COVER SHEET

1 6 3 6 7 1

SEC Registration Number

PRIME ORION PHILIPPINES, INC.

(Company's Full Name)

20/F LKG TOWER 6801 AYALA AVENUE
MAKATI CITY

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

RHODORA ESTRELLA B. REVILLA

(Contact Person)

884-1106

(Company Telephone Number)

SEC FORM

0 6	3 0	17-A		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended : **30 June 2016**

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

4. Exact name of registrant : **PRIME ORION PHILIPPINES, INC.**

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

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

7. **20/F LKG Tower, 6801 Ayala Avenue, Makati City** **1226**
   Address of principal office Postal Code

8. **(632) 884-1106**
   Registrant's telephone number, including area code

9. **N/A**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
    (As of 30 September 2016)

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	**4,896,455,183 shares**
Consolidated Loans Payable	**-0-**

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

    Yes [**X**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange **Common Shares**

12. Check whether the registrant:

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

    Yes [**X**] No [ ]

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

    Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: P4,393,461,733.39
    (as of 30 Sept. 2016)

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Business Development

Prime Orion Philippines, Inc. (POPI/Company/Issuer), originally registered as *Philippine Orion Properties, Inc*., was incorporated in 1989 as an investment holding company. The exchange of shares of the Company with First Lepanto Corporation (FLC) paved the way for the entry of the Guoco Group of Hong Kong [through its affiliate, Guoco Assets (Philippines), Inc. (GAPI)] as principal shareholder of the Company. Consequently, in 1994, the Company was renamed *Guoco Holdings (Philippines), Inc*. (GHPI). (Guoco Group is a regional conglomerate with operations in Singapore, Malaysia, Indonesia, Hong Kong and the United Kingdom, engaged in the businesses of real estate, manufacturing and financial services).

In October 2001, GAPI and GHPI mutually agreed to terminate their Management Contract to enable GHPI to better position itself in the Philippines and capitalize on the local conditions existing at that time. Consequently, on 4 January 2002, GHPI changed its name to *Prime Orion Philippines, Inc*..

At present, POPI has interests in real estate and property development, leasing of warehouses and non-life insurance, with the following intermediate holding companies:

- (i) Orion Land Inc., organized in 1996, with authority to purchase, own, hold, lease and dispose of real properties;
- (ii) Orion I Holdings Philippines, Inc., organized in 1993, with authority to acquire, hold, own and use for investment or otherwise, to sell, assign and deal in any and all properties, of every kind and description; and
- (iii) OE Holdings, Inc., organized in 1993, with authority to engage in investment holding activities.

On 24 February 2016, POPI entered into a Deed of Subscription with Ayala Land, Inc. (ALI) whereby ALI agreed to subscribe to 2.4 billion shares of stock of POPI at the price of P5.625 billion, from the increase in POPI's authorized capital stock from P2.4 billion to P7.5 billion. On 4 July 2016, the Securities and Exchange Commission approved POPI's increase in its authorized capital stock from P2.4 billion to P7.5 billion divided into 7.5 billion common shares, with par value of P1.00 per share. Of the ALI Subscription of 2.5 billion shares (equivalent to 51.06% of the total outstanding stock of the Company), P1.406 billion has been paid, the balance to be paid upon completion of certain conditions.

B. Business of Issuer

(i) <u>Principal Products and Services</u>

The principal products and services of POPI's holding and operating companies as of 30 September 2016 are as follows:

Orion Land Inc. (OLI)

- Tutuban Properties, Inc. (TPI), a wholly-owned subsidiary, organized in 1990, holds the lease and development rights over a 20-hectare market district in downtown Divisoria, the country's oldest and biggest trading district. On the property sits the Tutuban Center (the "Center"), an integrated wholesale and retail complex recognized as the premier shopper's bargain district in the Philippines. On 22 December 2009, TPI renewed its Contract of Lease with the Philippine National Railways (PNR) for another 25 years (5 September 2014 to 2039). In November 2012, TPI completed the Orion Hotel, a 41-room hotel, located at the third floor of TPI's Prime Block Building. In line with the reorganization of TPI, the operations of the hotel and café will be discontinued effective 9 October 2016.

  On 1 April 2015, TPI entered into a Memorandum of Understanding with the Department of Transportation and Communications (DOTC) and the PNR whereby the parties agreed to cooperate for the finalization and completion of the plans for DOTC's North South Railway Project (NSRP) within a period of six months. Discussions on the NSRP among DOTC, PNR and TPI are ongoing.

At present, TPI is reorganizing its operations to revitalize the Center. The Center is currently undergoing an upgrade of its buildings and facilities which includes repainting of building exterior, installation of a new airconditioning system, refurbishment of the food court and reconfiguration of its stalls and Night Market operations.

- TPI Holdings Corporation (THC), organized in 2005 as a wholly-owned subsidiary of TPI, holds the titles to certain parcels of land in Calamba, Laguna. On 18 August 2015, THC entered into a Memorandum of Agreement for the sale of the said properties to a third party.

- Orion Property Development, Inc. (OPDI), another wholly-owned subsidiary, organized in 1993, handles property acquisition and horizontal development. Its present landholdings include: (ii) about 31 hectares raw land in Kay-Anlog, Laguna (including those with pending Contracts to Sell); (ii) about 17 residential lots in The Homelands Subdivision in Calamba, Laguna, with a total area of about 2,682 sqm. and ridge area, with an area of 21,148 sqm.; (iii) Trellis Pocket Centre, a 747-sqm. commercial project located along National Highway, Calamba; (iv) additional 7,418 sqm. property known as the MARFA area at the back of The Homelands offered for sale and marketed as premier section of The Homelands; (v) industrial lot at Phase III of the Homelands, with an area of 31,087 sqm. and (vi) 58,800 sqm. property in San Vicente, Palawan.

  Effective 1 July 2013, OMI Land Title Services Division (OMI Titling) of Orion Maxis Inc. (OMI) was transferred to OPDI. OMI Titling offers land titling services (such as title transfer, reconstitution of lost title, land verification and survey, real property tax assessment and payment, etc.). In line with the reorganization of the companies under POPI, the operations of OMI Titling will be discontinued effective 9 October 2016.

  As of 18 August 2015, about 31.61 hectares of the Sto. Tomas, Batangas property (owned by OPDI and THC) (including the 18 hectares subject of a previous agreement with a third party) have been sold.

  In June 2016, OPDI sold its 639-sqm. property (with building) in J.P. Rizal St., Makati City.

Orion I Holdings Philippines, Inc. (OIHPI)

- Lepanto Ceramics, Inc. (LCI), is engaged in the manufacture of ceramic floor and wall tiles under the brand name Lepanto. However, LCI has ceased tile production in mid-November 2012 and is at present engaged in the lease of its warehouses. On 2 September 2016, the Board of Directors approved the change in primary purpose of the LCI from tile manufacturing to leasing of warehouses and change of corporation's name to "Lepanto Development Corporation", and will file for amendment of its Articles of Incorporation. LCI will focus on the remaining assets of the company. LCI is 4.16% owned by OPDI (through common shares, voting) and 95.84% owned by OIHPI (through preferred shares, non-voting).

OE Holdings, Inc. (OEHI)

- OMI, a wholly-owned subsidiary of OEHI, is engaged in the business of establishing, developing and providing management and logistical infrastructure service and market incentive systems solutions, and other allied businesses and services. Appointed as the sales and marketing arm of LCI in 2008, OMI handled the distribution of Lepanto tiles.

  In 2014, OMI was appointed as distributor of San Marco Paints, a leading decorative paint brand from Italy for finishing walls and ceilings, as well as exterior and interior basic paints for all types of construction projects. In line with the reorganization of the companies under POPI the operations of OMI will be discontinued effective 9 October 2016.

Other subsidiaries/affiliates of POPI include:

- *FLT Prime Insurance Corporation (FPIC)*

  FPIC, a 78.77%-owned subsidiary of POPI, was incorporated in 1977, and operates as a non-life insurance company. It offers wide range of insurance products/lines such as fire, marine cargo, motor car, bonds, accident & health, miscellaneous casualty, engineering and business care.

- *Orion Solutions, Inc. (OSI)*

  OSI, a 100%-owned subsidiary, is engaged in the business of providing business software solutions and management/information technology (IT) consultancy services to individuals and corporations. OSI is the IT subsidiary of the POPI Group and is an authorized Reseller in the Philippines of the Enterprise Retail Planning Software Solution, Epicor, which is focused on sales and distribution for wholesale and retail, finance and discrete manufacturing.

  In line with the reorganization of the companies under POPI the operations of OSI will be discontinued effective 9 October 2016.

- *BIB Aurora Insurance Brokers, Inc. (BAIBI)*

  BAIBI, organized in 1960, a 20%-owned affiliate, is in the business of insurance brokering. Due to poor market conditions, BAIBI suspended its operations in 2002.

Based on the Company's Consolidated Statement of Income (Loss) for the past year, the contributions of the above subsidiaries (on a per type of business basis) to the Company's consolidated Net Income are as follows:

Parent Company (holding company)	2,107.35%
Real estate and property development	-1,189.44%
Financial Services	-448.98%
Manufacturing	-220.00%
Others	-148.93%

Total	100%

(ii) Percentage of Sales Contributed by Foreign Sales

The target market for products of the Company and its subsidiaries is the domestic market. It has no foreign sales.

(iii) Distribution Methods

Selling of real estate by OPDI is made either through: (i) direct selling to individual or corporate buyers, or (ii) brokers. LCI's remaining inventory of Lepanto tiles are sold through the factory outlet at the LCI plant. Insurance products of FPIC are sold through direct selling or marketing by FPIC's individual/ corporate agents, branches, brokers and partners.

OMI Titling promotes its land titling services by joining trade fairs, direct advertising through flyers/brochures and service agreements with banks and land developers.

OMI promotes and sells San Marco Paints through direct selling to, and/or tie-ups with, architects, contractors and developers.

OSI products are sold through direct selling.

Effective 9 October 2016, OSI, OMI and OMI Titling will discontinue their operations.

