income Tax

Current tax

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

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefits of excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses 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 future taxable income 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 income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of 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 OCI 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 tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

Basic/Diluted Earnings Per Share (EPS)
EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year, with retroactive adjustments for any stock dividends declared.

Operating Segments
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 23.

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

Events after the Reporting Date
Post year-end events that provide additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Assessment of control
The Parent Company classifies its investee companies as subsidiary if the Parent Company achieves control over the companies. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the event the Parent Company loses this power, the Parent Company will have to change the classification of its investment in investee companies.

Operating leases - Group as lessee
The Group has entered into commercial property leases related to its office spaces. Substantially, all the risks and benefits incidental to ownership of the leased items are not transferred to the Group. Total rent expense charged to operations amounted to ₱1.5 million, ₱1.4 million and ₱1.3 million in 2014, 2013 and 2012, respectively (see Notes 16 and 21).

Impairment of financial assets not quoted in an active market
The Group assesses impairment on its financial assets not quoted in an active market whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Among others, the factors that the Group considers important which could trigger an impairment review on its investment in unquoted securities include the following:

- Deteriorating or poor financial condition
- Recurring net losses; and,
- Significant changes with an adverse effect on the associate have taken place during the period, or will take place in the near future, the technological, market, economic, or legal environment in which the investees operate.

No impairment indicators were identified in 2014 and 2013. The carrying values of AFS financial assets not quoted in an active market amounted to ₱79.5 million as of December 31, 2014 and 2013 (see Note 9).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty as of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are discussed below:

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Please refer to Note 22 for the related balances.

Allowance for doubtful accounts
The Group maintains allowance for doubtful accounts on its receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective impairment exists for the receivable by considering the financial condition and credit history of the counterparty. Moreover, the Group also considers its historical loss experience in assessing collective impairment of receivables. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for doubtful accounts on receivables would increase the Group's recorded expenses and decrease current assets.

Receivables amounted to ₱5.1 million and ₱5.2 million as of December 31, 2014 and 2013, respectively. Due from related parties amounted to ₱168.9 million and ₱182.1 million as of December 31, 2014 and 2013, respectively. No allowance was provided for these receivables as of December 31, 2014 and 2013 (see Notes 7 and 15).

Estimated useful lives of property and equipment
The useful life of each of the Group's items of property and equipment and investment properties is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each item of property and equipment is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded general and administrative expenses and decrease non-current assets. There were no change in the estimated useful lives of the Group's property and equipment in 2014 and 2013.

The total carrying value of the Group's property and equipment as of December 31, 2014 and 2013 amounted to ₱0.3 million (see Note 12).

Provisions
The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Provisions for estimated losses on claims by a third party amounted to ₱2.1 million as of December 31, 2014 and 2013 (see Note 19).

Impairment of non-financial assets
The Group assesses impairment on its property and equipment and investments in associates and joint venture whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount.

This requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations.

As of December 31, 2014 and 2013, the Group did not recognize any impairment loss on its non-financial assets. The total carrying value of investments in associates and joint venture and property and equipment as of December 31, 2014 and 2013 amounted to a total of ₱1,333.3 million and ₱1,317.8 million, respectively (see Notes 10, 11 and 12).

Retirement benefits
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves using various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. The significant assumptions are reviewed at each reporting date. The present value of defined benefit obligation as of December 31, 2014 and 2013 amounted to ₱1.3 million and ₱1.2 million, respectively (see Note 17).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 17.

Recognition of deferred tax assets
The Group's assessment on the recognition of deferred tax assets on non-deductible temporary differences and carry forward benefit of NOLCO and MCIT is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

As of December 31, 2014 and 2013, recognized deferred tax assets amounted to ₱0.7 million and ₱0.3 million, respectively. The amount of unrecognized deferred tax assets amounted to ₱15.6 million and ₱13.6 million as of December 31, 2014 and 2013, respectively (see Note 18).

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Petty cash fund	**₱35,000**	₱55,000
Cash in banks	**22,393,201**	152,423,158
Cash equivalents	**129,070,453**	–
	₱151,498,654	₱152,478,158

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates that range from 0.52% to 0.67% and 3.25% to 4% in 2014 and 2013, respectively.

Interest income from cash and cash equivalents amounted ₱0.6 million, ₱2.5 million and ₱11.9 million in 2014, 2013 and 2012, respectively.

7. Receivables

This account consists of:

	2014	2013
Non-trade	**₱2,666,664**	₱3,666,000
Receivable from employees	**2,490,306**	1,517,328
Interest	**14,185**	–
Trade	**–**	51,169
	5,171,155	5,234,497
Less non-current portion	**–**	1,666,000
	₱5,171,155	₱3,568,497

Non-trade receivable pertains to the receivable arising from an agreement of the Group with a third party entered on October 24, 2013 to sell its fully depreciated investment properties, payment of which is receivable in equal amounts for twenty-four (24) months (see Note 11).

Receivable from employees represents non-interest bearing loans granted to employees that are collected through salary deduction.

Interest pertains to accrued interest on short-term deposits and is collectible within one year.

8. Other Current Assets

This account consists of:

	2014	2013
Creditable withholding taxes	**₱16,395,361**	₱15,736,653
Prepayments	**2,598,950**	1,665,276
Others	**510,397**	364,746
	₱19,504,708	₱17,766,675

Creditable withholding taxes pertain to the amounts withheld by the Group's counterparties in relation to the management consultancy and franchise fees. Management determined that these creditable withholding taxes will still be utilized in the future.

Prepayments include advance rental deposits amounting to ₱0.9 million for one year which arose from the transfer of the Group's office to a temporary address due to the ongoing reconstruction of its principal office in 2014 (see Note 21).

9. Available-for-Sale Financial Assets

This account consists of unquoted investments as follows:

	2014	2013
Preferred equity securities	**₱79,287,230**	₱79,287,230
Club shares	**225,000**	225,000
	₱79,512,230	₱79,512,230

As of December 31, 2014 and 2013, unquoted AFS financial assets amounting to ₱79.5 million are carried at cost.

Preferred shares pertain to investments on Opon Ventures, Inc. (OVI) and Opon KE Properties, Inc. (OKEP) that are classified as AFS financial assets since the characteristics of the investment will not affect the significant influence of the Parent Company over OVI and OKEP (see Note 10).

The features and conditions of the redeemable preferred shares are as follows:

- Non-voting, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code of the Philippines
- The redeemable preferred shares shall be entitled to preference in the distribution of dividends at a fixed yield of (3%) per annum. After payment of such preferred dividends, the holders of

such preferred shares shall be entitled to participate pro rata with holders of common shares in the remaining profits.

- Redeemed at the option of the issuer, in full or in part, within a period of (10) years from date of issuance, at a price to be determined by the BOD.
- If the preferred shares are not redeemed within the period of ten (10) years, the holder shall have the option to:
  i. Convert the preferred shares to participating preferred shares;
  ii. Remain as redeemable preferred shares for another five (5) years, after which the holder can choose to convert to either Common Shares or Participating Preferred shares.

The preferred shares shall be issued at ten pesos (₱10) per share.

10. Investments in Associates and a Joint Venture

The details and movements of this account are as follows:

	2014	2013
Cost	**₱806,321,443**	₱806,321,443
Accumulated equity in net earnings		
Presented in profit or loss		
At January 1	**510,694,320**	484,499,957
Dividend received	**(4,800,000)**	–
Presented in profit or loss	**20,323,109**	26,194,363
At December 31	**526,217,429**	510,694,320
Presented in OCI		
At January 1	**453,248**	510,932
OCI	**(44,877)**	(57,684)
At December 31	**408,371**	453,248
	₱1,332,947,243	₱1,317,469,011

Dividend received pertains to 40% of the dividends declared by Opon Realty and Development Corporation (ORDC) on April 30, 2014 amounting to ₱12.0 million or ₱1.20 per share, which was paid on December 10, 2014.

The carrying values of the Group's investments in associates and a joint venture and the related percentages of ownership are shown below:

	Percentage of Ownership		Carrying Amount	
	2014	2013	2014	2013
Associates				
Buena Homes (Sandoval) Inc. (BHSI)	40%	40%	₱159,292,459	₱151,117,551
Opon-KE Properties, Inc. (OKEP)	40	40	88,896,516	85,660,410
Opon Ventures, Inc. (OVI)	40	40	21,975,773	20,097,804
ORDC	40	40	14,689,834	18,900,828
Joint Venture				
SMKL	40	40	1,048,092,663	1,041,692,418
			₱1,332,947,245	₱1,317,469,011

The Group's associates and joint venture were all incorporated in the Philippines. SMKL's main source of revenue is to operate and maintain office and shopping center spaces for rent, carpark and cinema. BHSI is involved in the construction of a mixed use housing project. The primary purpose of the Group's other associates is to acquire by purchase, lease, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise, real estate of all kinds.

SMKL

On November 28, 2011, SMKL assigned its development rights and sold its basement car park to BDO, a joint venture partner, at a gain of ₱585.8 million and ₱37.1 million, respectively. In 2012, SMKL assessed that there was a need to adjust the selling price and use the higher end of the range stipulated in the contract which is ₱14,000 per sqm. (based on comparable selling prices within the Ortigas Business District) and recorded additional gain and receivable from BDO amounting to ₱85.6 million and ₱95.9 million, respectively. The receivable was fully collected in 2014.

BHSI

On December 28, 2012, BHSI and Phinma Property Holdings Corporation (PPHC) entered into a Contract to Sell (CTS) agreement wherein BSHI sold a parcel of land with a total area of 20,009 square meters for a total consideration of ₱100.1 million. The disposal resulted to a loss amounting to ₱32.2 million, which includes the reversal of the related capitalized management fees and construction cost amounting to ₱13.6 million and ₱7.9 million, respectively.

Significant financial information of the associates and joint venture follows:

	December 31, 2014				
	BHSI	OKEP	OVI	ORDC	SMKL
			(In Millions)		
Current assets	**₱555.9**	**₱57.1**	**₱0.3**	**₱5.0**	**₱1,380.5**
Non-current assets	**0.7**	**333.6**	**119.8**	**93.9**	**1,103.2**
Total Assets	**556.6**	**390.7**	**120.1**	**98.9**	**2,483.7**
Current liabilities	**152.4**	**126.7**	**1.7**	**73.1**	**229.9**
Non-current liabilities	**5.7**	–	–	–	**1.6**
Total Liabilities	**158.1**	**126.7**	**1.7**	**73.1**	**231.5**
Gross revenue	**41.0**	**8.2**	–	**0.1**	**184.4**
Cost and expenses - net	**(15.9)**	**(0.2)**	**(0.2)**	**(1.4)**	**(162.9)**
Profit (loss) before income tax	**25.1**	**8.0**	**(0.2)**	**(1.3)**	**21.5**
Net profit (loss)	**22.6**	**8.0**	**(0.2)**	**(1.3)**	**16.1**
Other comprehensive income	–	–	–	–	**(0.1)**
Total comprehensive income	**0.4**	–	–	–	**0.4**

	December 31, 2013				
	BHSI	OKEP	OVI	ORDC	SMKL
			(In Millions)		
Current assets	₱573	₱43.7	₱0.3	₱18.1	₱1,465.3
Non-current assets	3.9	325.3	119.8	81.9	998.7
Total Assets	576.9	369	120.1	100.0	2,464
Current liabilities	195.3	113.1	1.5	72.8	152.6
Non-current liabilities	5.6	–	–	–	75.2
Total Liabilities	200.9	113.1	1.5	72.8	227.8
Gross revenues (losses)	6.3	4.1	0.4	0.2	266.6
Cost and expenses - net	(2.1)	(0.1)	(0.1)	(4.5)	(167.9)
Profit (loss) before income tax	(11.9)	3.9	0.3	(4.3)	98.7
Net profit (loss)	(11.9)	3.9	0.3	(4.3)	70.7
Other comprehensive loss	(0.02)	–	–	–	(0.1)
Total comprehensive income	0.4	–	–	–	0.5

11. Investment Properties

The Group's investment properties pertain to two (2) condominium units in Cebu.

The Group recognized rental income on these investment properties amounting to nil, ₱0.18 million and ₱0.05 million in 2014, 2013 and 2012, respectively.

On October 24, 2013, the Group, through its buyback agreement, sold its fully depreciated condominium units for ₱4.0 million, inclusive of ₱0.4 million output VAT. The gain on sale of the investment properties amounting to ₱3.6 million was included in profit or loss.

Payment is receivable in equal amounts for twenty-four (24) months. Collections in 2014 amounted to ₱1.0 million, inclusive of ₱0.1 million output VAT and collections in 2013 amounted to ₱0.3 million, inclusive of ₱0.03 million output VAT (see Note 7).

12. Property and Equipment

The rollforward analyses of this account are as follows:

	2014			
	Transportation Equipment	**Office Equipment**	**Furniture and Fixtures**	**Total**
Cost				
At January 1	₱1,404,506	₱3,511,494	₱2,435,459	₱7,351,459
Additions	–	156,522	–	156,522
Retirement	–	(1,861,743)	(29,814)	(1,891,557)
At December 31	1,404,506	1,806,273	2,405,645	5,616,424
Accumulated Depreciation				
At January 1	1,404,502	3,222,475	2,411,062	7,038,039
Depreciation (Note 16)	4	140,828	21,630	162,462
Retirement	–	(1,861,743)	(29,814)	(1,891,557)
At December 31	1,404,506	1,501,560	2,402,878	5,308,944
Net Book Value	₱–	₱304,713	₱2,767	₱307,480

	2013			
	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost				
At January 1	₱1,404,506	₱3,332,989	₱2,418,301	₱7,155,796
Additions	–	178,505	17,158	195,663
At December 31	1,404,506	3,511,494	2,435,459	7,351,459
Accumulated Depreciation				
At January 1	1,340,162	3,105,787	1,728,028	6,173,977
Depreciation (Note 16)	64,340	116,688	683,034	864,062
At December 31	1,404,502	3,222,475	2,411,062	7,038,039
Net Book Value	₱4	₱289,019	₱24,397	₱313,420

The Group retired its fully-depreciated property and equipment amounting to ₱1.89 million in 2014. Depreciation expense charged against operations amounted to ₱0.2 million in 2014, ₱0.9 million in 2013 and ₱1.0 million in 2012 (see Note 16). Cost of fully depreciated property and equipment still being used amounted to ₱4.6 million as of December 31, 2014 and 2013.

13. Accounts Payable and Other Current Liabilities

This account consists of:

	2014	2013
Accrued expenses	₱3,518,649	₱2,186,131
Taxes payable	1,403,967	1,180,742
Dividends payable	553,981	553,981
Trade	66,626	156,844
	₱5,543,223	₱4,077,698

Accrued expenses pertain to accruals on consultancy fees, salaries and other employee benefits and professional fees. Accrued expenses and other payables are payable within 30 to 60 days.

Taxes payable pertain to taxes withheld for transactions subject to withholding tax which are subsequently remitted within one month after the reporting date.

Dividends payable pertain to amounts declared when the Parent Company's name was still Cebu Shipyard and Engineering Works, Inc. but which have not been claimed by the respective shareholders to date.

Trade accounts payable represent payables to suppliers and are normally settled within one year.

14. Equity

a. Capital Stock

The details of the authorized capital stock of the Parent Company as of December 31, 2014 and 2013 are as follows:

Common stock - ₱1 par value	375,000,000
Preferred stock - ₱1 par value	135,700,000

Issued and outstanding shares of the Parent Company as of December 31, 2014 and 2013 are as follows:

	Number of shares	Amount
Common stock - issued	296,629,900	₱296,629,900
Treasury shares	(2,801,000)	(2,667,645)
Common stock - outstanding	293,828,900	₱293,962,255
Preferred stock	59,474,100	59,474,100

Preferred shares, which were issued on November 11, 2003, are redeemable in full or in part at the option of the Parent Company. No preferred shares have been redeemed in 2014 and 2013.

Preferred stockholders have preference over common stockholders with respect to the distribution of assets upon dissolution but not with respect to the payment of dividends.

Preferred stockholders are not entitled to dividends. Moreover, no voting right is vested on the preferred stockholders, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code (Code) of the Philippines as follows:

i. Amendment of the articles of incorporation;
ii. Adoption and amendment of by-laws;
iii. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property;
iv. Incurring, creating or increasing bonded indebtedness;
v. Increase or decrease of capital stock;
vi. Merger or consolidation of the corporation with another corporation or other corporations;
vii. Investment of corporate funds in another corporation or business in accordance with this Code; and
viii. Dissolution of the corporation.

On October 6, 2010, the BOD authorized the amendment of its articles of incorporation, particularly article 7 to read as follows:

Preferred shares may be redeemed in full or in part, at the option of the issuer, within a call period of seven (7) years from the date of approval of the amended articles. The redemption price will be equivalent to the issue price with an annual premium to be approved by the BOD. Likewise, the fairness of the annual premium rate must be confirmed by an independent financial advisor. The issue price will be ₱10 per share. The above amendments were approved by the stockholders on November 26, 2010.

b. Additional paid-in capital

The "Additional paid-in capital" presented in the consolidated statements of financial position and consolidated statements of changes in equity as of December 31, 2014 and 2013 are as follows:

Common stock	₱67,618,617
Preferred stock	535,266,900
	₱602,885,517

c. Retained earnings

The portion of retained earnings corresponding to the undistributed equity in net earnings of the associates and joint venture amounted to ₱526.2 million, ₱510.7 million and ₱485.0 million as of December 31, 2014, 2013 and 2012, respectively. These amounts are not available for distribution as dividends until declared by the associates and joint venture. Retained earnings are further restricted to the extent of ₱2.7 million representing the cost of shares held in treasury as of December 31, 2014 and 2013.

d. Other reserves

Other reserves pertain to items of OCI that will not be recycled to profit or loss. These include actuarial gain on defined benefit plan, net of tax, amounting to ₱0.24 million and ₱0.21 million as of December 31, 2014 and 2013, respectively, and share on actuarial gain of an associate and a joint venture amounting to ₱0.41 million as of December 31, 2014 and ₱0.45 million as of December 31, 2013.

The weighted average number of shares outstanding as of December 31, 2014 and 2013 is as follows:

Issued shares	296,629,900
Less treasury shares	2,801,000
Weighted average number of shares (Note 20)	293,828,900

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities.

Common shares	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of December 31, 2014
Common	293,828,900	₱1	September 11, 1989	1,259

15. Related Party Transactions

Parties are considered to be related to the Group if it has the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals (being members of key management personnel and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

Outstanding balances of transactions with related parties are as follows:

2014

Category	Amount	Outstanding Balance	Terms	Conditions
Due from				
Associates				
BHSI	**₱74,592**	**₱83,274,592**	Non-interest-bearing, due and demandable	Unsecured, no impairment
OKEP	**103,740**	**70,106,740**	Non-interest-bearing, due and demandable	Unsecured, no impairment
ORDC	**28,554**	**28,554**	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
OVI (b)	**131,256**	**1,611,246**	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
Joint venture				
SMKL (c)	**13,202,960**	**13,843,962**	Non-interest-bearing 30-to-60 days	Unsecured, no impairment
		₱168,865,094		

Category	Amount	Outstanding Balance	Terms	Conditions
Due to				
Associates				
BHSI (d)	**₱–**	**₱59,701,493**	Non-interest-bearing, due and demandable	Unsecured
OKEP (d)	**–**	**40,298,507**	Non-interest-bearing, due and demandable	Unsecured
		₱100,000,000		

2013

Category	Amount	Outstanding Balance	Terms	Conditions
Due from				
Associates				
BHSI	₱–	₱107,200,000	Non-interest-bearing, due and demandable	Unsecured, no impairment
OKEP	–	72,803,000	Non-interest-bearing, due and demandable	Unsecured, no impairment
OVI (b)	145,818	1,479,990	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
Joint venture				
SMKL (c)	7,958,538	641,002	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
		₱182,123,992		

Category	Amount	Outstanding Balance	Terms	Conditions
Due to				
Associates				
BHSI (d)	₱–	₱59,701,493	Non-interest-bearing, due and demandable	Unsecured
OKEP (d)	–	40,298,507	Non-interest-bearing, due and demandable	Unsecured
		₱100,000,000		

The Group entered into various management and franchise agreements with related parties as follows:

2014

Category	Amount	Outstanding Balance	Terms	Conditions
Parent Company				
KLIL				
Management fee (f)	**₱6,543,837**	**₱–**	payable within 30 to 60 days	Unsecured
Joint venture				
SMKL				
Management fee (c)	**3,957,872**	**351,864**	payable within 30 to 60 days	Unsecured, no impairment
Franchise fee (c)	**1,583,148**	**133,491**	payable within 30 to 60 days	Unsecured, no impairment
Associate				
ORDC				
Management fee (a)	**1,200,000**	**–**	payable within 30 to 60 days	Unsecured, no impairment

2013

Category	Amount	Outstanding Balance	Terms	Conditions
Parent Company				
KLIL				
Management fee (f)	₱6,066,919	₱–	payable within 30 to 60 days	Unsecured
Joint venture				
SMKL				
Management fee (c)	5,684,670	464,702	payable within 30 to 60 days	Unsecured, no impairment
Franchise fee (c)	2,273,868	176,300	payable within 30 to 60 days	Unsecured, no impairment
Associate				
ORDC				
Management fee (a)	1,200,000	–	payable within 30 to 60 days	Unsecured, no impairment

Significant transactions with related parties are as follows:

(a) The Group provides management, advisory and consultancy services to ORDC. The Group billed ORDC management fee for accounting and tax management amounting to ₱1.2 million in 2014, 2013 and 2012. The Group also charged commission amounting to ₱0.7 million in 2012. Management fee is equivalent to ₱0.1 million per month while commission is 3% of the amount billed by ORDC. The commission paid in 2012 pertains to the sale of ORDC's Carajay property to a third party.

(b) The Group made operating advances for expenses incurred by OVI that amounted to ₱0.1 million in 2014 and 2013. The Group provides accounting, management, and other administrative functions to OVI.

(c) The Group provides management, advisory and consultancy services to SMKL. As of December 31, 2014 and 2013, outstanding receivable from SMKL for management and franchise fees included in "Due from related parties" amounted to ₱13.8 million and ₱0.6 million, respectively. The amount of management fee charged by the Parent Company to SMKL amounted to ₱4.0 million, ₱5.7 million and ₱5.5 million in 2014, 2013 and 2012, respectively. The amount of franchise fee charged amounted to ₱1.6 million, ₱2.3 million and ₱2.2 million in 2014, 2013 and 2012, respectively. Management fee is charged at 2.5% of annual net revenues of SMKL and franchise fee is charged at 1.0% of net revenues of SMKL. The Group made operating advances for expenses incurred by SMKL that amounted to ₱13.20 million and ₱7.96 million in 2014 and 2013, respectively.

(d) On December 22, 2011, the BOD approved BHSI's plan to decrease its authorized capital stock. In January 2012, the Parent Company received from BHSI an amount of ₱100 million, thereby decreasing BHI and OKEP's advances from the Parent Company by ₱59.7 million and ₱40.3 million, respectively. These amounts are recorded as intercompany advances in the consolidated statement of financial position. BHSI has filed with SEC the amendments to its articles of incorporation and by-laws to include the above decrease in authorized capital. As of February16, 2015, the application is pending approval.

(e) The Parent Company's advances to SMKL aggregating ₱37.6 million as of December 31, 2011 are interest-bearing which were settled in 2012. Interest income charged to SMKL amounted to ₱1.1 million in 2012. Interest rates are based on Bangko Sentral ng Pilipinas (BSP) lending rates that ranged from 5.2% to 6.3%.

(f) KLIL provides consultancy, advisory and support services to the Parent Company. As of December 31, 2014 and 2013, the Parent Company has no outstanding payable to KLIL. Consultancy fees charged by KLIL to the Parent Company amounted to ₱6.5 million and ₱6.1 million in 2014 and 2013, respectively. The basis of management fee is the time spent by KLIL personnel in rendering services.

Compensation of Key Management Personnel of the Group
Details of the compensation of key management personnel of the Group are as follows:

	2014	2013	2012
Salaries and other short-term employee benefits	**₱5,462,715**	₱3,999,981	₱3,881,883
Bonuses and allowances	**768,588**	529,009	232,651
	₱6,231,303	₱4,528,990	₱4,114,534

16. General and Administrative Expenses

This account consists of:

	2014	2013	2012
Salaries, wages and employee benefits (Note 15)	**₱9,109,514**	₱7,443,363	₱7,054,275
Management consultancy fee (Note 15)	**6,543,837**	6,066,919	6,663,212
Professional fees	**3,222,905**	2,550,888	2,596,475
Rental (Note 21)	**1,526,761**	1,368,924	1,286,144
Transportation and travel	**1,002,208**	967,507	603,694
Membership and dues	**574,600**	547,580	547,580
Postage, printing and advertising	**550,510**	539,266	487,148
Insurance	**500,300**	238,464	238,748
Utilities	**439,099**	458,277	497,381
Taxes and licenses	**374,755**	807,490	535,100
Repairs and maintenance	**366,053**	333,175	241,992
Retirement benefits (Note 17)	**233,366**	178,574	149,180
Staff recreation and others	**282,573**	171,753	143,727
Depreciation (Note 12)	**162,462**	864,062	990,136
Supplies	**160,952**	168,067	108,319
Bank and other charges	**76,194**	54,244	84,268
Security and other services	**11,636**	81,437	15,099
Bad debts	**–**	–	625,542
Others	**316,700**	518,850	497,719
	₱25,454,425	₱23,358,840	₱23,365,739

Other expenses pertain to storage costs, retainers' fee and out-of-pocket expenses for professional services. Bad debts expense pertains to accounts receivable from Residencia Grande, Inc. amounting to ₱0.6 million that was written off in 2012.

17. Retirement Benefits

The Group has a funded, non-contributory defined benefit retirement plan, administered by BDO Unibank, Inc.-Trust and Investment Group (Trustee), covering its regular employees. The Group is under the KPPI Multi-employer Retirement Plan.

The Group's annual contribution to the plan consists principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The funds are administered by the Trustee under the supervision of the Board of Trustees (BOT) of the plan which delegates the implementation of the investment policy to the Trustee. These funds are subject to the investment objectives and guidelines established by the Trustee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The Trustee is responsible for the investment strategy of the plan.

The latest actuarial valuation date of the Group's retirement plan is December 31, 2014.

Republic Act 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan.

The following tables summarize the components of plan expense recognized in profit or loss and the funded status and amounts recognized in the consolidated statements of financial position for the plan:

	2014		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability (asset)
At January 1	₱1,189,454	(₱1,518,071)	(₱328,617)
Benefit cost in profit or loss			
Current service cost	233,366	–	233,366
Net interest expense (income)	48,173	(61,482)	(13,309)
Remeasurements in OCI			
Actuarial loss on plan assets	–	87,455	87,455
Actuarial gain on defined benefit obligation due to:			
Financial assumption	(118,465)	–	(118,465)
Experienced adjustments	(5,744)	–	(5,744)
Contributions	–	(152,901)	(152,901)
At December 31	₱1,346,784	(₱1,644,999)	(₱298,215)

	2013		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability (asset)
At January 1	₱860,830	(₱1,383,573)	(₱522,743)
Benefit cost in profit or loss			
Current service cost	178,574	–	178,574
Net interest expense (income)	46,054	(74,021)	(27,967)
Remeasurements in OCI			
Actuarial gain on plan assets	–	(69,701)	(69,701)
Actuarial loss on defined benefit obligation due to:			
Financial assumption	265,923	–	265,923
Experienced adjustments	1,030	–	1,030
Contributions	–	(153,733)	(153,733)
Benefits paid	(162,957)	162,957	–
At December 31	₱1,189,454	(₱1,518,071)	(₱328,617)

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31, 2014	December 31, 2013
Cash and cash equivalents		
Savings deposit - BDO	₱27	₱229
Special deposit - BSP	–	109,945
	27	110,174
Debt instrument		
Government securities	649,268	1,285,381
Equity instrument		
Investment in UITF	989,149	115,392
Receivable		
Interest	8,468	8,857
Liability		
Trust fee payable	(1,913)	(1,733)
Fair value of plan assets	₱1,644,999	₱1,518,071

Due to the short term nature of the financial instruments in the plan assets, their fair values approximate their carrying amounts as of December 31, 2014 and 2013.

All equity and debt instruments held have quoted prices in active markets. The plan assets have diverse investments and do not have any concentration risk.

The Group's net pension asset reflected in the consolidated financial statements represents the Parent Company's pension plan because the impact of BHSI and SMKL's pension plan is reflected as part of "Share on actuarial gain (loss) of an associate and a joint venture". The Group's pension fund is administered by BDO and being managed as one.

The asset allocation of the plan is set and reviewed from time to time by the BOT taking into account the membership profile and liquidity requirements of the plan. This also considers the expected benefit cash flows to be matched with asset duration.

The present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the pension obligation for the defined benefit plans are shown below:

	2014	2013
Discount rate	4.50%	4.05%
Salary increase rate	5.00%	5.00%
Average remaining working lives of employees	19 years	19 years

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the December 31, 2014 and 2013, assuming all other assumptions were held constant:

	Rates	Increase (decrease)	
Discount rates	+0.5%	**(₱119,621)**	(₱110,922)
	-0.5%	**132,308**	123,279
Salary increase rate	+1.0%	**267,538**	982,978
	-1.0%	**(207,217)**	(206,476)

The Group expects to contribute ₱0.2 million to the plan in 2015.

Shown below is the maturity analysis of the Group's defined benefit obligation based on undiscounted benefit payments:

	2014	2013
Less than 10 years	**₱–**	₱–
More than 10 years to 15 years	**984,957**	984,357
More than 15 years to 20 years	**7,917,906**	2,322,052
More than 20 years	**7,634,454**	13,220,160
	₱16,537,317	₱16,526,569

The weighted average duration of the defined benefit obligation is 18 years.

18. Income Tax

Current Tax
The details of the current provision for income tax are as follows:

	2014	2013	2012
Final tax	**₱434,403**	₱969,356	₱2,534,583
MCIT	**103,837**	176,330	150,775
	₱538,240	₱1,145,686	₱2,685,358

Deferred Tax
The components of net deferred tax as of December 31, 2014 and 2013, computed at 30%, are as follows:

	December 31	
	2014	2013
Presented in profit or loss		
Deferred tax assets:		
Accrued expenses	**₱2,221,295**	₱1,156,743
Unrealized foreign exchange loss	**142,331**	–
Pension asset – net	**42,165**	–

(Forward)

	December 31	
	2014	2013
Deferred tax liabilities:		
Accrued income	**(2,082,735)**	(3,273,214)
Unrealized foreign exchange gain	–	(24,292)
Pension asset – net	–	(24,991)
	323,056	(2,165,754)
Tax rate	**30%**	30%
	96,917	(649,726)
Presented in OCI		
Deferred tax liability:		
Pension asset – net	**(340,380)**	(303,626)
Tax rate	**30%**	30%
	(102,114)	(91,088)
Total net deferred tax liability	**(₱5,197)**	(₱740,814)

The impact of deferred tax on net pension asset is broken down in the consolidated statements of comprehensive income is as follows:

	2014	2013	2012
Recognized in profit or loss	**₱17,174**	(₱938)	₱2,525
Recognized in OCI	**(11,026)**	59,176	23,011
	₱6,148	₱58,238	₱25,536

As of December 31, 2014, details of NOLCO which can be claimed as deduction from future taxable income and MCIT which can be claimed as deduction against future tax payable are as follows:

Year incurred	Year of Expiry	NOLCO	MCIT
2012	2015	₱16,477,853	₱150,775
2013	2016	14,129,024	171,857
2014	2017	19,833,864	107,276
		₱50,440,741	**₱429,908**

Deferred tax assets on NOLCO and MCIT as of December 31, 2014 and 2013, respectively, have not been recognized since management believes that the benefits will not be realized prior to their expiry dates. Details of unrecognized deferred tax assets are as follows:

	2014	2013
NOLCO	**₱50,440,741**	₱43,829,547
Tax rate	**30%**	30%
	15,132,222	13,148,864
MCIT	**429,908**	466,603
	₱15,562,130	₱13,615,467

The movements in NOLCO are as follows:

	2014	2013
At January 1	₱43,829,547	₱41,044,433
Additions	19,833,864	14,329,639
Expirations	(13,222,670)	(11,343,910)
Application	–	(200,615)
At December 31	₱50,440,741	₱43,829,547

The movements in MCIT are as follows:

	2014	2013
At January 1	₱466,603	₱300,679
Additions	107,276	176,330
Expirations	(143,971)	(5,933)
Application	–	(4,473)
At December 31	₱429,908	₱466,603

The reconciliation between the statutory income tax rate and the effective income tax rate is as follows:

	2014	2013	2012
Statutory income tax rate	30.0%	30.0%	30.0%
Add (deduct) tax effects of:			
Change in unrecognized deferred tax assets	256.3	24.6	9.9
Non-deductible expenses	–	–	12.4
Interest income subjected to final tax	(4.4)	(1.7)	(5.2)
Equity in net earnings of associates and a joint venture	(291.8)	(45.0)	(33.0)
Effective income tax rate	(9.9%)	7.9%	14.1%

19. Provisions

As of December 31, 2014 and 2013, provisions were recognized for estimated losses on claims by a third party amounting to ₱2.1 million. Disclosure of additional details beyond the present disclosures may prejudice the Group's position. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* only a general description was provided.

20. Earnings Per Share

	2014	2013	2012
Net income (a)	₱2,298,288	₱16,654,812	₱19,598,061
Weighted average number of common shares issued and outstanding (b) (Note 14)	293,828,900	293,828,900	293,828,900
Basic/Diluted Earnings per share (a/b)	₱0.01	₱0.06	₱0.07

The Group has no potential shares that will have a dilutive effect on Earnings Per Share.

21. Commitments

The Parent Company has an operating lease contract that expired on August 30, 2014. This agreement has been renewed for one year until August 2015. Total rent expense charged to operations amounted to ₱1.5 million, ₱1.4 million and ₱1.3 million in 2014, 2013 and 2012, respectively (see Note 16).

As of December 31, 2014 and 2013, the required advance rentals and deposit amounted to ₱0.9 million and ₱0.5 million, respectively. These are included under "Other current assets" in the consolidated statements of financial position.

There are no assets of the Group pledged as collaterals to any loans of its stockholders and associates nor are there any restrictions on revenue.

22. Financial Risk Management Objectives and Policies

The Group's principal financial assets and financial liabilities comprise cash and cash equivalents, AFS financial assets, amounts due to and from related parties and refundable deposits. The Group has various other financial assets and financial liabilities such as trade receivables and payables, which arise from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The Group's BOD and management review and agree on the policies for managing each of these risks as summarized below.

Credit Risk

Credit risk arises when the counterparty to a financial asset of the Group is unable to fulfill its obligation at the time the obligation becomes due. Credit risk arises from the Group's financial assets, which comprise cash and cash equivalents, receivables, amounts due from related parties, refundable deposits and AFS financial assets. As of December 31, 2014 and 2013, the carrying values of the Group's financial instruments represent maximum exposure to credit risk at reporting date.

The gross maximum exposure to credit risk of the Group approximates its net maximum exposure. There were no amounts that are set-off in accordance with the entities in PAS 32, *Financial Instruments: Presentation*. There were no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2014 and 2013.

The Group transacts mostly with related parties, thus, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group.

The Group's due from related parties are approximately ninety-nine percent (97%) of total receivables.

The table below shows the credit quality of the Group's financial assets as at December 31, 2014 and 2013:

December 31, 2014

Financial assets	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Low Grade	Total			
Loans and receivables:						
Cash and cash equivalents	₱151,498,654	₱–	₱151,498,654	₱–	₱–	₱151,498,654
Receivables	5,171,155	–	5,171,155	–	–	5,171,155
Due from related parties	168,865,094	–	168,865,094	–	–	168,865,094
	₱325,534,903	₱–	₱325,534,903	₱–	₱–	₱325,534,903

December 31, 2013

Financial assets	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Low Grade	Total			
Loans and receivables:						
Cash and cash equivalents	₱152,478,158	₱–	₱152,478,158	₱–	₱–	₱152,478,158
Receivables	5,234,497	–	5,234,497	–	–	5,234,497
Due from related parties	182,123,992	–	182,123,992	–	–	182,123,992
	₱339,836,647	₱–	₱339,836,647	₱–	₱–	₱339,836,647

As of December 31, 2014 and 2013, the Group has no past due and impaired financial assets.

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents - high grade is based on the nature of the counterparty and the Group's internal rating system.

Neither past due nor impaired receivables - high grade pertains to receivables with no default in payments and those accounts wherein management has assessed that the recoverability is high. Low grade pertains to receivables with default in payments or those accounts which have probability of impairment based on historical trend.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and short-term deposits. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

The table below summarizes the maturity profile of the Group's non-derivative financial assets and liabilities based on contractual undiscounted payments:

December 31, 2014

	On Demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
Financial assets:					
Cash and cash equivalents	₱22,428,201	₱129,070,453	₱–	₱–	₱151,498,654
Receivables	1,014,185	2,490,306	1,666,664	–	5,171,155
Due from related parties	168,865,094	–	–	–	168,865,094
Refundable deposits	–	–	–	107,110	107,110
	₱192,307,480	₱131,560,759	₱1,666,664	₱107,110	₱325,642,013
Financial liabilities:					
Accounts payable and other current liabilities*	₱553,981	₱3,585,275	₱–	₱–	₱4,139,256
Due to related parties	100,000,000	–	–	–	100,000,000
	₱100,553,981	₱3,585,275	₱–	₱–	₱104,139,256

** Accounts payable and other current liabilities exclude taxes payable.*

December 31, 2013

	On Demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
Financial assets:					
Cash and cash equivalents	₱152,478,158	₱–	₱–	₱–	₱152,478,158
Receivables	297,375	594,750	2,676,372	1,666,000	5,234,497
Due from related parties	182,123,992	–	–	–	182,123,992
Refundable deposits	–	–	–	56,108	56,108
	₱334,899,525	₱594,750	₱2,676,372	₱1,722,108	₱339,892,755
Financial liabilities:					
Accounts payable and other current liabilities*	₱553,981	₱2,342,975	₱–	₱–	₱2,896,956
Due to related parties	100,000,000	–	–	–	100,000,000
	₱100,553,981	₱2,342,975	₱–	₱–	₱102,896,956

** Accounts payable and other current liabilities exclude taxes payable.*

Foreign Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure to foreign currency arises from US-dollar denominated bank accounts and SG-dollar denominated consultancy fees due to KLIL.