(iv) New Products or Services

The Company has no new products or services.

(v) Competition

The Company competes with other investment holding companies in the Philippines in terms of investment prospects.

The Company's core businesses continue to compete in their respective industries. However, competition is kept basically on a domestic level. The Company's core businesses are as follows:

1. With the suspension of tile production in 2012, LCI sells only its remaining inventories. With the shift of LCI into leasing of its warehouses, LCI faces competition from other lessors of warehouses.

2. TPI operates the Center in Manila, known as the premier bargain center in the country. Its competitors include other mall operators/lessors in the Divisoria area and within Metro Manila. TPI's Night Market operations continue to draw customer traffic. TPI capitalizes on advertising and promotional campaigns to enhance customer awareness about the Center.

   TPI has a 41-room Orion Hotel located at the third floor of Prime Block Building, to cater to traders and shoppers of the Center. The Orion Hotel competes with other hotels in the Divisoria district. However, effective 9 October 2016, hotel and café operations will be discontinued.

3. FPIC competes with other non-life insurance companies. Aside from its head office in Makati, FPIC maintains branches in Metro Manila, specifically, in Caloocan and Alabang (until end October 2016), and key cities in the provinces of Cebu, Bacolod, Baguio and Davao, to expand its customer base and improve its market share. To remain competitive, FPIC continues to develop diverse and customized products which cater to the unique needs of its target market- the retail market, and to improve its existing products and services to its customers. Its primary focus is on lines with high premium retention such as motor car, personal accident and residential accounts.

4. OMI competes with distributors of other paint distributors and importers. OMI will discontinue its operations effective 9 October 2016.

5. OPDI faces competition with other land developers; while OMI Titling competes with other land title management service providers. OMI Titling will discontinue its operations effective 9 October 2016.

6. OSI competitors are other sellers of business solution software. OSI will discontinue its operations effective 9 October 2016.

(vi) Purchases of Raw Materials and Supplies

The Company's supplies are purchased on a competitive basis from many different sources and are readily available locally.

(vii) Customers

POPI has a broad market base for its numerous product lines and is not dependent on a single customer or group of customers.
For its real estate and property development operations, TPI's customers include wholesalers, retailers and mall shoppers. OPDI's customers include middle to high-income home buyers as well as real estate investors and developers. OMI Land Titling's customers include banks and individuals who require services related to land titling. OMI offers its products to architects, developers and contractors as well as institutional end users of paints.

With the suspension of tile production in 2012, LCI's customers are mainly lessees of warehouses.

FPIC has non-life insurance products which cater to a variety of customers, individuals and corporations.

OSI offers its software business solution products (Epicor) and services to various corporations such as those engaged in sales and distribution for wholesale and retail, finance and discrete manufacturing.

(viii) Transactions with and/or Dependence on Related Parties

The Company has limited transactions and/or dependence on its shareholders and/or related parties in view of existing laws on disclosure and/or requirement for prior approval of appropriate government agencies.

(ix) Franchise

The Company's products are not covered by any franchise.

(x) Government Approvals for Principal Services

The following subsidiary/affiliate of the Company have been granted the necessary government approvals for their operations:

On 29 August 1980, BAIBI, a 20%-owned affiliate, was granted a license by the Insurance Commission (IC) to operate as an insurance broker. BAIBI's broking license has not been renewed as it has not resumed operations.

On 9 March 1977, FPIC, a 78.77%-owned subsidiary, was also granted a license by the IC to operate as a non-life insurance company, which license is renewed annually. The IC has extended the license of FPIC up to 31 December 2018, subject to its compliance with the net worth and risk based capital ratio of the IC.

(xi) Effect of Existing or Probable Governmental Regulations

Governmental regulations expected to materially affect the operations or business of POPI and certain of its subsidiaries are as follows:

a) On FPIC

Under Republic Act No. 10607 (An Act Strengthening the Insurance and Further Amending Presidential Decree No. 612, otherwise known as "Insurance Code") which took effect on 20 September 2013, existing domestic non-life insurance companies are required to have a net worth of P250 million by 30 June 2013, which will be increased every three years as follows: P550 million by end of 2016, P900 million by end of 2019 and P1.3 billion by end of 2022. The increase in net worth will coincide with the issuance of the Certificate of Authority or license of the insurance company which shall be renewable every three (3) years. FPIC has complied with the P250 million paid-up capital requirement through the issuance of common and preferred shares of stock. It has further increased its paid-up capital to P320 million in February 2016.

b) On TPI

Government approval on any proposed increase in the prices of electricity and water will have a material adverse impact on the operations of TPI as it will directly increase utilities and overhead expenses (including Common Usage Service Area expenses).

(xii) Research and Development Activities

There are no research and development activities undertaken by the Company or its other subsidiaries.

(xiii) Costs and Effects of Compliance with Environmental Laws

Operations may be affected in the coming years with the implementation of R.A. 8747 and other environmental laws. Compliance with such environmental laws may entail additional investments and/or upgrades in facilities of TPI.

(xiv) Employees

As of 30 June 2016, the employees of POPI are as follows:

Executives	-	2	
Managers	-	9	
Supervisors*	-	16	*performs various clerical and administrative functions
Rank & File	-	8	

Total		35	

The said employees have been seconded by POPI to its subsidiaries.

The Company has no workers' union. However, the Company's subsidiaries, FPIC and LCI, have workers' unions, although almost all rank and file workers have left LCI in 2012. FPIC's new CBA was signed on 9 October 2015 and shall be effective for five years starting on 1 April 2015.

In line with the reorganization of POPI, the employees will be separated by end of October 2016. The restructuring of the organization will allow POPI to focus on its core business which is real estate. Employees of subsidiaries such as OMI, OSI and OMI Titling will be separated as a consequence of the closing of operations. The remaining employees of LCI will be separated as part of reorganization of LCI. The employees of TPI have also been served separation notice on account of (1) cessation of operations of hotel and café business and (2) implementation of new processes and systems aligned with its plan to revitalize the Center.

Item 2. Properties

The operations of the Company and most of its subsidiaries are conducted at the 20/F LKG Tower, 6801 Ayala Avenue, Makati City. The Company and its subsidiaries (TPI, OSI and OMI) lease an office (with a total area of 557.04 sqm.) at the rate of P907.17 per sqm (VAT inclusive), with a lease term until 14 April 2016, which was extended to until 31 December 2016. The Company has extended the lease of its office until 31 December 2017 at the same rate but with a reduced area of 410.79 sqm..

LCI's office and plant sit on a 14.28-hectare property in Calamba, Laguna. TPI holds office at the 2nd Floor of Centermall Building of the Center at C.M. Recto Ave., Manila. FPIC's Head Office leases the 16th floor of Pearlbank Centre located at 146 Valero St., Salcedo Village, Makati City, while its branches lease office spaces in Caloocan, Davao City, Bacolod, Baguio and Cebu. FPIC's lease of its Alabang office will expire in October 2016 and will not be renewed.

Other properties of the Company and its subsidiaries include: (i) a 232.98 sqm. condominium unit at Eurovilla III at Valero St., Makati City; and (ii) Tutuban Center (comprised of Prime Block Mall, Cluster Building 2, Centermall I and II, Robinsons' Supermarket and Department Store building and Parking Tower), with gross leasable area of about 60,000 square meters. The Center sits on about 8.5 hectares (has.) (out of about 20 has. of real property owned by the PNR and covered by the lease of TPI). The area previously occupied by Cluster Building 1 which was gutted by fire in 2012, is being used as a parking area for now.

The lease of TPI with the PNR was renewed last 22 December 2009 for another 25 years (5 September 2014 to 4 September 2039). The Renewal of Contract of Lease (starting 2014) provides for an expanded leased area (land use), which would include: (a) Phase I- existing 8.5 has.; (b) Phase IIA- approximately 5.8 has. (for land use); and (c) Phase IIB- approximately 5.8 has. (air rights).

As of September 2016, PNR has turned over to TPI the following additional areas: (1) about 3.8 hectares of Phase IIA (land use), and (2) about 5.7 hectares of Phase IIB (air rights).

OPDI, which handles property acquisition and horizontal development, has the following properties/projects: (; (b) about 31 hectares raw land in Kay-Anlog, Laguna (including those with pending Contracts to Sell); (c) about 17 residential lots in The Homelands Subdivision in Calamba, Laguna, with a total area of about 2,682 sqm., and ridge area, with an area of 21,148 sqm.; (d) Trellis Pocket Centre, a 747-sqm. commercial project located along National Highway, Calamba; (e) additional 7,418 sqm. property known as the MARFA area at the back of The Homelands, marketed as the premier section of The Homelands Subdivision; (f) a 49.85 sqm. condominium unit at Makati Prime Tower (subject to notice of *lis pendens* registered by the property owner, Prime Tower Property Group, Inc., in connection with its case against its contractor, Titan-Ikeda Construction and Development Corporation), (g) a 31,087 sqm. industrial lot at Phase III of The Homelands; and (h) a 58,800 sqm. property in San Vicente, Palawan.

This fiscal year, the Company and its subsidiaries, OPDI and THC, sold some of its real properties. In August 2015, OPDI and THC sold its 33-has. property in Sto. Tomas, Batangas (including the portion subject of previous agreement with a third party). At present, THC's remaining property in Sto. Tomas, Batangas is a 1,095 sqm. property.

On 7 September 2015, the Company sold its 10,747-sqm. property in Mandaue City.

In June 2016, OPDI sold its 639-sqm. land (with building) in J.P. Rizal, Makati City.

Item 3. Legal Proceedings

a. "*Lavine Loungewear vs. First Lepanto-Taisho Insurance Corp. (now FPIC), et. al.*"
Civil Case No. 68287
G.R. No. 197219 / CA GR CV No. 90499

A complaint for sum of money (representing insurance proceeds) with issuance of Temporary Restraining Order (TRO) and Injunction was filed on 24 January 2001 with the Pasig Regional Trial Court (RTC)-Branch 71, against the Company's subsidiary, FPIC, by its insured, Lavine Loungewear Mfg. Inc. (Lavine). Prior to the filing of the suit, there was an intra-corporate dispute between two groups of stockholders of Lavine, each group claiming to be the owner of Lavine and therefore entitled to receive the insurance proceeds. Since FPIC could not determine which group of Lavine stockholders to pay, FPIC only made partial payment on the claim.

On 2 April 2001, the RTC rendered a Decision finding FPIC liable to pay Lavine the amount of P18,250,000 with 29% interest per annum from October 1998 until full payment. A Special Order for Execution Pending Appeal was also issued by the Court. As a result, certain assets of FPIC were garnished/attached. FPIC then filed a Petition with prayers for TRO and Injunction with the Court of Appeals (CA)-10th Division, which reliefs were granted by the court.

On 29 May 2003, the CA-10th Division, in its Consolidated Decision, ruled as follows: (1) setting aside the RTC Decision dated 2 April 2001; (2) declaring null and void the Special Order dated 17 May 2002 and the Writ of Execution dated 20 May 2002; (3) remanding the case to the lower court for pre-trial conference on the Second Amended Answer-in-Intervention; and (4) payment of proceeds to Lavine (if adjudged entitled to said proceeds) be withheld until a decision on the rightful members of the Board of Directors of Lavine is issued by the intra-corporate court. The Intervenors Harish Ramnani (a party to the intra-corporate dispute) filed a Motion for Reconsideration (MR) with the CA-10th Division, to which FPIC filed its Opposition dated 15 July 2003 together with a Motion for Immediate Lifting of Garnishment.

On 20 April 2004, the CA resolved to lift the order of levy and notices of garnishment on the real and personal properties and bank deposits of FPIC which were made pursuant to the Special Order dated 17 May 2002 and Writ of Execution dated 20 May 2003 which were declared null and void by the CA.

A Petition for Review (PR) was filed by Intervenors with the Supreme Court (SC) to set aside the CA Decision of 29 May 2003. The SC, in its Decision dated 25 August 2005, affirmed the CA Decision dated 29 May 2003. Said SC Decision became final and executory.

Separately, FPIC filed an appeal with the CA of the RTC Decision dated 2 April 2001. The records of the case have been forwarded to the CA on 28 January 2008. FPIC filed its Appellant's Brief with the CA on 6 November 2008. Intervenor-appellees Harish Ramnani, et.al filed an Amended Motion to Dismiss (MTD) Appeal of Defendant Equitable PCI-Bank dated 14 November 2008. Intervenor-Appellees filed its Consolidated Brief dated 8 January 2009 to which FPIC filed its Appellant's Reply Brief dated 11 February 2009.

Meanwhile, on 6 January 2009, Villaraza Cruz Marcelo & Angangco (VCMA) filed its Entry of Appearance as counsel for appellant Banco de Oro Unibank, Inc. (now BDO Unibank, Inc. or BDO) (formerly Equitable PCI Bank) and filed an Opposition to the Amended MTD filed by Intervenor-appellees.

The CA, in its Resolution dated 8 May 2009, resolved as follows: (i) the MTD filed by Intervenor-appellees was denied; (ii) entry of appearance of counsel for BDO was noted; (iii) Appellee's Brief filed by Lavine on 10 February 2009 (which was one day late) was admitted in the interest of justice; (iv) Reply Brief of defendant appellants Rizal Surety and Insurance Co., Tabacalera Insurance Co. and FPIC (which was filed late) were admitted; (v) BDO given an inextendible period of 45 days from notice within which to file appellant's brief; and (vi) plaintiff-appellee's Consolidated Brief was admitted without prejudice to filing of an appellee's brief in response to appellant BDO.

The CA issued a Decision dated 30 September 2010 which affirmed the RTC Decision dated 2 April 2001 in all respects except that it exempted BDO from paying 10% of the actual damages due and demandable as and by way of attorney's fees. Briefly, the Decision ruled relative to FPIC that:

(a) Intervention (by intervenors) was done and allowed so that the real representatives of party-plaintiff could sue on behalf of the latter;

(b) FPIC is liable for P18,250,000.00 because the insurance proceeds totaled P169,300,000.00 with interest per lead adjuster's valuation;
(c) FPIC must pay interest as it did not file an interpleader and consignation suit for this purpose;
(d) FPIC liable to pay 29% interest (i.e., twice the interest ceiling of 14.5%) as provided under Section 243 of the Insurance Code of 1978; and
(e) FPIC is liable for attorney's fees as it compelled plaintiff-appellee, through intervenors, to file the instant suit to collect money due from it.

On 5 November 2010, FPIC filed an MR of the CA Decision dated 30 September 2010. The CA issued a Resolution dated 9 June 2011 which affirmed the 30 September 2010 CA Decision subject to the following modifications:

1. Phil Fire is liable to plaintiff-appellee through intervenors for the sum of P8,628,278.57 with 6% interest per annum (p.a.) from 26 November 2001 and 12% p.a. from finality of the resolution until full paid;
2. Rizal Surety is liable for P10,616,608.10 with 6% interest p.a. from 26 November 2001 and 12% p.a. from finality of the resolution until fully paid;
3. FPIC is liable for the sum of P10,145,760.11 with 6% interest p.a. from 26 November 2001 and 12% p.a. from finality of resolution until fully paid;
4. Tabacalera Insurance is liable for the sum of P11,189,530.22 with 6% interest p.a. from 26 November 2001 and 12% from finality of resolution until fully paid;
5. Award of 10% attorney's fees is deleted;
6. BDO's MR on the issue of overpayment is remanded to the trial court for computation;
7. The loan mortgage annotations on TCT Nos. 2390684, CCT Nos. PT-1787185, PT-1787286 and PT-1787387 are declared valid and subsisting until the obligations secured thereby shall have been completely discharged based on the trial court's final computation; and
8. Amounts due to Lavine, through intervenors-crossclaimants-appellees, are subject to priority satisfaction of its remaining obligation to BDO, if any subsists based on trial court's final computation as directed, and payment of docket fees corresponding to intervenors-crossclaimants-appellees' money claims as prayed for in their Second Amended Answer–in-Intervention with Counterclaim dated 15 October 2001. Should the trial court's final computation as required yield an overpayment, the same should be reimbursed to Lavine, through intervenor-crossclaimants-appellees.

Intervenors-Crossclaimants-Appellees filed a Motion for Partial Reconsideration (MPR) of the CA Resolution dated 9 June 2011, which was denied by the CA in its Resolution dated 5 September 2011 for lack of merit. The Motion for Extension of Time to File Petition for Review on Certiorari filed by Phil Fire, and the Appeal by Certiorari filed by plaintiff-appellee Lavine filed before the SC were duly noted.

FPIC filed its PR on Certiorari with the SC on 29 July 2011.

The SC issued a Resolution dated 1 February 2012 which resolved to:
(1) note the withdrawal of appearance of Atty. Arturo S. Santos as counsel for intervenors-crossclaimants respondents Jose F. Manacop, et.al., with conformity;
(2) note the entry of appearance of Atty. Ronaldo M. Caringal of Rivera Santos and Maranan, Unit 2902-D West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, as counsel for intervenors-crossclaimants-respondents Jose F. Manacop, et.al., with conformity, requesting that henceforth, all notices, orders and other papers relative to this case be forwarded to them at said address;
(3) grant the motion by respondent BDO for extension of ten (10) days from 7 November 2011 within which to file a comment (re: appeal by certiorari dated 30 June 2011);
(4) note the comment of respondent FPIC re: petitioner's appeal by certiorari dated 30 June 2011;
(5) to require petitioner to file a Reply thereto within ten (10) days from notice hereof;
(6) grant the motion of respondent FPIC to consolidate G.R. No. 197227 with G.R. Nos. 1977219, 197244 and 198481;
(7) grant the respondents motion for extension of twenty (20) days from 18 November 2011 within which to file a comment on the PR;
(8) grant the second and third motion of respondent BDO for extension totaling twenty five days from 17 November 2011 within which to file comment (re: appeal by certiorari dated 30 June 2011);
(9) note the omnibus motion of respondent Phil Fire to be furnished with a copy of the petition for consolidation;

(10) note the comment of counsel for petitioner Lavine on the omnibus motion, stating that it has personally served a copy of the petition upon counsel for respondent Phil Fire at the address provided in the said omnibus motion, with attachments;
(11) note the comment of respondent Phil Fire on Lavine's petition for review on certiorari with prayer for the issuance of temporary restraining order;
(12) require petitioner to file a Reply thereto within ten (10) days from notice hereof;
(13) note the comment of counsel for respondent Rizal Surety on the petition for review on certiorari;
(14) require petitioner to file a Reply thereto within ten (10) days from notice hereof;
(15) note and consider as satisfactory the petitioner's compliance with the Resolution dated 8 August 2011 which required petitioner to submit a proper verification of the petition.

On 6 March 2013, petitioners Ashok C. Ramnani and Rolando M. Vaswani representing Lavine, filed a Supplement which prayed among others, for:
a) annulling of the portion of the assailed CA Decision dated 30 September 2010 and Resolution dated 9 June 2011 insofar as it awarded monetary judgment in favor of intervenors;
b) directing the RTC Pasig –Branch 158 to proceed with the trial of Civil Case no. 00-1554 and SEC Case No. 06-79 until finality to determine the legitimate representation of Lavine;
c) confirming overpayment made by Lavine in favor of Equitable-PCI Bank (BDO) and affirming the remand of the case for purposes of computing the amount overpaid to said Bank;
d) directing that any and all amounts determined after the computation, to be consigned to the lower court for safekeeping until and after the cases pending before Pasig RTC Br. 158 has been decided with finality; and
e) issuing a writ of preliminary injunction to restrain the execution of the CA Decision and Resolution.

Petitioner Lavine and Chandru Ramnani filed a Manifestation with Motion (to Supplement Appeal by Certiorari) dated 11 September 2013. An Additional Supplement (Appeal by Certiorari) dated 26 September 2013 was filed by petitioners Ashok C. Ramnani and Rolando M. Vaswani representing Lavine. The case is still pending with the SC.

b. *"Chevron Philippines, Inc. (formerly Caltex) vs. FPIC, et.al."*
Civil Case Nos. 02-856 [Makati RTC- Br. 62]/ CA G.R. CV No. 94985/
G.R. No. 217061

Status: Case dismissed.