The Group's foreign currency denominated financial asset pertains to cash in bank account amounting to ₱0.2 million (US$4,653) and ₱0.6 million (US$12,945) as of December 31, 2014 and 2013, respectively. In translating the foreign currency denominated cash in bank account into Philippine Peso amounts, the exchange rates used was ₱44.66 and ₱44.40 to US$1.0 as of December 31, 2014 and 2013, respectively.

The Group manages its foreign currency exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into relevant domestic currency as and when the management deems necessary.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Group's income before tax.

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

December 31, 2014

Currency	Change in Variable	Effect on Income Before Tax Increase (decrease)
USD	+0.07%	**₱12,546**
	-0.07%	**(12,546)**

December 31, 2013

Currency	Change in Variable	Effect on Income Before Tax Increase (decrease)
USD	+0.8%	₱457,218
	-0.8%	(457,218)

In 2014 and 2013, the Group used the average change in the quarterly closing rates for the year in determining the reasonable possible change in foreign exchange rates.

Capital Management

The primary objective of the Group'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 shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using percentage of debt to equity, which is total debt divided by total equity net of treasury shares. The Group's policy is to maintain the percentage of debt to equity ratio below 100%. The Group includes, within total debt, accounts payable and other current liabilities and amounts due to related parties.

The Group's objective is to ensure that there are no known events that may trigger direct or contingent financial obligation that is material to the Group, including default or acceleration of an obligation. The percentages of debt to equity as of December 31, 2014 and 2013 are as follows:

	2014	2013
Liabilities	**₱107,761,826**	₱107,111,784
Equity	**1,650,450,063**	1,648,170,924
Percentage of debt to equity	**6.5%**	6.5%

The Group is not subject to any externally imposed capital requirement.

Fair Values

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as of December 31, 2014 and 2013, except for noncurrent receivables and AFS financial assets.

Noncurrent accounts receivable - The fair value is based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 0.67% to 2.66% as of December 31, 2013. The following table sets forth the carrying value and fair value of noncurrent accounts receivable:

	2013
Carrying value	₱1,666,000
Fair value	1,615,993

The AFS financial assets pertaining to unquoted club shares are valued at cost less any impairment in value because these club shares do not have a quoted market price in an active market and whose fair value cannot be measured reliably.

Fair Value Hierarchy

As of December 31, 2014 and 2013, the Group has no financial instrument measured at fair value. During the reporting period ended December 31, 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

23. Segment Information

The Group has only one segment as it derives its revenues primarily from investments and management consultancy services rendered to its associates.

Significant information on the reportable segment is as follows:

	December 31		
	2014	2013	2012
Operating assets	**₱1,758,211,889**	₱1,755,282,708	₱1,738,135,256
Operating liabilities	**107,756,629**	106,370,970	106,423,384
Revenue and income	**27,685,775**	37,805,386	45,834,240
Other income (charges)	**(141,465)**	3,641,223	334,799
General and administrative expenses	**25,454,425**	23,358,840	23,365,739
Segment net income	**2,298,288**	16,654,812	19,598,061

All revenues are from domestic entities incorporated in the Philippines.

There are no revenues derived from a single external customer above 10% of total revenue.

There is no need to present reconciliation since the Group's operating assets, operating liabilities, revenue, cost and expenses and segment profit pertains to a single operating segment.

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Keppel Philippines Properties, Inc.
Units 2203 and 2204, Raffles Corporate Center
F. Ortigas Jr. Road (formerly Emerald Avenue)
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Keppel Philippines Properties, Inc. and Subsidiaries (the Group) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 included in this Form 17-A, and have issued our report thereon dated February 16, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code 68, As Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751347, January 6, 2015, Makati City

February 16, 2015

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
(Amount in Philippine Pesos)

SCHEDULE B – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2014

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at end of year
Non-trade	₱3,666,000	₱-	₱-	₱-	₱2,666,664	₱-	₱2,666,664
Officers and employees	1,517,328	972,978	-	-	2,490,306	-	2,490,306
Interest on bank deposits	-	14,185	-	-	14,185	-	14,185
Residencia Grande, Inc.	51,169			(51,169)			-
	₱5,234,497	**₱987,163**	**₱-**	**(₱51,169)**	**₱5,171,155**	**₱ -**	**₱5,171,155**

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
(Amount in Philippine Pesos)
SCHEDULE C – Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements.
December 31, 2014

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at end of year
Buena Homes, Inc.	₱3,085,787	₱241,919	₱-	₱-	₱3,327,706	₱-	₱3,327,706
	₱3,085,787	₱241,919	₱-	₱-	₱3,327,706	-	₱3,327,706

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
(Amount in Philippine Pesos)

SCHEDULE H – Capital Stocks
December 31, 2014

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Shares of Stock	375,000,000	296,629,900	-	-	-	-
Treasury Stock		(2,801,000)	-	-	-	-
Outstanding Common Stock		293,828,900	-	235,181,969	7	58,646,924
Preferred Stock	135,700,000	59,474,100	-	59,474,100	-	-
Total		**353,303,000**	-	**294,656,069**	7	**58,646,924**

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2014

Consolidated retained earnings, beginning	₱691,183,266
Adjustments:	
Accumulated share in net earnings of subsidiary and associate	(510,694,320)
Deferred tax asset - net, beginning	740,814
Unappropriated retained earnings, as adjusted, beginning	181,229,760
Net income during the period closed to retained earnings	2,298,288
Non-actual losses (Unrealized income):	
Equity in net income of associate/joint venture	(20,323,109)
Provision for deferred tax	(746,646)
Net income realized	162,458,293
Treasury shares	(2,667,645)
Unappropriated retained earnings, as adjusted, ending	₱159,790,648

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

		2014	2013	2012
Liquidity Ratio	Current asset s over current liabilities	3:2	3:1	3:1
Asset to equity ratio	Total asset over total equity	1.07:1	1.06:1	1.06:1
Debt to equity ratio	Total liabilities over total equity	0.07:1	0.06:1	0.06:1
Return on Assets	Net income after tax over total assets at beginning	0.13%	0.96%	1.03%
Return on Equity	Net income after tax over total equity	0.14%	1.0%	1.2%
Earnings per share	Net income over number of common stock outstanding	₱0.008	₱0.06	₱0.07

KEPPEL PHILIPPINES PROPERTIES, INC. & SUBSIDIRIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER SRC RULE 68, AS AMENDED (2014)

I. List of Philippine Financial Reporting Standards (PFRSs) effective as of December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		✓	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments		✓	
PFRS 9*	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10*	Consolidated Financial Statements			✓
PFRS 11*	Joint Arrangements			✓
PFRS 12*	Disclosure of Interests in Other Entities			✓
PFRS 13*	Fair Value Measurement		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		✓	
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the **Reporting Period**	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)*	Employee Benefits		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	**Consolidated and Separate Financial Statements**			✓
PAS 27 (Amended)*	Separate Financial Statements		✓	
PAS 28	**Investments in Associates**			✓
PAS 28 (Amended)*	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
~~**SIC-21**~~	~~Income Taxes – Recovery of Revalued Non-Depreciable Assets~~			✓

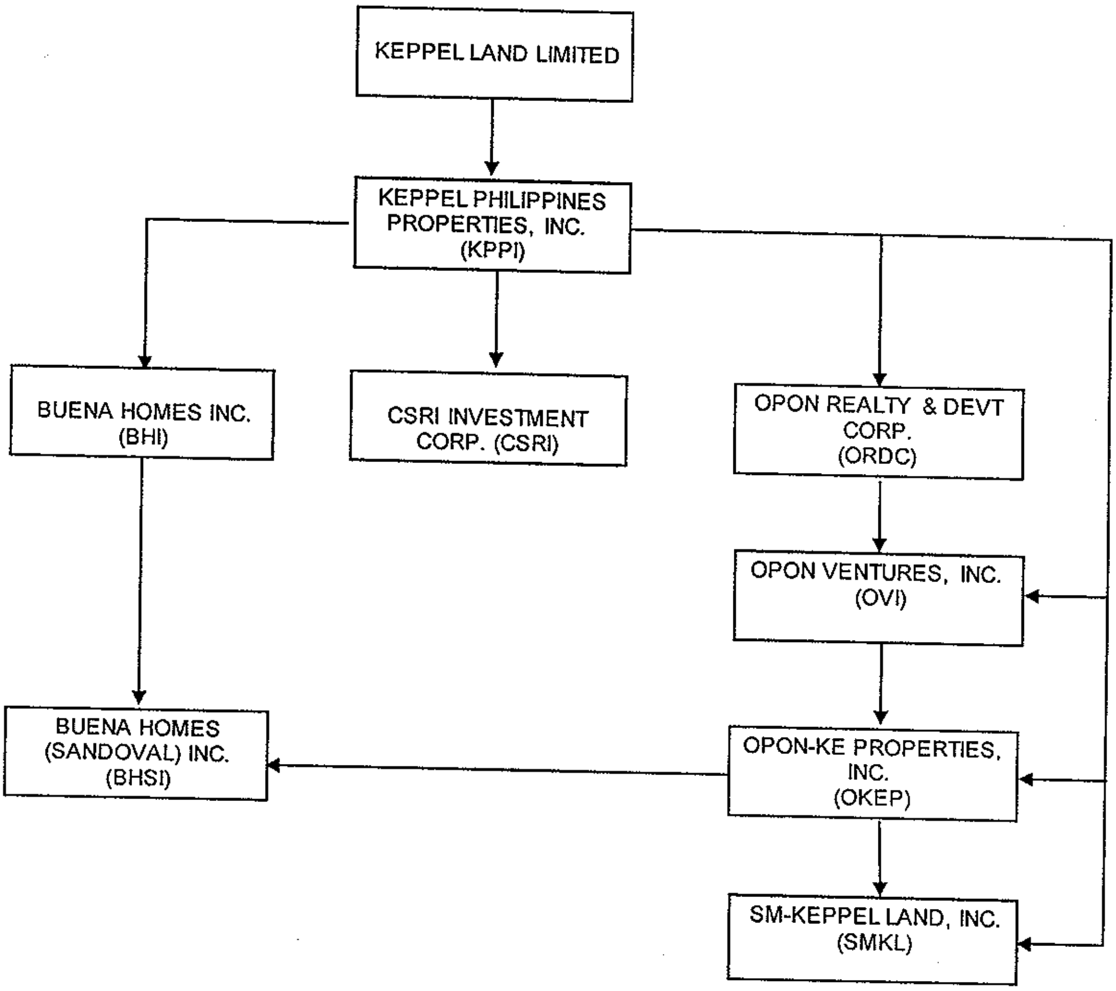
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

KEPPEL PHILIPPINES PROPERTIES, INC.
INDEX TO EXHIBITS
SEC FORM 17-A

EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT

Name	Country of Incorporation	Business	Percentage of Ownership
CSRI Investment Corporation	Philippines	Investment in securities and condominium units	100%
Buena Homes Inc.	Philippines	Property holding and development	100%

KEPPEL PHILIPPINES PROPERTIES, INC.
SUBSIDIARIES AND ASSOCIATES
AS AT 31 DECEMBER 2014



Subsidiaries	Percentage of Ownership	Nature of Business
Buena Homes, Inc. (BHI)	100%	Investment holding
CSRI Investment Corporation (CSRI)	100%	Investment holding

Associates	Percentage of Ownership	Nature of Business
Buena Homes (Sandoval), Inc. (BHSI)	40%	Property holding and development
Opon Realty and Development Corp. (ORDC)	40%	Property holding and development
Opon-KE Properties, Inc. (OKEP)	40%	Property holding and development
SM-Keppel Land, Inc. (SMKL)	40%	Property holding and development
Opon Ventures, Inc.(OVI)	40%	Property holding and development

CR00609-2015

SECURITIES AND EXCHANGE COMMISSION

SEC FORM ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year
   Dec 31, 2014
2. Exact Name of Registrant as Specified in its Charter
   Keppel Philippines Properties, Inc.
3. Address of principal office
   12 ADB Ave., Ortigas Center, Mandaluyong City
   Postal Code
   1550
4. SEC Identification Number
   305
5. Industry Classification Code(SEC Use Only)

6. BIR Tax Identification No.
   000-067-618
7. Issuer's telephone number, including area code
   (632) 5846170
8. Former name or former address, if changed from the last report
   N.A.

Keppel Philippines Properties

Keppel Philippines Properties, Inc.

KEP

PSE Disclosure Form ACGR-1 - Annual Corporate Governance Report
Reference: Revised Code of Corporate Governance of the Securities and Exchange Commission

Description of the Disclosure
Consolidated updates in the Annual Corporate Report for the year 2014

Filed on behalf by:

Name	Ma. Melva Valdez
Designation	Compliance Officer/Corporate Secretary

Republic of the Philippines)
City of Makati) S.S.

SECRETARY'S CERTIFICATE

I, **MA. MELVA E. VALDEZ,** with office address at 6th Floor, SOL Building, 112 Amorsolo St., Legaspi Village, Makati City, being the Corporate Secretary/Compliance Officer of Keppel Philippines Properties, Inc. ("Company"), a corporation duly organized and existing under Philippine laws, do hereby certify that the following are the changes/updates in t he Company's Annual Corporate Governance Report submitted on 01 July 2013 which are reflected in the Consolidated Changes of the Annual Corporate Governance Report for Y2014 ("ACGR Updates"):

Item A(1)(a) –Composition of the Board of Directors

(Excerpt from the AGM Minutes on 11 June 2014)

"VI. ELECTION OF DIRECTORS

The following nominees were elected as Directors for the year 2014-2015 or until their successors shall have been duly elected and shall have qualified:

1. Choo Chin Teck
2. Linson Lim Soon Kooi
3. Ramon J. Abejuela
4. Celso P. Vivas
5. Lee Foo Tuck
6. Stefan Tong Wai Mun
7. Lim Kei Hin "

Item A(6)(b) - Orientation and Education Program

For the past three (3) years, the following seminars were attended:

Corporate Governance Seminar:

Lee Foo Tuck
Stefan Tong Wai Mun
Ramon J. Abejuela

Celso P. Vivas
Ma. Melva E. Valdez
Almira A. Anonuevo

Item C(2) – Attendance of Directors

The item has been updated to reflect the attendance of the directors for the board meetings conducted in year 2014.

Item D(2) - Remuneration Policy and Structure for Executive and Non-Executive Directors

The approval of the directors' fixed annual fee for 2013 on 11 June 2014 is indicated.

Item D(5) - Remuneration of Management

The amount of total remuneration has been updated.

Item E(2)(b) - Audit Committee

The date of appointment and the length of service has been updated considering the election on 11 June 2014. Likewise, the age of the members has been updated.

Item E(2)© -Screening Committee

The date of appointment and the length of service has been updated considering the election on 11 June 2014.

Item E(2)(d) - Compensation Committee

The date of appointment and the length of service has been updated considering the election on 11 June 2014. Also, the change in one of the members (i.e. from Mr. Celso Vivas to Mr. Ramon J. Abejuela) is reflected.

(Excerpt from the Minutes of the Organizational Meeting on 11 June 2014):

"II. Election of Officers

xxx

The Board also organized the different committees, as follows:

Audit Committee	
Ramon J. Abejuela	- Chairman/Independent Director
Celso P. Vivas	- Independent Director
Stefan Tong Wai Mun	
Screening Committee	
Linson Lim Soon Kooi	- Chairman
Celso P. Vivas	- Independent Director
Stefan Tong Wai Mun	
Compensation Committee	
Linson Lim Soon Kooi	- Chairman
Ramon J. Abejuela	- Independent Director
Stefan Tong Wai Mun	

Item E(3) Changes in Committee Members
The election of a new member, Mr. Ramon J. Abejuela to replace Mr. Celso P. Vivas is reflected.

[Please refer to excerpt of board minutes under Item E(2)(d)]

Item I(1) - Ownership Structure
The shareholding of the PCD Nominee Corp(Filipino) has been updated.

Item I(3) – External Auditor's Fee
The amount has been updated to reflect the remuneration for the year 2013.

Item J(1)(f) - Stockholders' Attendance
The date of meeting and the percentage on the attendance has been updated as of the AGM on 11 June 2014.

Item J(1)(i) - Definitive Information Statement and Management Report
Information updated as of the Definitive Information Statement filed last 15 May 2014 in connection with the AGM on 11 June 2014.

12 January 2014, Makati City, Philippines.

MA. MELVA E. VALDEZ
Corporate Secretary

SUBSCRIBED AND SWORN TO before me, this 12th day of January 2014, affiant exhibited to me her Tax Identification Number 911-149-340.

Doc. No. 85
Page No. 14
Book No. II
Series of 2014.

ETHELENE G. VELASCO
Notary Public, Appt. No. M-501, Makati City
Valid until: 31 December 2015
IGLaw, 6th Floor, SOL Bldg., 112 Amorsolo St.
Legaspi Village, Makati City
PTR No. 4230477, 02 Jan. 2014, Makati City
IBP No. 950784, 06 Jan. 2014, Pangasinan Chapter
Roll No. 62420

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.

B. At least one complete copy of the report filed with the Commission shall be **manually** signed.

C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

CONSOLIDATED CHANGES IN THE ANNUAL CORPORATE GOVERNANCE REPORT
<u>FOR YEAR 2014</u>

1. Report is Filed for the Year <u>2014</u>

2. Exact Name of Registrant as Specified in its Charter Keppel Philippines Properties, Inc.

3. Penthouse, Benguet Centre Building, 12 ADB Avenue,
   12 ADB Ave., Ortigas Center, Mandaluyong City ______________________
   Address of Principal Office Postal Code
   [redacted]

4. SEC Identification Number PW-305

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number 000-067-618

7. (632)584-61-70
   Issuer's Telephone number, including area code

8. N/A
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Seven (7)
Actual number of Directors for the year	Seven (7)

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Linson Lim Soon Kooi	NED	KLL		11/13/06	11 June 2014	Annual Meeting	8
Choo Chin Teck	NED	KLL		Nov 1999	11 June 2014	Annual Meeting	15
Ramon J. Abejuela	ID	N/A		Nov 1999	11 June 2014	Annual Meeting	14
Celso P. Vivas	ID	N/A		Nov 2004	11 June 2014	Annual Meeting	10
Lim Kei Hin	NED	KLL		6/9/11	11 June 2014	Annual Meeting	3
Lee Foo Tuck	ED	KLL		6/13/08	11 June 2014	Annual Meeting	6
Stefan Tong Wai Mun	NED	KEPWEALTH/KCL		June 2007	11 June 2014	Annual Meeting	7

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

KPP recognizes the importance of good corporate governance in promoting sound strategic business management and in enhancing the value of the Corporation in the midst of an increasingly competitive market. The Board of Directors and Management are committed to protect the interest of the Corporation and its stockholders, particularly those in the minority. Thus, the rights of the minority investors as provided under the laws and the Corporation's By-laws and amended manual on corporate governance, shall be uphold and respected.

(c) How often does the Board review and approve the vision and mission? Annually

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

[1] Reckoned from the election immediately following January 2, 2012.

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Linson Lim Soon Kooi	Keppel Philippines Properties, Inc., SM Keppel Land, Inc., Buena Homes (Sandoval), Inc., Buena Homes, Inc., CSRI Investment Corp., Opon-KE Properties, Inc., Opon Ventures, Inc., Opon Realty & Devt Corp., Residencia Grande, Inc.,	NED/Chairman NED NED/Chairman NED NED/Chairman NED NED NED NED
Choo Chin Teck	Keppel Philippines Properties, Inc., CSRI Investment Corp.,	NED NED
Lee Foo Tuck	Keppel Properties Philippines, Inc., Buena Homes (Sandoval), Inc., Buena Homes, Inc., Opon-KE Properties, Inc., Opon Ventures, Inc., Residencia Grande, Inc., CSRI Investment Corp.	ED ED NED/Chairman NED NED/Chairman NED/Chairman NED

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Celso P. Vivas	Keppel Philippines Marine, Inc., Keppel Philippines Holdings, Inc.	Independent Director
Stefan Tong Wai Mun	Keppel Philippines Marine, Inc., Keppel Philippines Holdings, Inc.	Executive Director

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
N/A		

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of directorships in other companies
Executive Director	Article VI (4) of KPPI's By-laws provides: To assist the committee in determining the optimum number of directorships of the members of the Board, it shall consider the following guidelines: a. The nature of the business of the Corporation in which he is a director; b. Age of the director; c. Experience and knowledge of the director on the field of business of the Corporation; d. Number of directorships/active memberships and officerships in other corporations or organizations; e. Possible conflict of interest; and f. Willingness and determination of the director to serve the Corporation. The optimum number shall be related to the capacity of a director to perform his duties diligently in general. Moreover, the Chief Executive Officer/President and other executive directors shall submit themselves to low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.	N/A. No fixed number of directorship limit imposed
Non-Executive Director		
CEO		

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of indirect shares / Through (name of record owner)	% of Capital Stock
Lim Kei Hin	1	N/A	0.00%
Choo Chin Teck	1	N/A	0.00%
Ramon J. Abejuela	1	N/A	0.00%
Celso P. Vivas	1	N/A	0.00%
Linson Lim Soon Kooi	1	N/A	0.00%
Stefan Tong Wai Mun	10,000	N/A	0.00%
Lee Foo Tuck	1,455,708	N/A	0.50%
TOTAL	**1,465,713**	N/A	

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [√] No [ ]

Identify the Chair and CEO:

Chairman of the Board	Linson Lim Soon Kooi
CEO/President	Lee Foo Tuck

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Presides in Board Meetings	Administers/directs day-to-day operations/business affairs of the corporation; represents company in all transactions with the government/ other entities.
Accountabilities	1. Ensure that Board meetings are held in accordance with the By-laws 2. Ensure qualitative and timely communication/ information between Board and Management 3. Ensure that the company's governance rules/policies are regularly revised/updated 4. Ensure that the Corporation is managed by competent directors/officers 5. Ensure election of independent directors	-Ensure effective supervision and management of the company's business operations/affairs and property of the Corporation in accordance with the company's standards. -Ensure that the administrative and operational policies of the corporation are carried out. -Ensure proper personnel management in accordance with company policies/standards. -Ensure proper disbursement of company funds and that the company operates within approved budget. - Ensure compliance with all regulatory requirements

		- Ensure that timely reports/recommendations on the plans/progress of the corporation are rendered/submitted to the Board. - Ensure compliance with all applicable laws, rules & regulations
Deliverables	1. Timely approval of required PSE/SEC report that are approved by the Board 2. Prompt approval of resolutions pertaining to the company's operational requirements 3. Holding of regular/special board meetings to take up matters including those suggested by the CEO, Management and the Directors 4. Updated corporate governance policies/ committee charter/ operational policies 5. Well-established corporate organizational structure 6. Updated mission/vision, strategic objectives and policies	- Corporate plans & programs/projects/Business strategy subject to Board approval - Annual Corporate Budget subject to Board approval - Timely disclosures/reports to appropriate government/regulatory agencies - Stable/healthy business financial position of the corporation - Compliance all government/regulatory requirements/laws/rules - Effective & efficient utilization of company resources

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board in coordination with management is still crafting the Company's succession plan for top key management positions.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes - under Part II (B) of KPPI's Amended Manual on Corporate Governance, the Board should implement a process for the selection to ensure a mix of competent' directors and officers who can contribute in the formulation of sound corporate strategies/policies.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes - the Board is composed of members who are experts in the industry.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Responsible for the governance of the Corporation and for setting the policies of	Responsible for the governance of the Corporation and for setting the policies of	Independent officer responsible for ensuring that the Board acts within the bounds of its

	the Corporation	the Corporation	powers/authority and that the corporation complies with the laws/rules & regulations
Accountabilities	Ensure regular review of the policies of the corporation Ensure compliance with applicable laws, rules and regulations	Ensure regular review of the policies and business strategies of the corporation Ensure compliance with applicable laws, rules and regulations	Ensure independent participation in the board and ensure that the interest of the corporation and all stakeholders are protected.
Deliverables	Profitable business operations Efficient management of the corporation.	Updated policies/rules of the corporation. Effective business strategies.	Complete attendance in board meetings.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Per Section 1, Articles IV of KPPI's By-laws, "independence" means independence from management and being free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. KPPI's independent directors have no business dealings with the company and exercise their independent judgment in all matters requiring their decision/approval.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes, in compliance with SEC memo circular no. 9, series 2011.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

None.

Name	Position	Date of Cessation	Reason

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
	All the directors are elected in accordance with the Corporation's By-laws and	The criteria in the nomination/election of regular (whether executive or

(i) Executive Directors	Amended Manual on Corporate Governance, as follows: 1.) Nomination- nomination of the directors are conducted prior to the stockholders/Election meeting 2.) Screening – the Screening Committee evaluates the qualification of the nominees. The committee then prepares a final list of candidates. 3.) Elections – only those nominees who were pre-screened are eligible for election.	non-executive) and independent directors conform to the following standards: General Qualifications: - Holder of at least one (1) share of stock of the Corporation; - He shall be at least a college graduate or holder of equivalent academic degree or have sufficient experience in managing the business to substitute for such formal education; - He shall be at least twenty one (21) years old; - He shall have been proven to possess integrity and probity; - He shall have sufficient knowledge or overview of the business activities/transactions of the Corporation; - He shall be assiduous; and - Such other qualifications as the Committee may reasonably provide from time to time. Also, an independent Director shall have the qualifications and none of the disqualifications hereunder: Qualifications a) He shall have at least one (1) share of stock of the corporation; b) He shall be at least a college graduate or he shall been engaged or exposed to the business of the corporation for at least five (5) years; c) He shall possess integrity/probity; and d) He shall be assiduous. Disqualifications: No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent

		director. He shall likewise be disqualified during his tenure under the following instances or causes: a) He becomes an officer or employee of the corporation where the he is such member of the board of directors, or becomes any of the persons enumerated under **<u>Section II(5) of the Code of Corporate Governance;</u>** b) His beneficial security ownership exceeds **<u>two percent (2%)</u>** of the outstanding capital stock of the company where he is such director; c) Fails; without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family **<u>members</u>**; and d) Such other disqualifications which the **<u>covered company's manual on Corporate Governance</u>** provides. (As approved for amendment on 08 June 2006) The Screening Committee shall also evaluate whether the nominees fall under disqualification per KPPI's By-laws & Amended Manual on Corporate Governance.
(ii) Non-Executive Directors		
(iii) Independent Directors		Special Qualifications for Independent Directors: - A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and

		election as an Independent Director after two (2) year "cooling-off period" - Persons appointed as Chairman "Emeritus", Ex-Officio Directors/Officers or members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a one (1) year "cooling-off period" prior to his qualification as an Independent Director.
b. Re-appointment		
(i) Executive Directors	Same process as in the initial selection/appointment	
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	In accordance with the Corporation Code, Code of Corporate Governance, By-laws and Manual on Corporate Governance	Grounds are as provided in the Corporation Code, Code of Corporate Governance, By-laws and Manual on Corporate Governance
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors	A Temporarily disqualified director shall, within sixty (60) business days from such disqualification, take appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	Any of the following shall be a ground for the temporary disqualification of a director: • Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; • Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any

		involvement in the alleged irregularity; • If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two prevent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. • Being under preventive suspension by the Corporation; • If the independent directors becomes an officer or employee of the same corporation, he shall be automatically disqualified from being an independent director; and • Conviction that has not yet become final referred to in the grounds for the disqualification of directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	Directors may be removed by the stockholders representing 2/3 of the outstanding capital stock in a regular/special meeting duly called for the purpose after previous notice to the stockholders.	Removal may be with or without cause. Provided that removal <u>without</u> cause may not be used to deprive minority stockholders of their right to be represented in the Board under Section 24 of the Corp. Code.
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	same process as in the initial election/appointment of directors	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	The suspension of directors shall be approved by the stockholders representing at least 2/3 of the outstanding capital stock at a meeting	Grounds: violation of Company's rules/policies

	duly called for the purpose	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Linson Lim Soon Kooi	271,811,901
Choo Chin Teck	271,811,901
Ramon J. Abejuela	271,811,901
Celso P. Vivas	271,811,901
Stefan Tong Wai Mun	271,811,901
Lee Foo Tuck	271,811,901
Lim Kei Hin	271,811,901

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

The new director is briefed by the Chairman and President on the duties/responsibilities and the corporation's business operations upon assumption of office.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years: The directors and senior management attend corporate governance seminars upon their election/appointment. For the past three (3) years, the following seminars were attended :

Corporate Governance Seminar:

Lee Foo Tuck
Stefan Tong Wai Mun
Ramon J. Abejuela
Celso P. Vivas
Ma. Melva E. Valdez
Almira A. Anonuevo

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

None.

Name of Director/Officer	Date of Training	Program	Name of Training Institution

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	All officers and employees of the Group must avoid any conflict between their own interests and the interests of the Group. This includes transaction in securities of the Group, any affiliate, or any non-affiliated organization, in dealing with suppliers, customers and other third parties.	All officers and employees of the Group must avoid any conflict between their own interests and the interests of the Group. This includes transaction in securities of the Group, any affiliate, or any non-affiliated organization, in dealing with suppliers, customers and other third parties.	All officers and employees of the Group must avoid any conflict between their own interests and the interests of the Group. This includes transaction in securities of the Group, any affiliate, or any non-affiliated organization, in dealing with suppliers, customers and other third parties.
(b) Conduct of Business and Fair Dealings	The company's policy is to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations.	The company's policy is to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations.	The company's policy is to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations.
(c) Receipt of gifts from third parties	The offer and receipt of gifts, hospitality or expense must be avoided whenever they could affect or be perceived to affect the outcome of business transactions or dealings, or are not reasonable and bona fide.	The offer and receipt of gifts, hospitality or expense must be avoided whenever they could affect or be perceived to affect the outcome of business transactions or dealings, or are not reasonable and bona fide.	The offer and receipt of gifts, hospitality or expense must be avoided whenever they could affect or be perceived to affect the outcome of business transactions or dealings, or are not reasonable and bona fide.
(d) Compliance with Laws & Regulations	The directors, officers, and employees of the company must at all times ensure compliance with applicable laws, rules and regulations	The directors, officers, and employees of the company must at all times ensure compliance with applicable laws, rules and regulations	The directors, officers, and employees of the company must at all times ensure compliance with applicable laws, rules and regulations
(e) Respect for Trade Secrets/Use of Non-public Information	Directors must at all times maintain the confidential nature of information pertaining to the corporation's trade secrets and other confidential information	Indicated in the Safeguarding Information Code of Practice	Indicated in the Safeguarding Information Code of Practice
(f) Use of Company	Directors comply with	Indicated in the	Indicated in the

Funds, Assets and Information	company standards on the appropriation of funds and the use of the assets for operational requirements.	Safeguarding Information Code of Practice	Safeguarding Information Code of Practice
(g) Employment & Labor Laws & Policies	Personnel policies and actions are prepared/undertaken by the directors in consonance with applicable labor laws/regulations	The company complies with applicable labor laws and policies with regard to employment	The company complies with applicable labor laws and policies with regard to employment
(h) Disciplinary action	Subject to the provisions of the Corporation Code, Amended MCG and By-laws.	Appropriate disciplinary action, including suspension or termination of employment, will be taken in the event that an employee is found to have violated the rules of conduct set out in the Code of Conduct.	Appropriate disciplinary action, including suspension or termination of employment, will be taken in the event that an employee is found to have violated the rules of conduct set out in the Code of Conduct.
(i) Whistle Blower	Indicated in the Whistle blower Protection Policy	Indicated in the Whistle blower Protection Policy	Indicated in the Whistle blower Protection Policy
(j) Conflict Resolution	The Board shall take up/decide any conflict among its members.	The Manager for Admin. and Finance under the President's supervision, shall handle the settlement of any conflict between the employees.	The Manager for Admin. and Finance under the President's supervision, shall handle the settlement of any conflict between the employees

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

The Company follows a set of guidelines with respect to ethical standards and conduct which are disseminated to the directors, management & employees. The President and the Manager for Administrative Unit handles the dissemination/orientation of the Company's guidelines to the officers and employees.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The President and the Manager for Administrative & Finance implement and monitor compliance with the company's ethical standards/guidelines.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Significant transactions to be at arms length. Such transactions are cleared by the Audit Committee and approved by the Board of Directors.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	N/A

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	N/A
Name of Officer/s	N/A
Name of Significant Shareholders	N/A

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	the directors/officers/significant stockholders shall disclose immediately any potential/possible conflict of interest with respect to any transaction/issue involving the corporation/group
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

None

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N/A		

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

None.

Names of Related Significant Shareholders	Type of Relationship	Brief Description
N/A		
N/A		
N/A		
N/A		

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

None.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	There has been no conflict involving the corporation and its stockholders, third parties and regulatory authority during the covered period.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The meetings are scheduled depending on the availability of the directors.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the Year	No. of Meetings Attended	%
Chairman	Linson Lim Soon Kooi	11 June 2014	7	7	100%
Member	Choo Chin Teck	11 June 2014	7	7	100%
Member	Lim Kei Hin	11 June 2014	7	7	100%
Member	Stefan Tong Wai Mun	11 June 2014	7	7	100%
Member	Lee Foo Tuck	11 June 2014	7	7	100%
Independent	Celso P. Vivas	11 June 2014	7	7	100%
Independent	Ramon J. Abejuela	11 June 2014	7	7	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If

yes, how many times?

No.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Section 8, Article III of the By-laws require only a majority of the number of directors to constitute a quorum.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

At least three (3) days in advance.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Corporate Secretary acts in accordance with KPPI's By-laws and Amended Manual on Corporate Governance. He assists the Chairman in the preparation of materials for the Board meetings and keeps custody of the corporate records. He likewise provides legal advice/update to the Board.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [ ] No [√]

Committee	Details of the procedures
Executive	The directors have free access to any information pertaining to the meeting which they may course through the Corporate Secretary, the President or the Chairman
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

On any matter requiring the expertise of an external consultant, directors are allowed to engage the services of an external advisor subject to the approval of the Board.	The issue requiring external advice must be discussed with the board members and the fee for such external engagement must likewise be approved by the Board.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

None.

Existing Policies	Changes	Reason

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Determined by the Remuneration Committee	Determined by the Remuneration Committee
(2) Variable remuneration	None	None
(3) Per diem allowance	None	None
(4) Bonus	Determined by the Remuneration Committee	Determined by the Remuneration Committee
(5) Stock Options and other financial instruments	None	None
(6) Others (specify)	None	None

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Compensation Committee determines the	As determined by the Compensation Committee	As determined by the Compensation Committee

	remuneration of executive directors		
Non-Executive Directors	The Compensation Committee determines the remuneration of non-executive directors	Annual Fee and Per diem for attendance at meetings	Fixed amount of directors' fee on an annual basis

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Fixed annual directors' fee of Php60,000.00	11 June 2014
	June 13, 2013
	June 14, 2012

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(a) Fixed Remuneration	60,000/year	60,000/year	60,000/year
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	7,000/meeting	7,000/meeting	7,000/meeting
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
Total	P67,000.00*	P67,000.00	P67,000.00

*Per Director

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None

(h) Others (Specify)	None	None	None
Total	None	None	None

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

None

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

None

Incentive Program	Amendments	Date of Stockholders' Approval

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Almira A. Anonuevo – Manager, Finance & Accounting/ Treasurer	PhP4.74M
Elizabeth M. Perez – Assistant Manager, Finance & Administration	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	N/A						
Audit	N/A	1	2	w/charter	1.) Oversight function on the internal & external audit system/process	1.) Financial Reporting and disclosures 2.) Risk Management & Internal Controls 3.) Management & internal audit 4.) External oversight	1.)approve financial reports/disclosures 2.)recommend appointment of internal & external auditor 3.)review of company's financial operations
Screening	N/A	2	1		Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors.	Ensure that nominees are qualified based on the company's by-laws and amended MCG	i. Shortlist candidates for election ii. determine the optimum number of directorships of the members of the Board.
Remuneration/Compensation	N/A	2	1		Oversight over remuneration of directors, senior management and other key personnel	Develop policy on executive remuneration and fixing the remuneration packages for officers and directors.	Review/recommends remuneration of directors, senior management and other key personnel
Others (specify)	N/A						

2) Committee Members

(a) Executive Committee

N/A. The Company has no Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ramon J. Abejuela	6/14/12	5	5	100%	14yrs.
Member (ED)	---					
Member (NED)	Stefan Tong Wai Mun	6/14/12	5	5	100%	7yrs.
Member (ID)	Celso P. Vivas	6/14/12	5	5	100%	10yrs.
Member	---					

Disclose the profile or qualifications of the Audit Committee members.

3) **Mr. Ramon J. Abejuela***, 65 years old, Filipino, has been an Independent Director of the Company from November 1999 to June 2008. He was re-elected in June 2009 and is currently the Chairman of the Audit Committee of the Company.

   He also serves as Director of Philippine Nutrifoods Corporation and NCP Publishing Corporation.

   Mr. Abejuela holds a Degree in Bachelor of Science in Chemical Engineering (Cum Laude) from De La Salle University and Master's Degree in Business Management – General Management Curriculum from Asian Institute of Management.