Chevron Philippines, Inc. (Chevron) filed three civil cases against FPIC for recovery of sum of money pursuant to the terms and conditions of the surety bonds issued by FPIC to secure each of the obligations of Peakstar Oil Corporation (Peakstar), Fumitechniks Corp. of the Philippines (Fumitechniks) and R.S. Cipriano Enterprises (Cipriano) to Chevron. In all these cases, FPIC cited as its defense that in the absence of written principal agreements (between Chevron and the three abovenamed obligors), the surety bonds (issued by FPIC), which are mere accessory contracts, could not have come into being or are void.

The remaining case of Peakstar has been dismissed:

Peakstar Account (Civil Case No. 02-856)- Chevron filed a claim against FPIC for the recovery of the sum of P26,257,712.58 before Makati RTC-Branch 62 on 25 July 2002. FPIC filed a Motion to Strike Out Testimony and Evidence of Chevron's witnesses on grounds that they were in violation of the Parol Evidence Rule, irrelevant and immaterial and unenforceable under the Statute of Frauds. The RTC granted FPIC's Motion and the said testimonies and evidence were stricken off the records.

Chevron filed an MR of the Order striking out the testimonies of the plaintiffs' witnesses which was denied by the court. Chevron then filed a PR with the CA which was dismissed by the CA as per Decision dated 28 September 2007 which has become final and executory.

The RTC asked the parties to file their respective Memoranda. On 26 September 2008, FPIC filed its Memorandum. Chevron filed its Memorandum dated 18 September 2008 (received by FPIC on 2 October 2008). FPIC filed its Reply (to Plaintiff's Memorandum) dated 6 October 2008.

The RTC issued a Decision dated 28 December 2009 in favor of Chevron which ordered FPIC to pay Chevron P26,257,712.58 plus interest starting 6 February 2009 until fully paid plus attorney's fees and costs of suit. FPIC filed its Notice of Appeal on 5 February 2010.

The CA issued a Resolution dated 31 March 2011 which referred the parties to the Philippine Mediation Center-CA for mediation to give the parties one final chance to explore the possibility of amicable settling their dispute. The mediation proceeding held on 29 July 2011 was terminated as the parties deemed it unlikely for the parties to reach a settlement in view of the legal issues involved. Case was referred back to CA for decision. To support its position, FPIC filed a Manifestation and Submission dated 10 October 2011 with the CA informing the CA of the pendency of a similar case involving Chevron and FPIC (CA Case No. 92226) and that the MPR filed by Chevron in said case was already denied by the CA and Chevron has already filed a PR with the SC. FPIC filed another Manifestation and Submission dated 31 January 2012 informing the Honorable Court about the SC (First Division) Decision in the similar case of Fumitechniks (GR No. 177839) which dismissed the complaint filed by Chevron against FPIC in RTC-Makati Br. 61. FPIC filed a Fifth Manifestation and Submission dated 25 March 2014 manifesting that in the SC Case No. 198039 (Cipriano case), the SC issued a resolution denying with finality the MR filed by Chevron (seeking reconsideration of CA resolution denying Chevron's petition to set aside the CA decision dismissing the complaint of Chevron).

The CA (4th Division), in its Decision dated 15 August 2014 reversed and set aside the RTC Decision dated 28 December 2009 which held FPIC liable under the surety bond, and dismissed the complaint. However, the dismissal of FPIC's counterclaim was affirmed.

Chevron filed a Motion for Partial Reconsideration (MPR) of the CA Decision of 15 August 2014, which was denied by the CA in its Resolution dated 25 February 2015.

Chevron filed Petition for Review (of the CA Decision) with the SC. The SC denied Chevron's Petition in a minute resolution dated 22 July 2015. Chevron filed an MR which was denied with finality in the SC's minute resolution dated 23 November 2015.

c *"Archipelago Philippine Ferries Corporation vs. FPIC,*
Yuen Po Seng, Amado A. Mauleon and Martial V. Careng"
Civil Case No. 12-061
[RTC Muntinlupa Br. 276]

On 11 May 2012, a Complaint for specific performance of insurance contract, exemplary damages attorney's fees was filed by insured Archipelago Philippine Ferries Corporation against FPIC for payment of P13,622,000.62 for and as actual damages for loss of/damage to insured vessel *M/V Maharlika Siete* (with 24% interest thereon until fully paid), exemplary damages of P1,000,000 and attorney's fees of P500,000, under Policy No. MH-NIL-HO-08-0000015-0 issued by FPIC.

FPIC filed its Answer with Special and Affirmative Defenses and Compulsory Counterclaim dated 15 June 2012. Co-respondent Careng filed a MTD dated 30 May 2012. Plaintiff filed its Comment/Opposition to the MTD to which defendant filed its Reply.

The Court in its Order dated 29 August 2012 denied the MTD filed by defendant Careng.

Plaintiff filed a Motion for the Issuance of a Writ of Preliminary Attachment (WPA) and/or Garnishment dated 27 September 2012 against defendants which was denied by the court.

The case was referred to the Philippine Mediation Center for mediation on 3 July 2013. As no settlement was reached, mediation proceedings have been terminated. The preliminary conference before the Branch Clerk of Court for the pre-marking of documents and comparison of photocopies to be marked with originals was set on 8 August 2013.

Preliminary conference originally set on 22 August 2013 was reset to 17 October 2013. Pre-trial conference was set on 5 November 2013. In order to buy peace, FPIC offered P2.5 million to plaintiff Archipelago, which offer was rejected by plaintiff during the 14 December 2013 hearing.

Pre-trial was set on 19 February 2014. Hearing was set on 7 May 2014. FPIC filed a Motion to Amend Answer as well as Pre-trial Brief dated 30 April 2014. The Court granted the motion in its Order dated 2 June 2015.

On 5 August 2016, FPIC submitted the judicial affidavit of its witness, Mr. Amado A. Mauleon. Pre-trial conference set on 10 August 2016. Plaintiff was not present but filed an Urgent Motion to Reset Hearing. At the hearing on 10 August 2016, defendant Careng moved for dismissal of the case on the ground that the Plaintiff's Urgent Motion to Reset is a mere scrap of paper as it was filed in violation of the three-day notice rule. FPIC joined in the said motion for dismissal. Whereupon, the Court ordered the dismissal of the case. Plaintiff filed an MR of the Order dismissing the case and is pending with the court.

d. *FLT Prime Insurance Corporation vs. Solid Guaranty, Inc.*
Civil Case No. 14-381
(Makati RTC Branch 145)
(For: Recovery of Sum of Money and Damages)

On 2 April 2014, a complaint for recovery of sum of money and damages was filed by FPIC against its reinsurer, Solid Guaranty, Inc. (SGI), in view of the latter's refusal to pay the amount of P10,721,938.50 representing SGI's 45% share in the final settlement amount paid by FPIC to its assured Top Forest Developers, Inc..

Defendant SGI filed its Answer with Counterclaim dated 21 May 2014.

Defendant filed a Motion to Set Case for Preliminary Hearing Based on Affirmative Defenses dated 21 May 2014, to which FPIC filed its Comment. The motion was set for hearing on 25 May 2014. However, the hearing set on 25 May 2014 was reset to 8 August 2014 which in turn was reset to 8 September 2014. The Court , in its Resolution dated 24 September 2014, denied the said motion for utter lack of merit.

Subsequently, Defendant filed an MTD which was denied by the court in its Resolution dated 8 September 2014. Defendant filed an MR of the Resolution dated 24 September 2014, which motion was set for hearing on 13 October 2014. FPIC filed its Opposition to the MR on 13 October 2014. The Motion was deemed submitted for resolution.

The case was referred to Judicial Dispute Resolution (JDR) hearing on 28 September 2015.

Meanwhile defendant filed Motion to Strike Out Plaintiffs Judicial Affidavits for having been filed out of time. On the hearing of said Motion last 14 August 2015, FPIC filed its Opposition with Alternative Motion to Allow Submission of and Admit Plaintiff's Judicial Affidavits dated 11 August 2015. Defendant was given 10 days to file its reply to the Opposition and FPIC given 10 days to file its rejoinder.

Case was scheduled for JDR hearing on 6 January 2016. As the parties did not reach any settlement, the JDR proceedings were terminated and the case was re-raffled from Branch 143 to Branch 145.

Meanwhile, the court imposed a fine on FPIC for failure to submit its Judicial Affidavits on time. FPIC filed a Motion To Set Aside the Fine imposed on FPIC in view of the Order of Branch 145 declaring that the affidavits were filed on time. FPIC filed a Request for Admission and Supplemental Request for Admission which have been submitted for resolution.

A mid-trial JDR was set on 4 May 2016 but was re-set to 1 June 2016. On 11 July 2016, the JDR was terminated as the parties did not arrive at any amicable settlement. The case was set for preliminary conference before the Branch Clerk of Court on 26 July 2016. Pre-trial proper was set on 11 August 2016.
Presentation of FPIC's evidence set on 23 September 2016.

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

At the special stockholders' meeting held on 20 October 2015, the following items were approved: (i) amendment of the Company's Articles of Incorporation to increase its authorized capital stock from P2.4 billion to P7.5 billion, divided into 7.5 billion common shares with par value of P1.00 per share and the ALI Subscription to 2.5 billion shares of stock from said increase in capital stock; (ii) amendment of the Company's Articles of Incorporation to increase its directors from seven to nine; and (iii) approval for listing of the ALI Subscription.

No matter was submitted to a vote of the security holders of the Company during the fourth quarter of the fiscal year.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

A. Market Information

The Company's Common Shares are listed and principally traded in the PSE. The high and low sales prices* of the Company's securities for each quarter are indicated in the table below:

	High	Low
Fiscal Year 2016 (1 July 2015- 30 June 2016)		
1st Quarter (July 2015-Sept. 2015)	₱2.54	₱1.54
2nd Quarter (Oct. 2015-Dec. 2015)	2.15	1.71
3rd Quarter (Jan. 2016-March 2016)	2.28	1.68
4th Quarter (April 2016 – June 2016)	2.00	1.74
Fiscal Year 2015 (1 July 2014- 30 June 2015)		
1st Quarter (Jul. 2014- Sept. 2014)	₱0.84	₱0.55
2nd Quarter (Oct. 2014-Dec. 2014)	0.82	0.62
3rd Quarter (Jan. 2015-Mar. 2015)	0.75	0.64
4th Quarter (Apr. 2015-Jun. 2015)	2.08	0.70

Stock price as of latest practicable trading date of 24 October 2016 is ₱ 1.93 per share.

*provided by PSE Corporate Planning and Research Department

B. Holders

The number of shareholders of record as of 30 September 2016 was 828. The following are the top 20 registered stockholders of the Company as provided by the Company's Stock and Transfer Agent, BDO Unibank, Inc.-Trust and Investments Group:

	Name	Number of Shares	Percentage
	Ayala Land, Inc.	2,499,999,997	51.057%
	PCD Nominee Corporation (Filipino)	1,698,630,444	34.691%
	Lepanto Consolidated Mining Co.	180,000,000	3.676%
	F. Yap Securities, Inc.	157,254,100	3.212%
	PCD Nominee Corporation (non-Filipino)	48,092,364	0.982%
	YHS Holdings Corporation	22,900,000	0.468%
	Caridad Say	22,370,000	0.457%
	Victor Say	21,500,000	0.439%
	Gilbert Dee	19,598,000	0.400%
	ESOWN Administrator 2015	18,754,800	0.383%
	David C. Go	18,560,000	0.379%
	SEC Account FAO: Various Customers of Guoco Securities (Philippines), Inc.	18,076,380	0.369%
	David Go Securities Corp. A/C # 1085	11,816,000	0.241%
	Quality Investments & Securities Corp.	8,010,000	0.164%
	Coronet Property Holdings Corp.	6,000,000	0.123%
	Federal Homes, Inc.	5,492,000	0.112%
	Eleonor Go	5,400,000	0.110%
	Guoco Securities (Phils.), Inc.	5,243,000	0.107%

*based on the report dated 30 September 2016 of Stock and Transfer Agent, BDO Unibank, Inc.-Trust and Investments Group

C. Dividends

There were no dividend declarations for the years 2013 to 2016.

D. Recent Sales of Unregistered Securities

The Company has not sold any unregistered securities within the past three (3) fiscal years.

Item 6. Management's Discussion and Analysis or Plan of Operation

Fiscal Year 2016

Consolidated Results of Operations

The Group ended the fiscal year with a consolidated net income of P12.96 million. Last year, the Group reported a net loss of P262.2 million which includes an impairment loss of P236 million to account for the decline in value of 1.388 billion shares of Cyber Bay Corporation.

Consolidated revenues amounted to P1,037.1 million, higher by 50% from the previous year's P692.4 million. Increase in consolidated revenues was mainly attributable to the sale of land in Sto. Tomas and J.P. Rizal St., Makati City. Likewise, rental revenue improved by 13% compared to last year owing to the 4% improvement in overall occupancy for Tutuban Center and increase in rental rates.

Total cost and expenses increased by 81% attributable to the increase in cost of real estate sales coupled by higher operating expense and cost of goods and services. Increase in operating expenses was due to increase in personnel cost as a result of the implementation and grant of 29.3 million POPI shares under the Employee Stock Ownership Plan and higher professional fees. Likewise, general provisions for clean-up activities was also recognized during the year. Higher cost of goods and services was due to additional rental to PNR arising from the turnover of leasable land in Phase II with an area of 8.8 hectares.

The Group also reported gain on sale of investment property located in Mandaue, Cebu City and proportionate gain on sale of Sto. Tomas land in the amount of P584.9 million.

Tutuban Properties, Inc. (TPI)

During the year, revenues from mall operations grew by 5%, from P408.7 million to P431.1 million driven by the growth in Night Market operations, parking income and improvement in rental rates and occupancy.

Excluding one-time adjustments, general and administrative expense ratio to revenue was higher by 1.6% compared to the same period last year mainly attributed to professional fees. Direct operating expenses also increased due to additional rental arising from the turnover by PNR of leasable land and air rights totaling 8.8 hectares. TPI registered a net loss of P306.05 million as against last year's net income of P14.9 million.

Lepanto Ceramics, Inc. (LCI)

Since the shift of LCI business from manufacturing to leasing of industrial warehouses, rental revenue grew by 82%, to about P33.4 million during the year. Disposal of existing machineries and equipment is on-going, and renovation of existing structures will be implemented to increase leasable space. LCI posted a net loss of P28.7 million compared to P31 thousand last year. The net loss is attributable to cost of repair and renovations of existing facility and set-up of provision for impairment of plant and machineries used for tile manufacturing.
Conversion of existing facilities into leasable industrial spaces is in progress. Renovation of existing structures and disposal of existing machineries and equipment is on-going to increase leasable space. The existing facility will be able to provide leasable space of about 80,000 square meters.

FLT Prime Insurance Corporation (FPIC)

Gross premiums written (GPW) for the fiscal year 2016 of P292.8 million has resulted to a 1% growth compared to the P290.6 million GPW last year. The motor car and property lines registered a combined growth of 1% compared to 2015 figures.

On the Underwriting cost, the total incurred expenses for the fiscal year 2016 is P197.1 million. This represented a 13% increase compared to last year of P173.7 million attributed to the increase in claims and losses. General and administrative expenses of P107.9 million registered an increase of P38.7 million, which is about 56% increase from last year. The increase was on account of provisions for doubtful accounts and share based expenses. FPIC posted a net loss of P58.2 this fiscal year.

Financial Condition

Total Assets of the Group stood at P6.4 billion compared to last year's P4.5 billion. Increase in Total Assets was primarily due to the payment of deposit for future stock subscription by Ayala Land, Inc. (ALI). Higher cash and cash equivalents were sourced from the proceeds of sale of real estate and investment property. Net decrease in available-for-sale (AFS) financial assets was due to redemption of Unit Investment Trust Funds (UITFs) negated by the improvement in market value of stocks during the period. Decrease inventories was due to disposal of the remaining stocks. Current Assets was higher than Total Current Liabilities, which stood at P5.2 billion and P1.0 billion, respectively. Real estate held for sale and development and investment property decreased by 38% and 12%, respectively. Decrease in property, plant and equipment and software costs represents depreciation and amortization during the period. Provision for impairment on machinery and equipment was recognized during the year. Noncurrent assets decreased due to reclassification of payment to PNR in prior years as expense.

Total Liabilities of the Group increased due to recording of deposit for future stock subscription by ALI. Accounts Payable and accrued expenses increased by 34% due to set-up of general provision for clean-up activities. Net decrease in Retirement benefits liability was due to contribution to the retirement fund as of the period. There was a decrease in Subscription Receivables as some shareholders fully paid their subscription to the Company. Unrealized valuation gain on AFS financial assets mainly due to higher market value as of the reporting period. In November 2015, the Company granted to qualified employees an Employee Stock Ownership Plan at an option price of P1.00 per share. Corresponding equity reserve was recorded under Equity section of the Statement of Financial Position amounting to P27.5 million.

Financing Through Loans

As of 30 June 2016, the Group has no outstanding loan from any financial institution.

Prospects for the future

The Group will focus on maximizing value of the 20-hectare Tutuban property in Manila by turning around the profitability of Tutuban Center.

The short term plan involves major upgrade of facilities and improvement of mall operations which are now in full swing. The mid to long term development entails expanding the gross leasable areas of the mall and introducing complementary mixed-use components. In addition, the Group is in close coordination with government for the finalization of the North-South Commuter Rail masterplan whose terminal station shall be in Tutuban Center.

LCI's 15-hectare property in Calamba, Laguna will continue to serve as a warehouse facility for various locators.

Key Variable and Other Qualitative and Quantitative Factors

Ratios	Formula	30-Jun-16	30-Jun-15
Current Ratio	Current Assets / Current liabilities	2.11:1 5,151,148 / 2,442,756	3.52:1 2,870 126 / 815,492
Debt to Equity Ratio	Total Liabilities / Equity	1.08 :1 3,310,070 / 3,072,465	0.64 : 1 1,714,830 / 2,673,903
Capital Adequacy Ratio	Equity / Total Assets	0.477 :1 3,072,465 / 6,437,404	0.599:1 2,673,903 / 4,461,073
Book Value per Share	Equity / Total # of shares	1.292 3,072,465 /2,378,638	1.129 2,673,903 / 2,367,149
Income per Share	Net Income / Total # of Shares	0.005 12,956 / 2,378,638	-0.111 -262,236 / 2,367,149

Current ratio shows the Group's ability to meet its short term financial obligation. As of 30 June 2016, the Group has P2.11 worth of current assets for every peso of current liabilities as compared to P3.52 as of June 30, 2015. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholder's fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 30 June 2015, debt to equity ratio increased by 68% as a result of the increase in total liabilities due to deposit of future stock subscription coupled by an income recognized during the period.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Group. As of 31 March 2016, the Group's Capital Adequacy Ratio is 0.477 compared to last year's 0.599. Decrease was attributable to higher Assets as of the period.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 30 June 2016, the Group has book value per share of P1.292 higher by 14% compared to 30 June 2015.

Income per share is calculated by dividing net income by the weighted average number of shares issued and outstanding. As of 30 June 2016, the Group reported a P0.005 income per share as compared to last year's P0.111 loss per share.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year 2015

Consolidated Results of Operations

The Group ended the fiscal year with a consolidated net loss of P262.2 million. This includes an impairment loss of P236 million attributed to the decline in value of 1.388 billion shares of Cyber Bay Corporation. Last year's reported Net Income of P205.9 million was due to the recognition of recovery from insurance and gain on sale of Available-for-Sale (AFS) financial assets.