4) **Mr. Celso P. Vivas***, 67, Filipino, has been an Independent Director of the Company since November 2004 and is a member of the Company's Audit Committee. He is a Certified Public Accountant and is currently Vice-Chairman and CEO of the Corporate Governance Institute of the Philippines (CGIP). He is a member of Marubeni Foundation's Board of Trustees and Canadian Chamber of Commerce's Board of Governors. He is also an Independent Director and Chairman of the Audit Committee of Keppel Philippines Marine, Inc. and Independent Director of Keppel Philippines Holdings since June 2005 and is currently a member of the Audit Committee of the Company.

   He was Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Company until his retirement in 2001. Mr. Vivas obtained his Bachelor's Degree in Business Administration (Cum Laude) from the University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (SGV & Co. Scholar). He is also a graduate of Company Directors' Course from Australian Institute of Company Directors (ICD Scholar). Mr. Vivas has accumulated 46 years of experience in audit, finance, enterprise risk management and corporate governance.

5) **Mr. Stefan Tong Wai Mun**, 41, Malaysian, was elected as a Director of the Company in June 2007. He is currently the President and Director of Keppel Philippines Holdings, Inc. He is also the Executive Vice President and Director of Keppel Philippines Marine, Inc. and Director of Keppel Subic Shipyard, Inc. He is also Director of various Keppel companies in the Philippines.

   Mr. Tong holds a Bachelor of Commerce (Honours) Degree from University of Western Australia. He is also a Member of the Institute of Chartered Accountants in Australia.

Describe the Audit Committee's responsibility relative to the external auditor.

Perform oversight functions over the external auditor and ensure that external auditor act independently of the internal auditor.

(c) Screening Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Linson Lim Soon Kooi	11 June 2014	1	1	100%	8yrs.
Member (ED)	---	11 June 2014				
Member (NED)	Stefan Tong Wai Mun	11 June 2014	1	1	100%	7yrs.
Member (ID)	Celso P. Vivas	11 June 2014	1	1	100%	3yrs.
Member	---	11 June 2014				

(d) Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Linson Lim Soon Kooi	11 June 2014	1	1	100%	8yrs.
Member (ED)	---	11 June 2014				
Member (NED)	Stefan Tong Wai Mun	11 June 2014	1	1	100%	7yrs.
Member (ID)	Ramon J. Abejuela	11 June 2014	1	1	100%	14yrs.
Member	---	11 June 2014				

(e) Others (Specify) N/A

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	---	
Audit	---	
Screening		
Remuneration	Mr. Celso Vivas was replaced by Mr. Ramon Abejuela	Rotation of committee members
Others (specify)	---	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	N/A	
Audit	Quarterly/Annual Reports timely reviewed/submitted to SEC/PSE	None
Nomination/Screening	Evaluated/pre-screened all nominees for directorship	None
Remuneration	Reviewed fees/ allowances of directors Management and personnel	None
Others (specify)	None	

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

The committees have yet to meet/discuss their plans for this year --- although at this time, there are no pending issues on matters pertaining to audit, screening & remuneration.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	None
Audit	None	None
Nomination	None	None
Remuneration	None	None
Others (specify)	None	None

F. RISK MANAGEMENT SYSTEM

=The Company is currently setting up a formal Risk Management framework.

1) Disclose the following:

(a) Overall risk management philosophy of the company;
(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
(c) Period covered by the review;
(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
(e) Where no review was conducted during the year, an explanation why not.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
N/A	N/A	N/A

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
N/A	N/A	N/A

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
N/A

3) Control System Set Up N/A

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
N/A	N/A	N/A

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
N/A	N/A	N/A

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	N/A	N/A

G. INTERNAL AUDIT AND CONTROL

=The Company is in process of setting up an Internal Audit Unit in the organization.

1) Internal Control System N/A

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;
(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
(c) Period covered by the review;
(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
(e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit N/A

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
N/A	N/A	N/A	N/A	N/A

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them. N/A

Name of Audit Staff	Reason
N/A	N/A

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	N/A
Issues[6]	N/A
Findings[7]	N/A
Examination Trends	N/A

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures N/A

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
N/A	N/A

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
N/A	N/A	N/A	N/A

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

1. **Chairman**
2. **President/CEO**

H. ROLE OF STAKEHOLDERS

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Officers and employees should conduct business with the customers with integrity	None
Supplier/contractor selection practice	Company bids out supply/service requirements and selects from among top 2 bidders	None
Environmentally friendly value-chain	The Company complies with all environmental laws in the conduct of its business.	None
Community interaction	No specific policy.	None
Anti-corruption programmes and procedures?	All officers and employees must comply with the anti-corruption policies set out in the Employee Code of Conduct	None
Safeguarding creditors' rights	The company complies with all applicable laws, rules and regulations	None

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

No

3) Performance-enhancing mechanisms for employee participation.

None.

(a) What are the company's policy for its employees' safety, health, and welfare?

(b) Show data relating to health, safety and welfare of its employees.

(c) State the company's training and development programmes for its employees. Show the data.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

1.) Whistle Blower Protection Policy

Employees are encouraged to report any inappropriate conduct in good faith without fear of reprisals under the Whistle Blower Protection Policy. The Company guarantees full confidentiality and protection of the whistle blower.

The complaints are handled by the Admin. Manager under the supervision of the President.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Keppel Land Limited	148,365,050	50.49%	Same as Record Owner
Kepwealth, Inc.	51,033,178	17.37%	Same as Record Owner
Keppel Corporation Limited	35,783,741	12.18%	Same as Record Owner
PCD Nominee Corp. – Filipino	30,274,080	10.30%	Various

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Lee Foo Tuck – President	1,455,708	---	0.50%
Almira A. Anonuevo-Treasurer, Manager, Finance & Admin.	None	---	---
TOTAL	**1,455,708**		**0.50%**

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No – included in Employee Code of Conduct.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	None for the year
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	No – Included in the certificate of attendance of directors submitted to SEC
Details of remuneration of the CEO and each member of the board of directors/commissioners	AR shows remuneration of top 3 highest paid executive officers as a group.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fees
Sycip Gorres Velayo & Co.	Php514,570.00	None

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.
(h) Written communication; (ii) ODISY disclosures; (iii) SEC disclosures

5) Date of release of audited financial report: March 14, 2014

6) Company Website – The Company has already set up a website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
None.	N/A	N/A	N/A

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the outstanding capital stock (Sec. 5, Article II, By-laws)

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Corporate Acts are approved in accordance with applicable laws and KPPI's By-laws.
Description	For those matters requiring board approval, a majority of the members of the board are required to approve the same.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

The Company's By-laws and Amended Manual on Corporate Governance and affords the same rights to the stockholders as provided under the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
N/A	N/A

Dividends

None

Declaration Date	Record Date	Payment Date

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
1) The Chairman directly asks the stockholders for any question/clarification on any matter being taken up in the meeting.	The Stockholders are free to ask/clarify/participate during the stockholders meeting

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution

      Pursuant to Section 16 of the Corporation Code, any provision or matter stated in the articles of incorporation may be amended by a majority vote of the board of directors and the vote or written assent of the stockholders representing at least 2/3 of the outstanding capital stock, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Code.

      All proposed amendments are submitted to the stockholders for approval.

   b. Authorization of additional shares

Pursuant to Section 38 of the Corporation Code, any increase in the authorized capital stock of the Corporation shall be approved by a majority vote of the Board of directors and by the stockholders representing at least 2/3 of the outstanding capital stock at a meeting duly called for the purpose, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Code.

Any proposed increase in authorized capital stock is submitted to the stockholders for approval.

c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Pursuant to Section 40 of the Corporation Code, transfer/sale of all or substantially all of the corporation's assets shall be presented to the stockholders for approval. The said transfer/sale shall be approved by at least 2/3 of the outstanding capital stock at a meeting duly called for the purpose, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Code.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Yes

a. Date of sending out notices: 22 May 2013

b. Date of the Annual/Special Stockholders' Meeting: June 13, 2013

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

None.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Ratification of Acts and Proceedings of the Board of Directors, Officers and Management of the Corporation during the Year under Review	All stockholders present	None	None
Presentation and Approval of Y2012 Annual Report and Audited Financial Statements	All stockholders present	None	None
Appointment of External Auditor for Y2013	All stockholders present	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

During the meeting itself, the voting results are announced and immediately disclosed to the public through PSE/SEC.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

None

Modifications	Reason for Modification

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Linson Lim Soon Kooi, Lim Kei Hin, Ramon J. Abejuela, Celso P. Vivas, Lee Foo Tuck and Stefan Tong Wai Mun	11 June 2014	By Poll	0.498%	92%	92.51%
Special	---					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

The Corporate Secretary assisted by the Company's External Auditor shall be responsible for the counting/validation of votes.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

Item VIII(G) Amended Manual on Corporate Governance:

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' right and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. He directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meeting of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be appraised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach o their rights.

	Company's Policies
Execution and acceptance of proxies	Section 7 of the By-laws provides: Manner of Voting – at all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. All proxies must be in the hands of the Secretary not later than two (2) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least twenty-four (24) hours prior to a scheduled meeting or by their personal presence at the meeting. The decision of the secretary on the validity of proxies shall be final and binding until set aside by the Court of competent jurisdiction.
Notary	Not required
Submission of Proxy	(Section 7 of the By-laws) All proxies must be in the hands of the Secretary not later than two (2) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least twenty-four (24) hours prior to a scheduled meeting or by their personal presence at the meeting. The decision of the secretary on the validity of proxies shall be final and binding until set aside by the Court of competent jurisdiction.
Several Proxies	No specific provision under the By-laws and Amended MCG. Complies with applicable laws, rules and regulations.
Validity of Proxy	A proxy shall be valid only for the meeting for which it is intended unless otherwise provided (Section 7, By-laws) Subject to the requirements of the by-laws, the exercise of the right to appoint proxy shall not be unduly restricted and any doubt about the validity of the proxy should be resolved on the stockholders favor.
Proxies executed abroad	No specific formal requirement under the By-laws.
Invalidated Proxy	The shares represented by an invalidated proxy shall not be allowed to participate/vote in the meeting.
Validation of Proxy	Proxies are validated prior to the meeting.
Violation of Proxy	Violations shall be dealt with in accordance with law and the SEC rules/regulations

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
(Section 4, Article II, By-laws) Written notices for regular or special meetings of stockholder may be sent by the Secretary, by personal delivery or by mailing the notice at least fourteen (14) days prior to the date of meeting.	The notices together with the definitive 20-IS and other AGM materials are sent out ahead of the period provided under the by-laws.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	1,262
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	21 May 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and other Materials held by stockholders	
State whether CD format or hard copies were distributed	Hard copies were distributed
If yes, indicate whether requesting stockholders were provided hard copies	---

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	No-included in the definitive IS sent out to stockholders
The auditors to be appointed or re-appointed.	No-included in the definitive IS sent out to stockholders
An explanation of the dividend policy, if any dividend is to be declared.	No, included in the definitive IS sent out to stockholders
The amount payable for final dividends.	No, included in the definitive IS sent out to stockholders
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
1.) Shareholders, including the minority, have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.	The Corporation is fully implementing all these policies.
2.) Cumulative voting shall be used in the election of directors	
3.) A director shall not be removed without cause if it will deny minority shareholders' representation in the Board.	
4.) A minority stockholders has all the rights of a stockholder under the by-laws & the Corporation Code.	

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, any stockholder may nominate candidates.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Internal communications and routine external communications are prepared/approved by the president. On the other hand, major company announcements/external correspondence on major issues are prepared by the president, in consultation with the Corporate Secretary and the Board of Directors.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general.

None.

Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations. The Company ensures access by the stockholders/investors of all relevant information pertaining to the Company's business operations.

	Details
(1) Objectives	To be fully transparent with all its dealings/transactions.
(2) Principles	Item VII, Amended Manual on Corporate Governance: A. The essence of corporate governance is transparency. The Board commits at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders. B. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer. C. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, of balance sheet transactions, board changes, related party transactions, direct and indirect remuneration of members of the Board and management, shareholdings of directors and changes to ownership. D. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions. E. All disclosed information shall be released via the approved stock exchange procedure for company announcement as well as through the annual report F. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.
(3) Modes of Communications	email, telephone and facsimile
(4) Investors Relations Officer	No particular position for IRO

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

None.

The Company complies with the legal requirements for acquisition of shares, mergers and sales of substantial portions of corporate assets under the corporation code, Code of Corporate Governance, and other pertinent laws and SEC rules/regulations, and Amended Manual on Corporate Governance.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Subject to Board approval.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
None	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	- The Board conducts an annual self-assessment to evaluate their performance.	- Compliance with their duties/responsibilities under the By-laws, Code of Corporate Governance and Amended Manual on Corporate Governance
Board Committees	- The Board of Directors conducts an independent assessment of the committees' performance annually	- Compliance with their respective duties/responsibilities set out in the code of Corporate Governance and Amended Manual on Corporate Governance
Individual Directors		
CEO/President	- The Board of Directors conducts an annual assessment of the CEO/President's performance prior to the end of his term of office	- The Company's overall business performance and compliance with the Amended Manual and the Company's policies.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Item X, Amended Manual on Corporate Governance:

A. To strictly observe and implement the provisions of this manual, penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff subsidiaries and affiliates and their respective directors, officers and staff in case o violation of any of the provision of this Manual.

Violation	Sanctions
1st violation	Reprimand
2nd violation	Suspension
3rd violation	Removal – subject to Sec. 28 of the Corporation Code in the case of directors

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 13 June 2013.

SIGNATURES

LINSON LIM SOON KOOI
(Signature over Printed Name)
Chairman of the Board

LEE FOO TUCK
(Signature over Printed Name)
Chief Executive Officer

RAMON J. ABEJUELA
(Signature over Printed Name)
Independent Director

CELSO P. VIVAS
(Signature over Printed Name)
Independent Director

MA. MELVA E. VALDEZ
(Signature over Printed Name)
Compliance Officer

SUBSCRIBED AND SWORN to before me this ____ day of JUN 13 2013 20____, affiant(s) exhibiting to me their Tax Identification Number, as follows:

NAME/NO.	TIN	DATE OF ISSUE /PLACE OF ISSUE
CELSO P. VIVAS	123-305-216	
LEE FOO TUCK	235-817-895	
RAMON J. ABEJUELA	172-761-781	
LINSON LIM SOON KOOI	435-158-135	
MA. MELVA E. VALDEZ	123-493-209	

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Book No. XXV
Series of 2013.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2014
IBP No. 656155-Lifetime Member
MCLE Compliance No. III-0014282
Appointment No. M-199-(2013-2014)
PTR No. 3664330 Jan. 2, 2013
Makati City Roll No. 40091
101 Urban Ave., Brgy. Pio del Pilar,
Makati City

Keppel Philippines Properties

Keppel Philippines Properties, Inc.
Units 2203-2204 Raffles Corporate Center
F. Ortigas Jr. Road, Ortigas Center
Pasig City 1605, Philippines

Tel : (632) 5846170
(632) 5846171
(632) 5843913
Fax: (632) 5843915

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

LINSON LIM SOON KOOI
Chairman of the Board

LEE FOO TUCK
President

ALMIRA A. ANONUEVO
Treasurer

Signed this 13th day of February 2015

SUBSCRIBED AND SWORN to before me this APR 1 0 2015 at MANILA, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Expiry Date
Lee Foo Tuck	E3425160D	Sept. 27, 2012	March 14, 2018
Almira A. Anonuevo	EB1292024	Oct. 20, 2010	Nov. 2, 2015

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BOOK NO. 41
SERIES OF 2015

ATTY. RICHARD L. ANOLIN
NOTARY PUBLIC UNTIL DECEMBER 31, 2015
COMMISSION NO. 2014-059
FOR THE CITY OF MANILA PHILIPPINES
IBP LIFETIME NO.05179/02-25-05/MLA
PTR NO 3828182 01/05/15/MLA
ROLL NO 33596
MCLE COMPLIANCE NO IV-002385018/16/14
RODULFO ANOLIN AND ASSOCIATES LAW OFFICE
2/F YMCA OF MANILA BLDG
350 ANTONIO VILLEGAS ST.
ERMITA MANILA TEL 52[illegible]-86
EMAIL ADD atty.richardanolin@yahoo.com

BUREAU OF INTERNAL REVENUE
RDO NO. 041
MANDALUYONG CITY
APR 2015
RECEIVED
BY: JEFFREY R. VIÑAS

A member of the Keppel Group of Singapore

CONSULATE GENERAL OF THE PHILIPPINES
HO CHI MINH CITY, SOCIALIST REPUBLIC OF VIETNAM

ACKNOWLEDEGMENT

I, **Atty. LE THI PHUNG**, Honorary Consul General of the Consulate General of the Philippines in Ho Chi Minh City, Socialist Republic of Vietnam, do hereby certify that **LINSON LIM SOON KOOI**, at the time he signed the attached document before me and believe that his signature affixed thereto are genuine.

For the contents of the attached document, the Consulate General of the Philippines assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Philippines in Ho Chi Minh City, Socialist Republic of Vietnam, this 20th day of March 2015.

CONSULATE GENERAL OF THE PHILIPPINES HO CHI MINH CITY

Atty. LE THI PHUNG
Consul General a. h.

BUREAU OF INTERNAL REVENUE
RDO NO. 41
MANDALUYONG CITY
APR 15 2015
JEFFREY R. VIÑAS

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Series of 2015

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AFTER THE BIR HAS DULY STAMPED "RECEIVED."

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W - 3 0 5

Company Name

K E P P E L P H I L I P P I N E S P R O P E R T I E S ,
I N C .

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

U N I T S 2 2 0 3 A N D 2 2 0 4 , R A F F L E S
C O R P O R A T E C E N T E R , F . O R T I G A S
J R . R O A D , O R T I G A S C E N T E R , P A S I
G C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A P F S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	584-6170	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,259	06/09	12/31

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Lee Foo Tuck			

Contact Person's Address

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

APR 15 2015
BUREAU OF INTERNAL REVENUE
RDO NO. 041
MANDALUYONG CITY

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Keppel Philippines Properties, Inc.
Units 2203 and 2204, Raffles Corporate Center
F. Ortigas Jr. Road (formerly Emerald Avenue)
Ortigas Center, Pasig City

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Keppel Philippines Properties, Inc., which comprise the parent company statements of financial position as at December 31, 2014 and 2013, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company 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 Keppel Philippines Properties, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 24 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 parent company financial statements. Such information is the responsibility of the management of Keppel Philippines Properties, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751347, January 6, 2015, Makati City

February 13, 2015

BUREAU OF INTERNAL REVENUE
RDO NO. 50
APR 18 2015
JEFFREY R. WINNAS

KEPPEL PHILIPPINES PROPERTIES, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 20 and 21)	₱118,060,096	₱136,391,602
Receivables (Notes 7, 20 and 21)	2,504,491	1,568,497
Due from related parties (Notes 14, 20 and 21)	132,192,800	121,209,780
Other current assets (Notes 8, 19 and 21)	19,424,444	17,684,274
Total Current Assets	272,181,831	276,854,153
Noncurrent Assets		
Available-for-sale financial assets (Note 9)	285,512,230	285,512,230
Investments in subsidiaries, associates and a joint venture (Note 10)	725,673,977	725,673,977
Property and equipment - net (Note 11)	307,480	313,420
Refundable deposits (Notes 20 and 21)	107,110	56,108
Deferred tax assets - net (Note 17)	635,105	256,632
Pension asset - net (Note 16)	298,215	328,617
Total Noncurrent Assets	1,012,534,117	1,012,140,984
TOTAL ASSETS	₱1,284,715,948	₱1,288,995,137
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 12, 20 and 21)	₱5,069,720	₱3,582,481
Due to related parties (Notes 14, 20 and 21)	100,000,000	100,000,000
Income tax payable	103,836	176,330
Provisions (Note 18)	2,095,267	2,095,267
	107,268,823	105,854,078
Equity (Note 13)		
Capital stock	356,104,000	356,104,000
Additional paid-in capital	602,885,517	602,885,517
Treasury shares - at cost	(2,667,645)	(2,667,645)
Remeasurement gain on defined benefit plan (Note 16)	238,266	212,538
Retained earnings	220,886,987	226,606,649
Total Equity	1,177,447,125	1,183,141,059
TOTAL LIABILITIES AND EQUITY	₱1,284,715,948	₱1,288,995,137

See accompanying Notes to Parent Company Financial Statements.