Consolidated Revenues amounted to P692.4 million, lower by 16% from previous year's revenue of P824.7 million. Decrease in Revenues was due to lower gain on sale of AFS financial assets. Revenue from insurance business grew by 6% as fire and accident and health (A&H) lines continue to spearhead growth increasing by 9% and 46%, respectively, during the year. On the other hand, overall occupancy for Tutuban Center slightly improved but was negated by lower rental rates consequently reducing Rental Revenue by 2%. Sales from tile business, mainly sourced from the remaining inventories, dropped by 61%.

Total Cost and Expenses decreased by 7% as cost of goods and services went down by 8%. This includes decrease in cost of sales of and share in common usage service area (CUSA) related expenses of about 75% and 23%, respectively, brought about by lower sales from LCI and reduced power and water consumption. Likewise, Operating Expenses decreased due to lower taxes and licenses.

In March and June, the PNR turned over to TPI a total of 8.8 hectares of Phase II (land and air rights) of the leased property and in turn, TPI paid the corresponding rental of about P115 million. The turnover of the additional land will be a major component in the redevelopment of Tutuban Center which is envisioned to integrate the NSRP of the DOTC with the LRT 2 West line.

TPI

TPI reported a Net Income of P14.9 million during the year compared to P194.0 million Net Income last year. Last year's income was due to the recognition of recovery from insurance. Revenue from mall operations improved by 2%, from P411.9 million to P421.8 million. Overall occupancy improved, however, the decrease in average rental rate negatively impacted Rental Revenue by 2%.

On cost and expenses, there was a slight decrease on CUSA related expenses from P235.0 million to P234.0 million driven by reduced electricity and water usage. Operating expenses increased due to the higher professional fees.

LCI

LCI posted a Net Loss of P31 thousand during the year. Operating cost was compensated by the reversal of accrued interest of about P23 million and gain on disposal of unutilized equipment. Last year's net income was due to the recognition of gain from condonation of debt as a result of approval by the court of the Rehabilitation Plan. Sales from tile business was mainly sourced from the remaining inventories.

FPIC

FPIC's Net Premiums Earned grew by 8%, from last year's P210.6 million to P226.8 million. This was attributable to the 9% and 46% growth on fire and A&H lines, respectively. On the other hand, Commission

Income decreased by 17%. FPIC registered a Net Income of P0.9 million compared to last year's net loss of P15.6 million.

Revenues posted a 6% increase compared to last year, from P222.1 million to P236.5 million. Underwriting Cost decreased by 7% due to lower excess of loss treaty cover and claims.

Financial Condition

Total Assets of the Group stood at P4.5 billion compared to last year's P4.8 billion. Reduction in Total Assets was attributable to the decline in market value of AFS financial assets. Decrease in Cash and Cash Equivalents was due to transfer to AFS financial assets. Decrease in Receivables was due to collection of Insurance Receivables. Current Assets was higher than Total Current Liabilities, which stood at P2.9 billion and P0.8 billion, respectively. Inventories decreased due to sale of remaining stocks. The increase in Investment properties was due to reclassification of land, buildings and improvements previously recorded as property, plant and equipment (PPE) at revalued amounts. Correspondingly, PPE decreased. Other Non-Current Assets increased due to advance rental paid to PNR as a result of the turn over to TPI of about 8.8 hectares of Phase II A (land) and B (air rights).

The decrease in total Group Liabilities was due to the impact of the reclassification of the revaluation increment on PPE on Deferred Income Tax Liabilities. Net decrease in Retirement Benefits Liability was due to increase in contribution to the retirement fund as of the period. Moreover, rental and other deposits increased due to advance rental by tenants. Decrease in Unrealized Valuation Gain on AFS financial assets was due to the effect of the impairment loss recognized during the year.

Financing Through Loans

As of 30 June 2015, the Group has no outstanding loan from any financial institution.

Prospects for the future

The entry of Ayala Land, Inc. will provide the expertise and resources that will optimize the development of the Group's property assets, particularly Tutuban Center. The immediate focus of the planned redevelopment of the entire 20-hectare property will now include the Tutuban Transfer Station which will serve as the interconnection for the government's massive NSRP and the LRT 2 West Station extension.

After the sale of the 31-hectare Sto. Tomas, Batangas and the 1-hectare Mandaue, Cebu properties, the Group will now focus on the conversion of the 15-hectare property in Calamba, Laguna, which houses LCI, into an industrial complex and attain 100% utilization as a warehouse facility within the next two years.

Key Variable and Other Qualitative and Quantitative Factors

Ratios	**Formula**	**30-Jun-15**	**30-Jun-14**
Current Ratio	Current Assets / Current liabilities	3.52:1 2,870,126 / 815,492	3.93:1 3,298,691 / 840,410
Debt to Equity Ratio	Total Liabilities / Equity	0.64 :1 1,714,830 / 2,673,903	0.56 : 1 1,711,654 / 3,042,197
Capital Adequacy Ratio	Equity / Total Assets	0.599 :1 2,673,903 / 4,461,073	0.630:1 3,042,197 / 4,825,990
Book Value per Share	Equity / Total # of shares	1.129 2,673,903 /2,367,149	1.285 3,042,197 / 2,367,149
Income per Share	Net Income / Total # of Shares	-0.111 -262,236 / 2,367,149	0.087 205,903 / 2,367,149

Current ratio shows the Group's ability to meet its short term financial obligation. As of 30 June 2015, the Group has P3.52 worth of Current Assets for every peso of Current Liabilities as compared to P3.93 as of 30 June 2014. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholders' fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 30 June 2014, debt to equity ratio increased by 14% as a result of the decline in market value of AFS financial assets.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Group. As of 30 June 2015, the Group's Capital Adequacy Ratio is 0.599 compared to last year's 0.630. Decrease was attributable to the decline in market value of AFS financial assets affecting the Total Equity.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 30 June 2015, the Group has book value per share of P1.129, lower by 12% compared to 30 June 2014.

Income per share is calculated by dividing net income by the weighted average number of shares issued and outstanding. As of 30 June 2015, the Group reported a P0.111 loss per share as compared to last year's P0.087 income per share.

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

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year 2014

Consolidated Results of Operations

The Group ended the fiscal year (FY) with a consolidated Net Income of P205.9 million lower than the P721.2 million reported Net Income last year. Net income was due to the recognition of recovery from insurance and gain on sale of Available for Sale (AFS) financial assets. Last year's Net Income includes gain on condonation of debt, reversal of provision for losses and net gain as a result of change in accounting treatment of investment in affiliate due to dilution of percentage in ownership.

Consolidated revenues amounted to P824.7 million, lower by 22% from previous year's P1.1 billion. Revenue from insurance business grew by 6% as motor car business and accident and health continue to spearhead growth increasing by 7% and 37%, respectively, during the year. On the other hand, overall occupancy for Tutuban Center slightly improved but was negated by the decrease in rental rates consequently reducing rental revenue by 4%. Sales from tile business which were mainly sourced from the remaining inventories, dropped by 91%. The Group posted gain on sale of AFS financial assets.

Total cost and expenses decreased by 29% as cost of goods and services went down by 57%. These include decrease in cost of sales of and share in CUSA related expenses of about 75% and 23%, respectively, brought about by lower sales from LCI and reduced power and water consumption. Likewise, operating expenses decreased due to lower provision for inventory losses and utilities and fuel.

TPI

TPI reported a higher Net Income of P194.0 million during the year compared to P8.1 million last year, due to the recognition of recovery from insurance. Revenue from Mall operations amounted to P411.3 million compared to last year's P420.6 million. Overall occupancy improved; however, the decrease in average rental rate negatively impacted Rental Revenue by 11%.

On cost and expenses, CUSA related expenses decreased by 23% driven by reduced electricity and water usage. Operating expenses decreased due to the one-time impairment loss on Receivables reported last year.

FPIC

Net Premiums Earned (NPE) and Commissions increased by 6% to P222.1 million, as production from motor car, and Accident and Health businesses grew by 7% and 37%, respectively.

Operating expenses slightly decreased by 1%, cost of underwriting remained at P186 million. General and Administrative expenses decrease mainly due to the recognition last year of additional provision for taxes on prior year's income. FPIC reported a Net Loss of P15.6 million compared to a Net Loss of P24.5 million last year.

LCI

Sales from tile business dropped by 93% from the previous year as a result of the shut down of LCI's manufacturing operations. Sales revenue were primarily sourced from the existing inventories. LCI reported a Net Income of P1.4 billion as of 30 June 2014.

As a result of approval by the Rehabilitation Court of the Rehabilitation Plan, LCI recognized a gain from condonation of debt from related parties amounting to P1.5 billion and P2.6 billion in 2014 and 2013, respectively. In 2013, LCI likewise recognized a gain from condonation of debt from trade creditors amounting to P199.3 million.

With its manufacturing operations shutdown since November 2012, LCI focused its activities on the sale of its remaining inventories and collection of receivables. Accordingly, the company was able to generate positive cash flows from operations, thus increasing Cash and Cash Equivalents to P81.5 million.

Prospects for the Future

The Group will focus on maximizing the value of its assets while continuing to explore opportunities through acquisitions and joint ventures.

This includes the full redevelopment of the 8.5-hectare Tutuban property in Manila, whose lease has been renewed until 2039. Also, the conversion of LCI's 15-hectare property in Calamba, Laguna (on which the LCI plant is located), into an industrial complex has started. It now serves as a warehousing facility for several companies, with a target of 100% utilization of its more than 70,000 sqm. warehousing area in the next three years. This industrial complex model will likewise be explored for the 31-hectare property in Sto. Tomas, Batangas.

In Cebu, the best use for the Company's remaining 1-hectare property in Mandaue is now under study, taking into consideration the soon-to-be completed Government master plan for Mandaue's North Reclamation Area.

The Group will also continue to look into tourism-related initiatives. Its most recent acquisition of a 5.8-hectare beachfront-property Palawan aims to springboard its entry into this sunrise industry.

Key Performance Indicators

The Top 5 Key Performance indicators of the Group are as follows:

Ratios	Formula	30-Jun-14	30-June-13
Current Ratio	Current Assets / Current Liabilities	3.90: 1 3,276,966/ 840,038	2.77:1 3,272,663/1,182,766
Debt to Equity Ratio	Total Liabilities / Equity	0.56:1 1,711,654/ 3,042,197	0.75: 1 2,053,193/ 2,732,746
Capital Adequacy Ratio	Equity / Total Assets	0.630: 1 3,042,197/ 4,825,990	0.562:1 2,732,746/ 4,861,531
Book Value per Share	Equity / Total # of Shares	1.2852 3,042,197/ 2,367,149	1.1544 2,146,385/ 2,367,149
Income (Loss) per Share	Net Income (Loss) / Total # of Shares	0.087 205,903/ 2,367,149	0.305 721,213/ 2,367,149

Current ratio shows the Group's ability to meet its short term financial obligation. As of 30 June 2014, the Group has P3.90 worth of Current Assets for every peso of Current Liabilities as compared to P2.77 as of 30 June 2013. Increase was attributable to the decrease in Accounts Payable and Accrued Expenses. The Group has sufficient Current Assets to support its Current Liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholder's fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 30 June 2013, debt to equity ratio improved as a result of increase in equity for the current period by 11%.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Group. As of 30 June 2014, the Group's Capital Adequacy Ratio is 0.630 compared to last year's 0.562. Improvement was attributable to the reduction in Deficit as of the period.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 30 June 2014, the Group has book value per share of P1.2852.

Income per share is calculated by dividing Net Income by the weighted average number of shares issued and outstanding. As of 30 June 2014, the Group reported a P0.087 income per share as compared to last year's P0.305 per share.

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

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

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

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

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

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

(iv) *Material Commitment for Capital Expenditure*

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

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

(vi) The Group did not recognize income or loss during the year that did not arise from continuing operations.

(vii) There are no known causes for material change (of material item) from period to period.

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

Financial Condition

Total Assets of the Group stood at P4.83 billion compared to last year's P4.86 billion. Cash and Cash Equivalents were reduced by 41% due to the acquisition of new investments and purchase of real estate property in San Vicente, Palawan. Accordingly, AFS financial assets and real estate held for sale and development increased by 33% and 53%, respectively. Held-to-Maturity investments that matured were reinvested as AFS financial asset. Decrease in Receivables was due to collection of insurance receivables. The lower cost of Inventories was due to the LCI plant shut down. Increase in other Current Assets was due to unutilized creditable withholding during the period.

Current Assets were higher than its Total Current Liabilities, which stood at P3.28 billion and P0.84 billion, respectively. Decrease in Leasehold Rights, Property Plant and Equipment and Software costs represents depreciation and amortization as of the period.

The Group reported a 17% decrease in Total Liabilities. This was attributable to the 36% reduction in Accounts Payable and Accrued Expenses. Retirement Benefit Obligation decreased due to contribution to the retirement fund as of the period. Increase in Deferred Income Tax liability was a result of the recognition of recovery from insurance. Increase in unrealized valuation loss on AFS financial assets was due to the decline in market value as of the reporting period.

Financing Through Loans

As of the reporting period, the Group has no outstanding loan from any financial institution.

Item 7. Financial Statements

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

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

1) *External Audit Fees and Services*

(a) *Audit and Audit-Related Fees*

(1) The aggregate fees billed by the auditors for FY 2016 amounted to about P1,344,000.00 while auditor's fee for FY 2015 amounted to about P2,787,160.32.
(2) There are no known assurance and related services rendered by the external auditor aside from the services stated above for FY 2016 and 2015.

(b) *Tax Fees*

For FY 2016, the external auditor also rendered tax advisory services and knowledge transfer workshop (in connection with Employees Stock Ownership Program valuation) to the Company for which the Company paid P908,000.00 as professional fees. There were non-audit services rendered by the external auditors in FY 2015.

(c) *All Other Fees*

No known Other Services were rendered by external auditor aside from that stated above for FY 2016 and 2015.

Audit and Audit-Related Fees are as follows:

	2016	2015
Professional Fees	P1,200,000.00	P2,488,536.00
Value Added Tax	144,000.00	298,624.32
Total Audit Fees	P1,344,000.00	P2,787,160.32

The non-audit services fees are as follows:

	2016	2015
Professional Fee- Tax Advisory	P 225,000.00	-
Knowledge Transfer Workshop (ESOWN Valuation)	650,000.00	-
Value Added Tax	105,000.00	-
Total Audit Fees	P 980,000.00	-

(d) The Audit and Risk Management Committee ("Audit Committee") performs oversight functions over the Corporation's external auditors in accordance with the Company's Revised Manual of Corporate Governance ("Revised Manual"). It reviews and approves all reports of the external auditors prior to presentation to the Board of Directors for approval. The Audit Committee discusses with the external auditor the scope and expenses for the audit prior to conduct of the audit. It evaluates and recommends to the Board of Directors the external auditors of the Company for the ensuing fiscal year.

2) For FY 2015-2016, the new Partner-in-Charge assigned to handle the Company's account is *Ms. Dhonabee B. Señeres* of SyCip Gorres Velayo and Co.. This is compliant with the policy to change the external auditor or rotate partner every five years as provided in the Company's Revised Manual. A two-year cooling off period shall be observed in case of re-engagement of the same signing partner of the auditor.

There were no changes in or disagreements with the Company's accountants/auditors on accounting principles and practices or financial disclosures during the fiscal year and the past two fiscal years. Neither was there any resignation, dismissal or cessation of service of the external auditors of the Company for the past three fiscal years.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

A. 1. *List of Directors*

The incumbent directors of the Company are as follows:

Bernard Vincent O. Dy
Felipe U. Yap
Jose Emmanuel H. Jalandoni
Maria Rowena M. Tomeldan
Victor C. Say
Rex Ma. A. Mendoza - Independent director
Ricardo J. Romulo - Independent director

Messrs. Bernard Vincent O. Dy, Jose Emmanuel H. Jalandoni, Rex Ma. A. Mendoza and Ms. Maria Rowena M. Tomeldan were elected in February 2016 following the resignation of the following former directors of the Company: Messrs. Yuen Po Seng, David C. Go, Ronald P. Sugapong and Atty. Daisy L. Parker.

Below are the write-ups (including the position in the Company, nationality and age) and the directorships/officerships of the incumbent directors (as of 30 September 2016). Except as indicated, the directors have held their directorships/officerships listed below for at least five (5) years to the present.

Under the Company's By-laws, the directors serve for a term of one year until the election and acceptance of their qualified successors.

Bernard Vincent O. Dy, Filipino, 53, has been the Chairman of the Board of Directors of the Company since 24 February 2016. He is the President & Chief Executive Officer of ALI, a publicly listed company. He is also the Chairman of the Board of Directors of two other publicly listed companies namely: Cebu Holdings, Inc. and Cebu Property Ventures and Development Corporation. His other significant positions include: Chairman of Ayala Property Management Corporation, Ayala Land International Sales, Inc., Amicassa Process Solutions, Inc., Amaia Land Corporation, Avida Land Corp., Alveo Land Corp., Alviera Country Club, Inc., AyalaLand Commercial Reit, Inc., Lagdigan Land Corporation, Bellavita Land Corporation, Avencosouth Corp., Ayagold Retailers, Inc., Station Square East Commercial Corporation, Aviana Development Corp., Cagayan De Oro Gateway Corp., BGSouth Properties, Inc., BGNorth Properties, Inc., BGWest Properties, Inc., and Portico Land Corp.; Vice Chairman of Ayala Greenfield Development Corporation; Chairman and President of Serendra, Inc. and; Director and President of Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc. Berkshires Holdings, Inc., Fort Bonifacio Development Corporation, Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Alabang Commercial Corporation, Accendo Commercial Corp., Hero Foundation Incorporated, Bonifacio Art Foundation,; Director of ALI-Eton Property Development Corporation, Makati Development Corporation, Nuevocentro, Inc., Whiteknight Holdings, Inc., AyalaLand Medical Facilities Leasing, Inc., Alveo-Federal Land Communities, Inc., Philippine Integrated Energy Solutions, Inc.,; Trustee of Ayala Foundation, Inc.; Member of Ayala Group Club, Inc.; and Treasurer of SIAL Specialty Retailers, Inc. and SIAL CVS Retailers, Inc. Prior to being President & Chief Executive Officer, he was the Head of the Residential Business, Commercial Business and Corporate Marketing and Sales of ALI. In 2015, he was inducted as member of the Advisory Council of the National Advisory Group for the Police Transformation Development of the Philippine National Police. He earned a degree of B.B.A Accountancy from the University of Notre Dame in 1985 and took his Master's Degree in Business Administration and International Relations at the University of Chicago in 1997 and 1989, respectively

Felipe U. Yap, Filipino, 79, has been the Vice Chairman of the Board of Directors of the Company since 24 February 2016. He was the Chairman of the Board of Directors of the Company from 2000 to February 2016 and the Vice Chairman of the Board of Directors of the Company from 1993 to 2000. His other significant positions include: Chairman of the Board and Chief Executive Officer of Lepanto Consolidated Mining Company (publicly listed company) and Manila Mining Corporation (publicly listed company), Lepanto Investment and Development Corp., Diamant Boart Philippines, Inc., Diamond Drilling Corporation of the

Philippines, Far Southeast Gold Resources, Inc., and Shipside, Inc.; Chairman of the Board of Zeus Holdings Inc. (publicly listed company), Kalayaan Copper-Gold Resources, Inc. and Yapster e-Conglomerate; and Director of Manila Peninsula Hotel, Inc., Philippine Associated Smelting & Refining Corp., FLT Prime Insurance Corporation, Orion Land Inc. and Tutuban Properties, Inc. He graduated with a degree in B.A. Philosophy from the University of San Carlos in Cebu. He has extensive experience in the mining industry. He served as Chairman of the PSE Board of Governors from 2000 to 2002.