KEPPEL PHILIPPINES PROPERTIES, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
REVENUE		
Dividend income (Note 10)	**₱12,300,000**	₱–
Management consultancy and franchise fees (Note 14)	**6,741,020**	9,158,538
Interest income (Notes 6 and 16)	**566,610**	2,290,993
	19,607,630	11,449,531
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**(25,048,091)**	(22,479,225)
OTHER INCOME (CHARGES)		
Net foreign exchange loss	**(142,285)**	(110,198)
Others	**820**	960
	(141,465)	(109,238)
LOSS BEFORE INCOME TAX	**(5,581,926)**	(11,138,932)
PROVISION FOR INCOME TAX (Note 17)		
Current	**527,235**	1,081,209
Deferred	**(389,499)**	(710,176)
	137,736	371,033
NET LOSS	**(5,719,662)**	(11,509,965)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be recycled to profit or loss:		
Actuarial gain (loss) on defined benefit plan (Note 16)	**36,754**	(197,252)
Income tax relating to actuarial gain (loss) (Notes 16 and 17)	**(11,026)**	59,176
	25,728	(138,076)
TOTAL COMPREHENSIVE LOSS	**(₱5,693,934)**	(₱11,648,041)

See accompanying Notes to Parent Company Financial Statements.

KEPPEL PHILIPPINES PROPERTIES, INC.

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

	Capital Stock (Note 13)	Additional Paid-In Capital (Note 13)	Treasury Shares - at cost	Remeasurement Gain on Defined Benefit Plan (Note 16)	Retained Earnings (Note 13)	Total
Balance at January 1, 2014	₱356,104,000	₱602,885,517	(₱2,667,645)	₱212,538	₱226,606,649	₱1,183,141,059
Net loss	–	–	–	–	(5,719,662)	(5,719,662)
Other comprehensive income	–	–	–	25,728	–	25,728
Total comprehensive loss	–	–	–	25,728	(5,719,662)	(5,693,934)
Balance at December 31, 2014	₱356,104,000	₱602,885,517	(₱2,667,645)	₱238,266	₱220,886,987	₱1,177,447,125
Balance at January 1, 2013	₱356,104,000	₱602,885,517	(₱2,667,645)	₱350,614	₱238,116,614	₱1,194,789,100
Net loss	–	–	–	–	(11,509,965)	(11,509,965)
Other comprehensive income	–	–	–	(138,076)	–	(138,076)
Total comprehensive loss	–	–	–	(138,076)	(11,509,965)	(11,648,041)
Balance at December 31, 2013	₱356,104,000	₱602,885,517	(₱2,667,645)	₱212,538	₱226,606,649	₱1,183,141,059

See accompanying Notes to Parent Company Financial Statements.

BUREAU OF INTERNAL REVENUE
RDO NO. 041
MANDALUYONG CITY
APR 15 2015
BY: JEFFREY R. VIÑAS

KEPPEL PHILIPPINES PROPERTIES, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱5,581,926)**	(₱11,138,932)
Adjustments for:		
Depreciation (Note 11)	**162,462**	864,062
Foreign exchange loss	**142,285**	110,198
Interest income (Notes 6, 14 and 16)	**(566,610)**	(2,290,993)
Dividend income (Note 10)	**(12,300,000)**	–
Current service cost (Note 16)	**233,366**	178,574
Loss before changes in working capital	**(17,910,423)**	(12,277,091)
Decrease (increase) in:		
Receivables	**(921,809)**	(1,439,179)
Amounts due from related parties	**(10,983,020)**	1,498,500
Other current assets	**(1,740,170)**	(1,205,687)
Increase in accounts payable and other current liabilities	**1,487,239**	303,908
Net cash used in operations	**(30,068,183)**	(13,119,549)
Contribution to the retirement plan (Note 16)	**(152,901)**	(153,733)
Interest received	**539,116**	2,348,808
Income tax paid	**(599,729)**	(1,054,621)
Net cash used in operating activities	**(30,281,697)**	(11,979,095)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in refundable deposits	**(51,002)**	–
Proceeds on dividend from subsidiary and associate (Note 10)	**12,300,000**	–
Payment for acquisitions of property and equipment (Note 11)	**(156,522)**	(195,663)
Net cash provided by (used in) investing activities	**12,092,476**	(195,663)
CASH FLOWS FROM FINANCING ACTIVITY		
Decrease in amounts due to related parties	**–**	(288,499)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(142,285)**	(110,198)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(18,331,506)**	(12,573,455)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**136,391,602**	148,965,057
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱118,060,096**	₱136,391,602

See accompanying Notes to Parent Company Financial Statements.

BUREAU OF INTERNAL REVENUE
RDO NO. 041
MANDALUYONG CITY
APR 15 2015

KEPPEL PHILIPPINES PROPERTIES, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Keppel Philippines Properties, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 7, 1918. The Parent Company's corporate life was extended for another fifty (50) years starting February 7, 1968.

The Parent Company is listed in the Philippine Stock Exchange (PSE). Its parent company is Keppel Land Limited (KLL) and the ultimate parent company is Keppel Corporation Limited (KCL), both incorporated in Singapore.

The Parent Company holds investments in associates involved in property holding and development and render management consultancy services to associates.

Following are the Parent Company's subsidiaries, associates and a joint venture, which were all incorporated in the Philippines:

	Percentage of Ownership	Effective Ownership Interest	Nature of Business
Subsidiaries:			
CSRI Investment Corporation (CSRI)	100%	100%	Investment holding
Buena Homes, Inc. (BHI)	100	100	Investment holding
Associates:			
Opon Realty and Development Corporation (ORDC)	40	40	Land leasing
Opon Ventures, Inc. (OVI)	40	64	Investment holding
Opon-KE Properties, Inc. (OKEP)	40	89	Investment holding
Joint venture:			
SM Keppel Land, Inc. (SMKL)	40	40	Lease of mall and office spaces, cinema ticket sales and carpark

The Parent Company has 61.17% effective ownership in Buena Homes (Sandoval), Inc. (BHSI), an associate of BHI. BHSI is involved in residential development.

On December 6, 2010, the Parent Company submitted its application to SEC to temporarily change its business address to Units 2203 and 2204, Raffles Corporate Center, F. Ortigas Jr. Road (formerly Emerald Avenue), Ortigas Center, Pasig City due to the ongoing reconstruction of the Parent Company's principal office. The Parent Company's principal office address is Penthouse, Benguet Centre Building, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The accompanying financial statements of the Parent Company were authorized for issue by the Board of Directors (BOD) on February 13, 2015.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company's financial statements have been prepared under the historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional currency. Amounts are rounded off to the nearest Philippine Peso unit, except when otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements presented in compliance with Philippine Financial Reporting Standards (PFRS). These may be obtained at the Parent Company's registered office address or from the SEC.

Statement of Compliance
The accompanying parent company financial statements have been prepared in compliance with PFRS.

3. Changes in Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended PFRS, which became effective on January 1, 2014.

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. 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 did not have an impact on the Parent Company's financial position or performance since it does not offset its financial instruments.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement,* on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for 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 did not have an impact on the Parent Company's financial statements since it does not have goodwill allocated to a CGU or an intangible asset with indefinite useful life.

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at FVPL. The amendment must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Parent Company since the Parent Company's investment in subsidiaries, associates and joint ventures would not qualify as investment entities.

- Philippine Interpretation IFRIC 21, *Levies*
  This Philippine Interpretation 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. The interpretation did not have any impact in the Parent Company's financial statements as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

- 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. The amendment did not have any impact in the financial statements as the Parent Company does not enter into hedging transactions.

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

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment is effective immediately and 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. The amendment did not have an impact on the Parent Company's financial position or performance since the Parent Company's policy is already consistent with the amendment.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment is effective immediately and 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 Parent Company as it is not a first-time adopter of PFRS.

<u>Future Change in Accounting Policies</u>
The Parent Company will adopt the following new and amended standards and interpretations enumerated below when these becomes effective.

Effective in 2015

- PAS 19, *Employee Benefits- Defined Benefit Plans: Employee Contributions* (Amendment)
  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. It is not expected that this amendment would be relevant to the Parent Company, since the Parent Company has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010 - 2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) 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 Parent Company as it has no share-based payments.

- Amendment to 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 Parent Company shall consider this amendment for future business combinations.

- Amendment to 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 on the judgment made by management in aggregating operating segments and will have no impact on the Parent Company's financial position or performance.

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  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 will have no impact on the Parent Company's financial position or performance since the Parent Company does not carry its property and equipment at revalued amount.

- Amendment to 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 Parent Company 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 will not have an impact on the Parent Company's financial position or performance since the key management personnel are its employees.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 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. The Parent Company shall consider this amendment for future business combinations.

- 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 will have no impact on the Parent Company's financial position or performance since the Parent Company's accounting policy is already consistent with the improvement.

- 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 Parent Company shall consider this amendment for future acquisition of investment property.

Effective in 2016

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

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

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Parent Company is currently assessing the impact of these amendments in its financial statements.

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

Parent Company is not involved in any sale or contribution of assets with its associates and joint venture.

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Parent Company is currently assessing the impact of the amendments.

- PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment is not applicable to the Parent Company since the Parent Company is an existing PFRS preparer and has no activities subject to rate regulation.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment will not have an impact on the Parent Company's financial statements since the Parent Company does not have noncurrent assets held for sale nor any discontinued operations.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need

to be done retrospectively. The amendment will not have an impact on the Parent Company's financial statement since the Parent Company does not offer servicing contracts that involves continuing involvement in a derecognized financial asset.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendments will not have any impact on the Parent Company's financial statements since it does not offset its financial instruments.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments will not have an impact on the Parent Company's financial statements since the Parent Company's policy is already consistent with the amendment.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendments will not have an impact on the Parent Company's financial statements since the Parent Company already presents the required interim disclosures in its interim financial statements.

Effective in 2018

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

Parent Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

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

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

  The amendments will not have an impact on the Parent Company's financial statements since the Parent Company is not involved in any hedging transactions.

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

  The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets and will have no impact on the classification and measurement of financial liabilities.

No effective date yet

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation will not have any impact on the financial statements of the Parent Company since it is not involved in the construction of real estate.

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

4. Summary of Significant Accounting Policies

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

Financial Instruments
Date of recognition
The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Initial recognition
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Financial assets are classified in four categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets; while financial liabilities are classified in two categories: financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability 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 total liabilities and equity, net of any related income tax benefits.

As of December 31, 2014 and 2013, the Parent Company does not have financial assets and liabilities at FVPL and HTM investments.

Day 1 profit
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss. In cases where no observable data is used, the difference between the transaction price and model values is recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the "Day 1" profit amount.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Loans and receivables are carried at cost or amortized cost in the statement of financial position. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy relates to the parent company statement of financial position captions "Cash and cash equivalents", "Receivables", "Due from related parties" and "Refundable deposits".

AFS financial assets
AFS financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Subsequent to initial recognition, AFS financial assets are carried at fair value in the statement of financial position. Changes in the fair value of such assets are reported in OCI until the investment is derecognized or the investment is determined to be impaired. Assets under this category are classified as current assets if maturity is within twelve months from the end of the reporting date and as noncurrent assets if maturity date is more than a year from the end of the reporting date.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment loss.

Classified under this category are the Parent Company's unquoted club shares and redeemable preferred shares carried at cost.

Other financial liabilities
This category pertains to financial liabilities that are not held-for-trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or loans and borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Parent Company's "Accounts payable and other current liabilities", "Due to related parties" and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

Impairment of Financial Assets
The Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivable 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 (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or 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 a collective assessment of impairment.

If, in a subsequent period, the amount of 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, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of impairment loss is recognized in profit or loss.

AFS financial assets carried 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.

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

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

Where the Parent Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the 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 or the maximum amount of consideration that the Parent Company could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount 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.

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

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

The principal or the most advantageous market must be accessible to by the Parent Company.

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

Financial assets
The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

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

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

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

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

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

For the purpose of fair value disclosures, the Parent 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.

<u>Other Current Assets</u>
Creditable withholding taxes
Creditable withholding taxes represent amounts withheld by the Parent Company's counterparties in relation to revenue earned. Subsequently, these amounts are applied against the income tax payable.

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in the operations or expire with the passage of time.

Investments in Subsidiaries, Associates and a Joint Venture
A subsidiary is an entity in which the Parent Company exercises control over the operation and management of the subsidiary. The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

An investor controls an investee if and only if the investor has all the following:
- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to effect the amount of the investor's returns.

An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. The existence of significant influence by an entity is usually evidenced in one or more of the following ways:
- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the entity and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

A joint venture is a type of joint arrangement whereby the parties that have control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Parent Company's investments in subsidiaries, associates and a joint venture are accounted for under the cost method of accounting.

Investments in subsidiaries, associates and a joint venture are carried in the Parent Company's statements of financial position at cost less any impairment in value.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distribution from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are recognized as recovery of investment and are recognized as reduction of the cost of the investment.

The reporting dates of the subsidiaries, associates and joint venture are identical and the accounting policies of the subsidiaries, associates and joint venture conform to those used by the Parent Company for like transactions and events in similar circumstances.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when such cost is incurred if the recognition criteria are met.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Transportation equipment	2-5
Office equipment	1-4
Furniture and fixtures	4

The useful lives, residual value and depreciation method are reviewed periodically to ensure that the period, residual value and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of 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 or 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 present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in subsidiaries, associates and a joint venture

After application of the equity method, the Parent Company determines whether it is necessary to recognize any additional impairment loss with respect to the Parent Company's net investment in the investee companies. The Parent Company determines at each reporting date whether there is any objective evidence that the investments in associates or jointly controlled entities are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in profit or loss.

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. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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 interest expense.

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. The following specific recognition criteria must also be met before revenue is recognized.

Dividend income

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

Management consultancy and franchise fees

Management consultancy and franchise fees are recognized on an accrual basis in accordance with the terms and conditions of the agreement.

Interest income

Interest income is recognized as it accrues, taking into account the effective yield on the asset.

General and Administrative Expenses

General and administrative expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. General and administrative expenses are recognized in profit or loss in the period these are incurred.

Equity

Capital stock

Capital stock is measured at par value for all shares issued.

Additional paid-in capital

Additional paid-in capital represents capital contribution in excess of par value of the capital stock.

Retained earnings

Retained earnings represent the cumulative balance of net income or loss of the Parent Company, net of any dividend declaration.

Treasury shares

Treasury shares are recorded at cost and presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is deducted from additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and from retained earnings for the remaining balance.

Other Comprehensive Income

Other comprehensive income comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Parent Company pertains to remeasurements comprising actuarial gain on defined benefit plan.

Leases

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

(a) there is a change in the contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal and extension was initially included in the lease term;
(c) there is a change in the determination of whether the 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 of the change in circumstances that gave rise to the reassessment for scenarios (a), (c) and (d) above and at the date of renewal or extension period for scenario (b).

The Parent Company as a lessee

Lease of assets under which the lessor effectively retains all the risks and rewards of ownership is classified as operating lease. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Foreign Currency Transaction

The parent company financial statements are presented in Philippine Peso, which is the Parent Company's functional currency. The Parent Company determines its own functional currency and items included in the parent company financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses, in the period such are realized.

Retirement Cost

The Parent Company has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement costs comprise the following:

(a) Service costs
(b) Net interest on the net defined benefit liability or asset
(c) Remeasurements of net defined benefit liability or asset

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

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

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability) are recognized immediately in OCI under "Remeasurement gain on defined benefit plan" in the period in which they arise. Remeasurements are not recycled to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting net pension asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Short-term Employee Benefits
Short-term employee benefits include items such as salaries and wages, social security contributions and nonmonetary benefits, if expected to be settled wholly within twelve months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Parent Company during the reporting period, the Parent Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

Income Tax

Current tax

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

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefits of excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses 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 future taxable income 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 income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of 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 OCI 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 tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the Parent Company's statement of financial position.

Basic/Diluted Earnings Per Share (EPS)

EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year, with retroactive adjustments for any stock dividends declared.

Operating Segments
The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 23.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed 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 financial position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the parent company financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Assessment of control
The Parent Company classifies its investee companies as subsidiary if the Parent Company achieves control over the companies. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the event the Parent Company loses this power, the Parent Company will have to change the classification of its investment in investee companies.

Operating leases - Parent Company as lessee
The Parent Company has entered into commercial property lease related to its office space. Substantially, all the risks and benefits incidental to ownership of the leased item are not transferred to the Parent Company. Total rent expense charged to operations amounted to ₱1.5 million and ₱1.4 million in 2014 and 2013, respectively (see Note 19).

Impairment of financial assets not quoted in an active market
The Parent Company assesses impairment on its financial assets not quoted in an active market whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investment in unquoted securities include the following:

- Deteriorating or poor financial condition
- Recurring net losses; and,
- Significant changes with an adverse effect on the associate have taken place during the period, or will take place in the near future, the technological, market, economic, or legal environment in which the investees operate.

No impairment indicators were identified in 2014 and 2013. The carrying values of AFS financial assets not quoted in an active market amounted to ₱285.5 million as of December 31, 2014 and 2013 (see Note 9).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation and uncertainty as of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Allowance for doubtful accounts
The Parent Company maintains allowance for doubtful accounts on their receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Parent Company. The Parent Company assesses whether objective impairment exists for the receivable by considering the financial condition and credit history of the counterparty. Moreover, the Parent Company also considers its historical loss experience in assessing collective impairment of receivables. The Parent Company reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in the Parent Company's allowance for doubtful accounts on receivable would increase the Parent Company's recorded expenses and decrease current assets.

Receivables amounted to ₱2.5 million and ₱1.6 million as of December 31, 2014 and 2013, respectively. Due from related parties amounted to ₱132.2 million and ₱121.2 million as of December 31, 2014 and 2013, respectively. No allowance was provided for these receivables as of December 31, 2014 and 2013 (see Notes 7 and 14).

Estimated useful lives of property and equipment
The useful life of each of the Parent Company's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each item of property and equipment is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned

above. A reduction in the estimated useful life of any property and equipment would increase the recorded general and administrative expenses and decrease noncurrent assets. There were no change in the estimated useful lives of the Parent Company's property and equipment in 2014 and 2013.

The carrying value of the Parent Company's property and equipment amounted to ₱0.3 million as of December 31, 2014 and 2013 (see Note 11).

Provisions
The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Parent Company's defense in these matters and is based upon an analysis of potential results. Provisions for estimated losses on claims by a third party amounted to ₱2.1 million as of December 31, 2014 and 2013 (see Note 18).

Impairment of nonfinancial assets
The Parent Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Parent Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. This requires the Parent Company to make estimates and assumptions that can materially affect the parent company financial statements. Future events could cause the Parent Company to conclude that these assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Parent Company's financial condition and results of operations.

As of December 31, 2014 and 2013, the Parent Company did not recognize any impairment loss on its nonfinancial assets. The total carrying value of investments in subsidiaries, associates and joint venture and property and equipment as of December 31, 2014 and 2013 amounted to a total of ₱726.0 million (see Notes 10 and 11).

Retirement benefits
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves using various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. The significant assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates for the specific country.

The present value of defined benefit obligation as of December 31, 2014 and 2013 amounted to ₱1.3 million and ₱1.2 million, respectively (see Note 16).

Recognition of deferred tax assets
The Parent Company's assessment on the recognition of deferred tax assets on non-deductible temporary differences and carry forward benefit of NOLCO and MCIT is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Parent Company's past results and future expectations on revenues and expenses.

As of December 31, 2014 and 2013, recognized deferred tax assets amounted to ₱0.7 million and ₱0.3 million, respectively. The amount of unrecognized deferred tax assets amounted to ₱14.7 million and ₱13.3 million as of December 31, 2014 and 2013, respectively (see Note 17).

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	**₱35,000**	₱35,000
Cash in banks	**12,954,643**	136,356,602
Cash equivalents	**105,070,453**	–
	₱118,060,096	₱136,391,602

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term deposits 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 deposit rates that ranged from 0.52% to 0.67% and 3.25% to 4.0% in 2014 and 2013, respectively.

Interest income from cash and cash equivalents amounted to ₱0.5 million and ₱2.3 million in 2014 and 2013, respectively.

7. Receivables

This account consists of:

	2014	2013
Receivable from employees	**₱2,490,306**	₱1,517,328
Interest	**14,185**	–
Trade	**–**	51,169
	₱2,504,491	₱1,568,497

Receivable from employees represents loans granted to employees that are non-interest bearing and collected through salary deduction.

Interest pertains to accrued interest on short-term deposits and is collectible within one year.

8. Other Current Assets

This account consists of:

	2014	2013
Creditable withholding taxes	**₱16,405,864**	₱15,808,514
Prepayments	**2,598,950**	1,665,275
Others	**419,630**	210,485
	₱19,424,444	₱17,684,274

Creditable withholding taxes pertain to the amounts withheld by the Parent Company's counterparties in relation to the management consultancy and franchise fees. Management determined that these creditable withholding taxes will still be utilized in the future.

Prepayments include advance rental deposits amounting to ₱2.2 million and ₱1.4 million as of December 31, 2014 and 2013, respectively, which arose from the transfer of the Parent Company's office to a temporary address due to the ongoing reconstruction of its principal office (see Note 19).

9. Available-for-Sale Financial Assets

As of December 31, 2014 and 2013, this account consists of unquoted investments as follows:

Preferred - equity securities	₱285,287,230
Club shares	225,000
	₱285,512,230

As of December 31, 2014 and 2013, the Parent Company's unquoted AFS financial assets amounting to ₱285.51 million are carried at cost.

On December 3, 2012, the BOD approved the conversion of the advances to subsidiaries into investments in preferred shares of BHI amounting to ₱206.0 million. On November 28, 2013, SEC approved the conversion of these advances. The investments in preferred shares of BHI are classified as AFS financial assets since the characteristic of the investment will not affect the control of the Parent Company over BHI.

Preferred shares pertain to investments on OVI, OKEP and BHI that are classified as AFS financial assets since the characteristics of the investment will not affect the significant influence of the Parent Company over OVI and OKEP and control over BHI (see Note 10).

The features and conditions of the redeemable preferred shares are as follows:

- Non-voting, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code of the Philippines
- The redeemable preferred shares shall be entitled to preference in the distribution of dividends at a fixed yield of (3%) per annum. After payment of such preferred dividends, the holders of such preferred shares shall be entitled to participate pro rata with holders of common shares in the remaining profits.
- Redeemed at the option of the issuer, in full or in part, within a period of (10) years from date of issuance, at a price to be determined by the BOD.

- If the preferred shares are not redeemed within the period of ten (10) years, the holder shall have the option to:
  i. Convert the preferred shares to participating preferred shares;
  ii. Remain as redeemable preferred shares for another five (5) years, after which the holder can choose to convert to either Common Shares or Participating Preferred shares.

The preferred shares shall be issued at ten pesos (₱10) per share.

10. Investments in Subsidiaries, Associates and a Joint Venture

As stated in Note 1, the Parent Company has investments in associates - ORDC, which is involved in land leasing, and OVI and OKEP, which are both involved in investment holding.

ORDC is 40%-owned by the Parent Company and 60%-owned by Keppel Philippines Marine Retirement Fund (KPMRF). Majority of the BOD members of ORDC represent KPMRF who are independent of the Parent Company and act in the interest of KPMRF. As such, the Parent Company has determined that it does not have control over ORDC.

OVI is 40%-owned by the Parent Company and 60%-owned by ORDC. As with ORDC above, the Parent Company has determined that it does not have control over OVI in its operating and financing policies and capital decisions.

OKEP is 40%-owned by the Parent Company and 60%-owned by OVI. As with ORDC above, the Parent Company has determined that it does not have control over OKEP in its operating and financing policies and capital decisions.

The costs of investments in subsidiaries, associates and a joint venture as of December 31, 2014 and 2013 follow:

Cost:	
Subsidiaries:	
BHI	₱10,950,000
CSRI	1,250,000
Associates:	
OKEP	48,248,800
OVI	2,000,000
ORDC	1,094,871
Joint venture:	
SMKL	602,645,772
	666,189,443
Contributed surplus - BHI	59,484,534
	₱725,673,977

Contributed surplus pertains to the difference between the present value and the loan amount at inception of the advances provided to BHI in prior years.

The Parent Company received dividend pertaining to 40% of the declared dividends of ORDC on April 30, 2014 amounting to ₱12.0 million or ₱1.20 per share, The Company also received dividend declared on March 13, 2014 from its subsidiary, CSRI, amounting to ₱7.5 million or ₱1.20 per share; both of which was paid on December 10, 2014.

SMKL
On November 28, 2012, SMKL assigned its development rights and sold its basement car park to BDO, a joint venture partner, at a gain of ₱585.8 million and ₱37.1 million, respectively. In 2013, SMKL assessed that there is a need to adjust the selling price and use the higher end of the range stipulated in the contract which is ₱14,000/sqm. (based on comparable selling price within the Ortigas Business District) and recorded additional gain and receivable from BDO amounting to ₱85.6 million and ₱95.9 million, respectively. The receivable was fully collected in 2014.

Significant financial information of the subsidiaries, associates and a joint venture follows:

	December 31, 2014					
	BHI	CSRI	OKEP	OVI	ORDC	SMKL
			(In Millions)			
Current assets	₱123.9	₱12.0	₱57.1	₱0.3	₱5.0	₱1,389.0
Noncurrent assets	159.3	–	333.6	119.8	93.9	1,125.0
Total Assets	283.2	12.0	390.7	120.1	98.9	2,494.0
Current liabilities	63.1	0.3	126.7	1.7	73.1	214.7
Noncurrent liabilities	–	0.6	–	–	–	27.0
Total Liabilities	63.1	1.0	126.7	1.7	73.1	241.7
Gross revenue	8.1	0.1	8.2	–	0.1	186.6
Cost and expenses - net	(0.3)	(0.1)	(0.2)	(0.2)	(1.4)	(165.1)
Profit (loss) before income tax	7.8	(1.0)	8.0	(0.2)	(1.3)	21.5
Net profit (loss)	7.8	0.3	8.0	(0.2)	(1.3)	16.2
Other comprehensive income	–	–	–	–	–	(0.1)
Total comprehensive income	0.1	–	–	–	–	0.4

	December 31, 2013					
	BHI	CSRI	OKEP	OVI	ORDC	SMKL
			(In Millions)			
Current assets	₱123.8	₱18.0	₱43.7	₱0.3	₱18.1	₱1,465.3
Noncurrent assets	151.2	1.7	325.3	119.8	81.9	998.7
Total Assets	275.0	19.7	369	120.1	100.0	2,464
Current liabilities	62.8	0.4	113.1	1.5	72.8	152.6
Noncurrent liabilities	–	1.0	–	–	–	75.2
Total Liabilities	62.8	1.4	113.1	1.5	72.8	227.8
Gross revenues (losses)	–	3.9	4.1	0.4	0.2	266.6
Cost and expenses - net	(5.5)	(0.1)	(0.1)	(0.1)	(4.5)	(167.9)
Profit (loss) before income tax	(5.5)	3.8	3.9	0.3	(4.3)	98.7
Net profit (loss)	(11.9)	2.7	3.9	0.3	(4.3)	70.7
Other comprehensive loss	–	–	–	–	–	(0.1)
Total comprehensive income	0.1	–	–	–	–	0.5

The Parent Company has an agreement with its subsidiaries that the profits of the subsidiaries will not be distributed until it obtains the consent of the Parent Company. The Parent Company does not foresee giving such consent at the reporting date.

11. Property and Equipment

The rollforward analyses of this account are as follows:

	2014			
	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost				
At January 1	₱1,404,506	₱3,511,494	₱2,435,459	₱7,351,459
Additions	–	156,522	–	156,522
Retirement	–	(1,861,743)	(29,814)	(1,891,557)
At December 31	1,404,506	1,806,273	2,405,645	5,616,424
Accumulated Depreciation				
At January 1	1,404,502	3,222,475	2,411,062	7,038,039
Depreciation (Note 15)	4	140,828	21,630	162,462
Retirement	–	(1,861,743)	(29,814)	(1,891,557)
At December 31	1,404,506	1,501,560	2,402,878	5,308,944
Net Book Value	₱–	₱304,713	₱2,767	₱307,480

	2013			
	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost				
At January 1	₱1,404,506	₱3,332,989	₱2,418,301	₱7,155,796
Additions	–	178,505	17,158	195,663
At December 31	1,404,506	3,511,494	2,435,459	7,351,459
Accumulated Depreciation				
At January 1	1,340,162	3,105,787	1,728,028	6,173,977
Depreciation (Note 15)	64,340	116,688	683,034	864,062
At December 31	1,404,502	3,222,475	2,411,062	7,038,039
Net Book Value	₱4	₱289,019	₱24,397	₱313,420

The Parent Company retired its fully-depreciated property and equipment amounting to ₱1.89 million in 2014. Cost of fully depreciated property and equipment still being used amounted to ₱4.6 million as of December 31, 2014 and 2013.

12. Accounts Payable and Other Current Liabilities

This account consists of:

	2014	2013
Accrued expenses	₱3,345,164	₱2,286,786
Taxes payable	1,103,949	584,870
Dividends payable	553,981	553,981
Trade	66,626	156,844
	₱5,069,720	₱3,582,481

Accrued expenses pertain to accruals on salaries and other employee benefits and professional fees. Accrued expenses and other payables are payable within 30 to 60 days.

Taxes payable pertain to taxes withheld for transactions subject to withholding tax which are subsequently remitted within one month after the reporting date.

Dividends payable pertain to amounts declared when the Parent Company's name was still Cebu Shipyard and Engineering Works, Inc. but which have not been claimed by the respective shareholders to date.

Trade accounts payable represent payables to suppliers and are normally settled within one year.

13. Equity

a. Capital Stock

The details of the authorized capital stock of the Parent Company as of December 31, 2014 and 2013 are as follows:

Common stock - ₱1 par value	375,000,000
Preferred stock - ₱1 par value	135,700,000

Issued and outstanding shares of the Parent Company as of December 31, 2014 and 2013 are as follows:

	Number of shares	Amount
Common stock	296,629,900	₱296,629,900
Treasury shares	(2,801,000)	(2,667,645)
	293,828,900	293,962,255
Preferred stock	59,474,100	59,474,100

Preferred shares, which were issued on November 11, 2003, are redeemable in full or in part at the option of the Parent Company. No preferred shares have been redeemed in 2014 and 2013.

Preferred stockholders have preference over common stockholders with respect to the distribution of assets upon dissolution but not with respect to the payment of dividends.

Preferred stockholders are not entitled to dividends. Moreover, no voting right is vested on the preferred stockholders, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code (Code) of the Philippines.

On October 6, 2010, the BOD authorized the amendment of its articles of incorporation, particularly article 7 to read as follows:

Preferred shares may be redeemed in full or in part, at the option of the issuer, within a call period of seven (7) years from the date of approval of the amended articles. The redemption price will be equivalent to the issue price with an annual premium to be approved by the BOD. Likewise, the fairness of the annual premium rate must be confirmed by an independent financial advisor. The issue price will be ₱10 per share. The above amendments were approved by the stockholders on November 26, 2010.

b. Additional paid-in capital

The "Additional paid-in capital" presented in the parent company statements of financial position and parent company statements of changes in equity as of December 31, 2014 and 2013 are as follows:

Common stock	₱67,618,617
Preferred stock	535,266,900
	₱602,885,517

c. Retained Earnings

Retained earnings are restricted to the extent of ₱2.7 million representing the cost of shares held in treasury as of December 31, 2014 and 2013.

The weighted average number of shares outstanding as of December 31, 2014 and 2013 is as follows:

Issued shares	296,629,900
Less treasury shares	2,801,000
Weighted average number of shares	293,828,900

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities.

Common shares	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of December 31, 2014
Common	293,828,900	₱1	September 11, 1989	1,259

14. Related Party Transactions

Parties are considered to be related to the Parent Company if it has the ability, directly or indirectly, to control the Parent Company or exercise significant influence over the Parent Company in making financial and operating decisions, or vice versa, or where the Parent Company and the party are subject to common control. Related parties may be individuals (being members of key management personnel and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Parent Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Parent Company or of any entity that is a related party of the Parent Company.

Outstanding balances of transactions with related parties are as follows:

2014

Category	Amount	Outstanding Balance	Terms	Conditions
Due from:				
Subsidiary				
BHI	₱241,919	₱3,327,706	Non-interest-bearing, due and demandable	Unsecured, no impairment
Associates				
OKEP	103,740	70,106,740	Non-interest-bearing, due and demandable	Unsecured, no impairment
BHSI	74,592	43,274,592	Non-interest-bearing, due and demandable	Unsecured, no impairment
ORDC	28,554	28,554	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
OVI (b)	131,256	1,611,246	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
Joint venture				
SMKL (c)	13,202,960	13,843,962	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
		₱132,192,800		
Due to:				
Associates				
BHI (d)	₱–	₱59,701,493	Non-interest-bearing, due and demandable	Unsecured
OKEP (d)	–	40,298,507	Non-interest-bearing, due and demandable	Unsecured
		₱100,000,000		

2013

Category	Amount	Outstanding Balance	Terms	Conditions
Due from:				
Subsidiary				
BHI	₱772,699	₱3,085,787	Non-interest-bearing, due and demandable	Unsecured, no impairment
Associates				
OKEP	–	72,803,000	Non-interest-bearing, due and demandable	Unsecured, no impairment
BHSI	–	43,200,000	Non-interest-bearing, due and demandable	Unsecured, no impairment
OVI (b)	145,818	1,479,990	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
Joint venture				
SMKL (c)	7,958,538	641,003	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
		₱121,209,780		
Due to:				
Associates				
BHI (d)	₱–	₱59,701,493	Non-interest-bearing, due and demandable	Unsecured
OKEP (d)	–	40,298,507	Non-interest-bearing, due and demandable	Unsecured
		₱100,000,000		

The Parent Company entered into various management and franchise agreements with related parties as follows:

2014

Category	Amount	Outstanding Balance	Terms	Conditions
Parent Company				
KLIL				
Management fee (f)	₱6,543,837	₱–	payable within 30 to 60 days	Unsecured
Joint venture				
SMKL				
Management fee (c)	3,957,872	351,864	payable within 30 to 60 days	Unsecured, no impairment
Franchise fee (c)	1,583,148	133,491	payable within 30 to 60 days	Unsecured, no impairment
Associate				
ORDC				
Management fee (a)	1,200,000	–	payable within 30 to 60 days	Unsecured, no impairment

2013

Category	Amount	Outstanding Balance	Terms	Conditions
Parent Company				
KLIL				
Management fee (f)	₱6,066,920	₱–	payable within 30 to 60 days	Unsecured
Joint venture				
SMKL				
Management fee (c)	5,684,670	464,702	payable within 30 to 60 days	Unsecured, no impairment
Franchise fee (c)	2,273,868	176,300	payable within 30 to 60 days	Unsecured, no impairment
Associate				
ORDC				
Management fee (a)	1,200,000	–	payable within 30 to 60 days	Unsecured, no impairment

Significant transactions with related parties are as follows:

(a) The Parent Company provides management, advisory and consultancy services to ORDC. The Parent Company billed ORDC management fee for accounting and tax management amounting to ₱1.2 million in 2014 and 2013. Management fee is equivalent to ₱0.1 million per month.

(b) The Parent Company made operating advances for expenses incurred by OVI that amounted to ₱0.1 million in 2014 and 2013. The Parent Company provides accounting, management, and other administrative functions to OVI.

(c) The Parent Company provides management, advisory and consultancy services to SMKL. As of December 31, 2014 and 2013, outstanding receivable from SMKL for management and franchise fees included in "Due from related parties" amounted to ₱13.8 million and ₱0.6 million, respectively. The amount of management fee charged by the Parent Company to SMKL amounted to ₱4.0 million and ₱5.7 million in 2014 and 2013, respectively. The amount of franchise fee charged amounted to ₱1.6 million and ₱2.3 million in 2014 and 2013, respectively. Management fee is charged at 2.5% of annual net revenues of SMKL and franchise fee is charged at 1.0% of net revenues of SMKL. The Parent Company made operating advances for expenses incurred by SMKL that amounted to ₱13.2 million and ₱7.96 million in 2014 and 2013, respectively.

(d) On December 22, 2011, the BOD approved BHSI's plan to decrease its authorized capital stock. In January 2012, the Parent Company received from BHSI an amount of ₱100 million, thereby decreasing BHI and OKEP's advances from the Parent Company by ₱59.7 million and ₱40.3 million, respectively. These amounts are recorded as intercompany advances in the Parent Company's statement of financial position. BHSI has filed with SEC the amendments to its articles of incorporation and by-laws to include the above decrease in authorized capital. As of February 16, 2015, the application is pending approval.

(e) KLIL provides consultancy, advisory and support services to the Parent Company. As of December 31, 2014 and 2013, the Parent Company has no outstanding payable to KLIL. Consultancy fees charged by KLIL to the Parent Company amounted to ₱6.5 million and ₱6.1 million in 2014 and 2013, respectively. The basis of management fee is the time spent by KLIL in rendering services.

Compensation of Key Management Personnel of the Parent Company
Details of the compensation of key management personnel of the Parent Company are as follows:

	2014	2013
Salaries and other short-term employee benefits	**₱5,462,715**	₱3,999,981
Bonuses and allowances	**768,588**	529,009
	₱6,231,303	₱4,528,990

15. General and Administrative Expenses

This account consists of:

	2014	2013
Salaries, wages and employee benefits (Note 14)	**₱9,070,289**	₱7,443,363
Management consultancy fee (Note 14)	**6,543,837**	6,066,920
Professional fees	**2,860,196**	2,307,872
Rental (Note 19)	**1,526,761**	1,368,924
Transportation and travel	**1,002,208**	967,507
Membership dues	**574,600**	547,580
Postage, printing and advertising	**549,769**	539,266
Insurance	**499,083**	238,464
Utilities	**439,099**	458,277
Taxes and licenses	**341,383**	267,721
Repairs and maintenance	**366,053**	333,175
Retirement benefits (Note 16)	**233,366**	178,574
Staff recreation and others	**322,173**	171,753
Depreciation (Note 11)	**162,462**	864,062

(Forward)

	2014	2013
Supplies	**₱160,952**	₱168,068
Bank and other charges	**76,144**	54,244
Security and other services	**11,636**	81,437
Others	**308,080**	422,018
	₱25,048,091	₱22,479,225

Other expenses pertain to storage costs, retainer's fee and out of pocket expenses for professional services.

16. Retirement Benefits

The Parent Company has a funded, non-contributory defined benefit retirement plan, administered by BDO Unibank, Inc.-Trust and Investment Group (Trustee), covering its regular employees. The Parent Company is under the KPPI Multi-employer Retirement Plan.

The Parent Company's annual contribution to the plan consists principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The funds are administered by the Trustee under the supervision of the Board of Trustees (BOT) of the plan which delegates the implementation of the investment policy to the Trustee. These funds are subject to the investment objectives and guidelines established by the Trustee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The Trustee is responsible for the investment strategy of the plan.

The latest actuarial valuation date of the Parent Company's retirement plan is December 31, 2014.

Republic Act 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan.

The following tables summarize the components of plan expense recognized in profit or loss and the funded status and amounts recognized in the parent company statements of financial position for the plan:

	2014		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability (asset)
At January 1	**₱1,189,454**	**(₱1,518,071)**	**(₱328,617)**
Benefit cost in profit or loss			
Current service cost (Note 15)	**233,366**	**–**	**233,366**
Net interest expense (income)	**48,173**	**(61,482)**	**(13,309)**
Remeasurements in OCI			
Actuarial loss on plan assets	**–**	**87,455**	**87,455**
Actuarial gain on defined benefit obligation due to:			
Financial assumption	**(118,465)**	**–**	**(118,465)**
Experience adjustments	**(5,744)**	**–**	**(5,744)**
Contributions	**–**	**(152,901)**	**(152,901)**
At December 31	**₱1,346,784**	**(₱1,644,999)**	**(₱298,215)**

	2013		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability (asset)
At January 1	₱860,830	(₱1,383,573)	(₱522,743)
Benefit cost in profit or loss			
Current service cost (Note 15)	178,574	–	178,574
Net interest expense (income)	46,054	(74,021)	(27,967)
Remeasurements in OCI			
Actuarial gain on plan assets	–	(69,701)	(69,701)
Actuarial loss on defined benefit obligation due to:			
Financial assumption	265,923	–	265,923
Experience adjustments	1,030	–	1,030
Contributions	–	(153,733)	(153,733)
Benefits paid	(162,957)	162,957	–
At December 31	₱1,189,454	(₱1,518,071)	(₱328,617)

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31, 2014	December 31, 2013
Cash and cash equivalents		
Savings deposit - BDO	**₱27**	₱229
Special deposit - BSP	**–**	109,945
	27	110,174
Debt instrument - government securities	**649,268**	1,285,381
Equity instrument - investment in UITF	**989,149**	115,392
Interest receivable	**8,468**	8,857
Liability		
Trust fee payable	**(1,913)**	(1,733)
Fair value of plan assets	**₱1,644,999**	₱1,518,071

All equity and debt instruments held have quoted prices in active markets. The plan assets have diverse investments and do not have any concentration risk.

The asset allocation of the plan is set and reviewed from time to time by the BOT taking into account the membership profile and liquidity requirements of the plan. This also considers the expected benefit cash flows to be matched with asset duration.

The present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the pension obligation for the defined benefit plans are shown below:

	2014	2013
Discount rate	**4.50%**	4.05%
Salary increase rate	**5.00%**	5.00%
Average remaining working lives of employees	**19 years**	19 years

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the December 31, 2014 and 2013, assuming all other assumptions were held constant:

	Rates	2014	2013
		Increase (decrease)	
Discount rates	+0.5%	**(₱119,621)**	(₱110,922)
	-0.5%	**132,308**	123,279
Salary increase rate	+1.0%	**267,538**	982,978
	-1.0%	**(207,217)**	(206,476)

The Parent Company expects to contribute ₱0.2 million to the plan in 2015.

Shown below is the maturity analysis of the Parent Company's defined benefit obligation based on undiscounted benefit payments:

	2014	2013
Less than 10 years	**₱–**	₱–
More than 10 years to 15 years	**984,957**	984,357
More than 15 years to 20 years	**7,917,906**	2,322,052
More than 20 years	**7,634,454**	13,220,160
	₱16,537,317	₱16,526,569

The weighted average duration of the defined benefit obligation is 18 years.

17. Income Tax

Current Tax

The details of the current provision for income tax follow:

	2014	2013
Final Tax	**₱423,399**	₱904,879
MCIT	**103,836**	176,330
	₱527,235	₱1,081,209

Deferred Tax

The components of deferred tax as of December 31 computed at 30% follow:

	2014	2013
Presented in profit or loss		
Deferred tax assets:		
Accrued expenses	**₱2,272,902**	₱1,208,350
Unrealized foreign exchange loss	**142,331**	–
Pension asset - net	**42,165**	–
Deferred tax liability:		
Unrealized foreign exchange gain	–	(24,292)
Pension asset - net	–	(24,991)
	2,457,398	1,159,067
Tax rate	**30%**	30%
	737,219	347,720
Presented in OCI		
Deferred tax liability:		
Pension asset - net	**(340,380)**	(303,626)
Tax rate	**30%**	30%
	(102,114)	(91,088)
Total net deferred tax asset	**₱635,105**	₱256,632

As of December 31, 2014, details of NOLCO and MCIT which can be claimed as deduction from future taxable income follow:

Year incurred	Year of Expiry	NOLCO	MCIT
2012	2015	₱16,480,735	₱149,742
2013	2016	13,296,539	176,330
2014	2017	17,752,075	103,836
		₱47,529,349	**₱429,908**

Deferred tax assets on NOLCO and MCIT as of December 31, 2014 and 2013, respectively, have not been recognized since management believes that the benefits will not be realized prior to their expiry dates. Details of unrecognized deferred tax assets follow:

	2014	2013
NOLCO	**₱47,529,349**	₱42,774,961
Tax rate	**30%**	30%
	14,258,805	12,832,488
MCIT	**429,908**	470,043
	₱14,688,713	₱13,302,531

The movements in NOLCO are as follows:

	2014	2013
At January 1	**₱42,774,961**	₱40,665,842
Additions	**17,752,075**	13,296,539
Expirations	**(12,997,687)**	(11,187,420)
At December 31	**₱47,529,349**	₱42,774,961

The movements in MCIT are as follows:

	2014	2013
At January 1	**₱470,043**	₱293,713
Additions	**103,836**	176,330
Expirations	**(143,971)**	–
At December 31	**₱429,908**	₱470,043

The reconciliation between the statutory income tax rate and the effective income tax rate is as follows:

	December 31	
	2014	2013
Statutory income tax rate	**30.0%**	30.0%
Add (deduct) tax effects of:		
Non-taxable income	**(64.5)**	–
Income subjected to final tax	**4.0**	2.5
Change in unrecognized deferred tax assets	**28.0**	(35.8)
Effective income tax rate	**(2.5%)**	(3.3%)

18. Provisions

As of December 31, 2014 and 2013, provisions were recognized for estimated losses on claims by a third party amounting to ₱2.1 million. Disclosure of additional details beyond the present disclosures may prejudice the Parent Company's position. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* only a general description was provided.

19. Commitments

The Parent Company has an operating lease contract that expired on August 30, 2014. This agreement has been renewed for one year until August 2015. Total rent expense charged to operations amounted to ₱1.5 million and ₱1.4 million in 2014 and 2013, respectively (see Note 15).

As of December 31, 2014 and 2013, the required advance rentals and deposit amounted to ₱2.2 million and ₱1.4 million, respectively. These are included under "Other current assets" in the Parent Company's statements of financial position.

There are no assets of the Parent Company pledged as collaterals to any loans of its stockholders and associates nor are there any restrictions on revenue.

20. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and cash equivalents, AFS financial assets, amounts due to and from related parties and refundable deposits. The Parent Company has various other financial assets and financial liabilities such as receivables and payables, which arise from its operations.

The main risks arising from the Parent Company's financial instruments are credit risk, liquidity risk and foreign currency risk. The Parent Company's BOD and management review and agree on the policies for managing each of these risks as summarized below.

Credit Risk

Credit risk arises when the counterparty to a financial asset of the Parent Company is unable to fulfill its obligation at the time the obligation becomes due. Credit risk arises from the Parent Company's financial assets, which comprise cash and cash equivalents, receivables, amounts due from related parties, refundable deposits and AFS financial assets. As of December 31, 2014 and 2013, the carrying values of the Parent Company's financial instruments represent maximum exposure to credit risk at reporting date.

The gross maximum exposure to credit risk of the Parent Company approximates its net maximum exposure. There were no amounts that are set-off in accordance with the entities in PAS 32, *Financial Instruments: Presentation.* There were no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2014 and 2013.

The Parent Company transacts mostly with related parties, thus, there is no requirement for collateral. There are no significant concentrations of credit risk within the Parent Company.

The Parent Company's due from related parties are approximately ninety-eight percent (98%) of total receivables.

The table below shows the credit quality of the Parent Company's neither past due nor impaired financial assets as at December 31, 2014 and 2013:

December 31, 2014

	High Grade	**Low Grade**	**Total**
Financial assets			
Loans and receivables:			
Cash and cash equivalents*	**₱118,025,096**	**₱–**	**₱118,025,096**
Receivables	**2,504,491**	**–**	**2,504,491**
Due from related parties	**132,192,800**	**–**	**132,192,800**
	₱252,722,387	**₱–**	**₱252,722,387**

**excluding cash in hand*

December 31, 2013

	High Grade	Low Grade	Total
Financial assets			
Loans and receivables:			
Cash*	₱136,356,602	₱–	₱136,356,602
Receivables	1,568,497	–	1,568,497
Due from related parties	121,209,780	–	121,209,780
	₱259,134,879	₱–	₱259,134,879

**excluding cash in hand*

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents - high grade is based on the nature of the counterparty and the Parent Company's internal rating system.

Neither past due nor impaired receivables - high grade pertains to receivables with no default in payments and those accounts wherein management has assessed that the recoverability is high. Low grade pertains to receivables with default in payments or those accounts which have probability of impairment based on historical trend.

As of December 31, 2014 and 2013, the Parent Company has no past due or impaired financial assets.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding.

The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and short-term deposits. The Parent Company also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

The table below summarizes the maturity profile of the Parent Company's non-derivative financial assets and financial liabilities based on contractual undiscounted payments:

December 31, 2014

	On Demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
Financial assets:					
Cash and cash equivalents	₱12,989,643	₱105,070,453	₱–	₱–	₱118,060,096
Receivables	14,185	2,490,306	–	–	2,504,491
Due from related parties	132,192,800	–	–	–	132,192,800
Refundable deposits	–	–	–	107,110	107,110
	₱145,196,628	₱107,560,759	₱–	₱107,110	₱252,864,497
Financial liabilities:					
Accounts payable and other current liabilities*	₱553,981	₱3,411,790	₱–	₱–	₱3,965,771
Due to related parties	100,000,000	–	–	–	100,000,000
	₱100,553,981	₱3,411,790	₱–	₱–	₱103,965,771

* *Accounts payable and other current liabilities exclude taxes payable.*

December 31, 2013

	On Demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
Financial assets:					
Cash and cash equivalents	₱136,391,602	₱–	₱–	₱–	₱136,391,602
Receivables	51,169	1,517,328	–	–	1,568,497
Due from related parties	121,209,780	–	–	–	121,209,780
Refundable deposits	–	–	–	56,108	56,108
	₱257,652,551	₱1,517,328	₱–	₱56,108	₱259,225,987
Financial liabilities:					
Accounts payable and other current liabilities*	₱553,981	₱2,443,630	₱–	₱–	₱2,997,611
Due to related parties	100,000,000	–	–	–	100,000,000
	₱100,553,981	₱2,443,630	₱–	₱–	₱102,997,611

** Accounts payable and other current liabilities exclude taxes payable.*

The Parent Company's AFS financial assets are unquoted equity securities with no term, except that the Parent Company's redeemable preferred shares of various related parties may be redeemed, in full or in part, within the period of 10 years from the date of issuance at the option of the issuer.

Foreign Currency Risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Parent Company's exposure to foreign currency arises from US-dollar denominated bank accounts and SG-dollar denominated consultancy fees due to KLIL.

The Parent Company's foreign currency denominated financial asset pertains to cash in bank account amounting to ₱0.2 million (US$4,653) and ₱0.6 million (US$12,945) as of December 31, 2014 and 2013, respectively. In translating the foreign currency denominated cash in bank account into Philippine Peso amounts, the exchange rates used was ₱44.66 and ₱44.40 to US$1.0 as of December 31, 2014 and 2013, respectively.

The Parent Company manages its foreign currency exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into relevant domestic currency as and when the management deems necessary.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Parent Company's income before tax. There is no impact on the Parent Company's equity other than those already affecting the net income.

December 31, 2014

Currency	**Change in Variable**	**Effect on Income Before Tax Increase (decrease)**
USD	+0.07%	**₱12,546**
	-0.07%	**(12,546)**

December 31, 2013

Currency	Change in Variable	Effect on Income Before Tax Increase (decrease)
USD	+0.8%	₱457,218
	-0.8%	(457,218)

In 2014 and 2013, the Parent Company used the average change in the quarterly closing rates for the year in determining the reasonable possible change in foreign exchange rates.

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 shareholder value. The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Parent Company monitors capital using percentage of debt to equity, which is total debt divided by total equity net of treasury stock. The Parent Company's policy is to maintain the percentage of debt to equity ratio below 100%. The Parent Company includes, within total debt, accounts payable and other current liabilities and amounts due to related parties.

The Parent Company's objective is to ensure that there are no known events that may trigger direct or contingent financial obligation that is material to the Parent Company, including default or acceleration of an obligation. The percentages of debt to equity as of December 31, 2014 and 2013 are as follows:

	2014	2013
Liabilities	**₱107,268,823**	₱105,854,078
Equity	**1,177,447,125**	1,183,141,059
Percentage of debt to equity	**9.11%**	8.95%

The Parent Company is not subject to any externally imposed capital requirement.

21. Financial Instruments

Fair Values
Due to the short-term nature of the Parent Company'cash and cash equivalents, receivables and due from related parties, their fair values approximate their carrying amounts as of December 31, 2014 and 2013.

The unquoted club shares and redeemable preferred shares are valued at cost less any impairment in value because these club shares and redeemable preferred shares do not have a quoted market price in an active market and its fair value cannot be measured reliably.

Fair Value Hierarchy
As of December 31, 2014 and 2013, the Parent Company has no financial instrument measured at fair value. During the reporting period ended December 31, 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

22. Notes to Statement of Cash Flows

The significant noncash transaction of the Parent Company in 2013 pertains to the decrease in advances to related parties amounting to ₱206.0 million in relation to the amount converted by KPPI into preferred shares (see Note 9).

23. Segment Information

The Parent Company has only one segment as it derives its revenues primarily from investments and management consultancy services rendered to its associates.

Significant information on the reportable segment is as follows:

	December 31	
	2014	2013
Operating assets	**₱1,284,715,948**	₱1,288,995,137
Operating liabilities	**107,268,823**	105,854,078
Revenue	**19,607,630**	11,449,531
Other charges	**(141,465)**	(109,238)
General and administrative expenses	**25,048,091**	22,479,225
Segment net loss	**5,719,662**	11,509,965

All revenues are from domestic entities incorporated in the Philippines.

There are no revenues derived from a single external customer above 10% of total revenue.

There is no need to present reconciliation since the Parent Company's operating assets, operating liabilities, revenue, cost and expenses and segment profit pertains to a single operating segment.

24. Supplementary Tax Information Under Revenue Regulations 15-2010

The Parent Company reported and/or paid the following types of taxes in 2014:

VAT

The Parent Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. Net Sales/Receipts and Output VAT declared in the Parent Company's VAT returns for 2014

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sales of services (management and franchise fees)	₱6,741,020	₱808,922

b. Details of input VAT as of December 31, 2014

At January 1	₱–
Current year's domestic purchases/payments for:	
Purchase of goods other than capital goods	29,578
Services lodged under other accounts	791,835
	821,413
Input VAT applied to output VAT	808,922
At December 31	**₱12,490**

Other Taxes and License Fees for 2014

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees which are lodged under "General and administrative expenses" account in the Parent Company's statement of comprehensive income.

Local	
Mayor's permit	₱325,355
Barangay clearance	3,163
Community tax	4,922
	333,440
National	
BIR registration	500
Documentary stamp tax	1,495
Others	5,948
	7,943
	₱341,383

Documentary Stamp Tax

The documentary stamp tax paid by the Parent Company pertains to the lease renewal for the year ended December 31, 2014.

Withholding Taxes

The Parent Company's withholding taxes for the year ended December 31, 2014 follows:

Final withholding taxes	₱3,843,931
Withholding taxes on compensation and benefits	2,901,488
Expanded withholding taxes	266,140
Fringe benefit tax	225,012
	₱7,236,571

Tax Assessments and Cases

The Parent Company has no Final Assessment Notice and/or Formal letter of Demand from the Bureau of Internal Revenue (BIR) for alleged deficiency income tax, VAT and withholding tax.

In addition, the Parent Company has no pending tax case outside the administration of the BIR.