Jose Emmanuel H. Jalandoni, Filipino, 48, has been a Director and the President of Company since February 24, 2016. He is a Senior Vice President and member of the Management Committee of Ayala Land, Inc. He is the Group Head of ALI's commercial businesses including malls, offices, hotels, resorts and ALI Capital. He is also a director of Cebu Holdings, Inc., a publicly listed company. His other significant positions include: Chairman of AyalaLand Offices, AyalaLand Hotels and Resorts Corporation, Ten Knots Philippines, Inc., Ten Knots Development Corporation, Laguna Technopark, Inc., Arvo Commercial Corporation, Central Block Developers, Inc; Arca South Terminal Inc., ALI Commercial Center, Inc., Bacuit Bay Development Corp., Chirica Resorts Corporation, Asterion Technopod Incorporated and a number of hotel companies of ALI. He is also a director of OCLP Holdings, Inc., North Triangle Depot Commercial Corporation, Alabang Commercial Corporation, Station Square East Commercial Corporation, Accendo Commercial Corporation, Pangulasian Island Resort Corp., Integrated Eco-Resort, Inc., Paragua Eco-Resort Ventures, Inc., Sicogon Town Hotel, Inc., Lio Resort Ventures Inc., North Liberty Resort Ventures Inc., Philippine Integrated Energy Solutions, Inc., ALI-Eton Property Development Corporation, and Philippine FamilyMart CVS, Inc. He joined ALI in 1996 and held various positions in the company. He graduated with a degree of Bachelor of Science in Legal Management from Ateneo de Manila University in 1989. He earned his Master's Degree in Business Administration from Asian Institute of Management in 1992. He is a Chartered Financial Analyst.

Maria Rowena Victoria M. Tomeldan, Filipino, 54, has been a director of the Company since February 26, 2016. She is a Vice President of ALI. She currently heads the Operations and Support Services of the Commercial Business Group of ALI. Her other significant positions include: Chairman and President of Ayalaland Malls Synergies, Inc., Orion Property Development, Inc., Orion I Holdings Philippines, Inc., Lepanto Ceramics, Inc, Orion Maxis, Inc., Orion Solutions, Inc., FLT Prime Insurance Corporation, Orion Beverage Inc., ZHI Holdings, Inc., Luck Hock Venture Holdings, Inc.; Chairman of the Board of Directors of Ayala Land Malls, Inc. (formerly Solerte), Primavera Towncentre, Inc., Ayala Theatres Management, Inc., Five Star Cinema, Inc., Leisure and Allied Industries Phils., Inc., Cavite Commercial Town Centre Inc., Subic Bay Town Center, Inc., South Innovative Theatre Management, Inc., and North Beacon Commercial Corporation, Westview Commercial Ventures Corporation, North Ventures Commercial Corporation; Vice Chairman of the Board of Directors of Lagoon Development Corporation, AyalaLand Metro North, Inc.; Director of Bonifacio Global City Estate Association, ALI-CII Development Corporation, Alabang Commercial Corporation and Asterion Technopod Incorporated; President of ALI Commercial Center Inc., Soltea Commercial Corp, Cagayan De Oro Gateway Corporation, Station Square East Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc., Ecozone Power Management, Inc., Arvo Commercial Corporation, Summerhill Commercial Ventures Corp., Tutuban Properties, Inc.. TPI Holdings Corp.; Executive Vice President of Accendo Commercial Corporation; AyalaLand Malls VisMin, Inc. and Governor of the Ayala Center Estate Association, Inc. Presently, she is a board member of the International Council of Shopping Centers (ICSC) - Asia Advisory Board and is a 2015 ICSC Trustees Distinguished Service Awardee. She was a cum laude graduate of Bachelor of Arts in Economics from the University of the Philippines in 1983 and earned her Masters in Business Administration (MBA) degree from the same university in 1988. She finished the Executive Development Program at the Aresty Institute of Executive Education in Wharton University, Pennsylvania, USA in 2005.

Victor C. Say, Filipino, 71, has been a Director of the Company since 1989. He served as an independent director of the Company from 2009 to 24 February 2016. His other significant positions include: Chairman of the Board of Onetree Holdings, Inc.; and Director of SEATO Trading Co., Inc., San Juan Enterprises, Inc., Kolin Philippines, Inc., Seven of Us Foods, Inc., and Laview Security Phils., Inc. He is a holder of a degree in Business Administration, major in Management from Mapua University. He has extensive business experience having worked in securities broker firms and many companies. He was a member of the Board of the then Manila Stock Exchange.

Ricardo J. Romulo, Filipino, 83, has been an independent director of the Company since 2002. His other significant positions include: Senior Partner at Romulo Mabanta Buenaventura Sayoc & De Los Angeles Law Offices; Chairman and President of Towers Watson Philippines, Inc.; Chairman of the Board of Cebu Air, Inc., (publicly listed company), FPG Insurance Co., Inc., Sime Darby Pilipinas, Inc., and Interphil Laboratories, Inc.; Director of BASF Philippines, Inc.; Honda Philippines, Inc., Maersk-Filipinas, Inc., MCC Transport Philippines, Inc., Zuellig Pharma Corporation and JG Summit Holdings, Inc. (publicly listed company); and Director/Corporate Secretary and Johnson & Johnson (Phils.), Inc. He is a graduate of Harvard Law School in the United States and the Senior Partner of Romulo Mabanta Buenaventura Sayoc & De Los Angeles Law Offices. He has extensive experience in law and business and is a director of various companies.

Rex Ma. A. Mendoza, Filipino, 54, has been an Independent Director of the Company since February 26, 2016. He is the founder and Managing Director of Rampver Financials, a financial services firm and the leading non-bank mutual funds distributor in the country. He currently serves as an Independent Director of Globe Telecom, Inc. (publicly listed company), and a Director of The Freeport Area of Bataan, Esquire Financing, Inc., Seven Tall Trees Events, Inc., and the Cullinan Group. He was previously the Senior Adviser to the AIA Group CEO for Marketing and Distribution. AIA Group Limited is the leading Pan-Asian insurance company and is the parent firm of the Philippine American Life and General Insurance Company (PhilamLife). Prior to this position, he was the President and Chief Executive Officer of Philam Life, Chairman of The Philam Foundation, Inc. and Vice Chairman of BPI Philam Life Assurance Company. Prior to rejoining Philam Life, he was Senior Vice President and Chief Marketing and Sales Officer of Ayala Land, Inc. He was also Chairman of Ayala Land International Sales, Inc., President of Ayala Land Sales, Inc., and Avida Sales Corporation. He earned his Master's Degree in Business Management with distinction from the Asian Institute of Management in 1986 and was one of the 10 Outstanding Graduates of his batch at the University of the Philippines where he obtained a BSBA degree with a double major in marketing and finance in 1983. He was awarded Most Distinguished Alumnus of the University of the Philippines' Cesar E.A. Virata School of Business last December 2013. He is also a fellow with distinction at the Life Management Institute of Atlanta, Georgia, USA, a Registered Financial Planner and a four-time member of the Million Dollar Round Table. Mr. Mendoza was a professor of Marketing and Computational Finance at the De La Salle University Graduate School of Business. He taught strategic marketing, services marketing and services strategy. He has served as Chairman of the Marketing Department and was awarded as one of the University's most outstanding professors.

Below is the list of the directorships and officerships of the former directors of the Company who were elected on 2 December 2014 and served as such until 26 February 2016 (unless provided otherwise):

David C. Go, Filipino, 75, was one of the incorporators of the Company (then known as Philippine Orion Properties, Inc.) and served as its director from the time of its incorporation in 1989 and as its Vice Chairman from 1992 to 26 February 2002. He graduated with a degree in B.S. Mechanical Engineering from Georgetown University in Ohio, United States of America. He also served as member of the Board of then Manila Stock Exchange.

Positions held in the Company and its subsidiaries until 26 February 2016 include Chairman of the Board of OE Holdings, Inc., Orion Maxis Inc.; Chairman/President of Orion Property Development, Inc. (until 29 February 2016), Orion Beverage, Inc.; President of Orion Land Inc. (until 24 February 2016), Tutuban Properties, Inc. (until 24 February 2016), TPI Holdings Corporation (until 29 February 2016); Director of ZHI Holdings, Inc., Orion I Holdings Philippines, Inc. (until 24 February 2016) and Orion Solutions, Inc..

His other directorships/officerships are Chairman of the Board of Kolin Philippines, Inc. and ACA & Company.

Yuen Po Seng, Malaysian, 57, was the President of the Company from 11 January 2002 to 24 February 2016. Prior to being President, he was Executive Vice President from 1993 to 10 January 2002 and Treasurer and Director of the Company from 1995 to 10 January 2002. He graduated with a degree in Management Accounting from the Sheffield City Polytechnic in the United Kingdom. He worked with the Hong Leong Group Malaysia before he was assigned to the Philippines.

Positions held in the Company and its subsidiaries until 26 February 2016 include Chairman/President of ZHI Holdings, Inc., Orion Solutions, Inc., Luck Hock Venture Holdings, Inc. (inactive); President of FLT Prime Insurance Corporation, Orion I Holdings Philippines, Inc. (until 24 February 2016), Orion Maxis Inc., BIB Aurora Insurance Brokers, Inc., Zeus Holdings, Inc. (listed company) (Nov. 1998-24 March 2016); Director - Cyber Bay Corporation (listed company) (1993-24 March 2016); Central Bay Reclamation & Development Corp. (inactive), Orion Land Inc. (until 24 February 2016), Tutuban Properties, Inc. (24 February 2016), TPI Holdings Corporation (until 24 February 2016), Orion Property Development, Inc. (until 24 February 2016), Orion Beverage, Inc. and OE Holdings, Inc**.**

His other directorships/officerships are Chairman/President of Guoman Philippines Incorporated; President of Guoco Assets (Philippines), Inc., Hong Way Holdings, Inc., Genez Investments Corporation, Treasure-House Holdings Corporation; Director of Top Master Construction (Philippines), Inc. (formerly Hume Furniture (Philippines), Inc.).

Daisy L. Parker, Filipino, 52, was Director and Corporate Secretary of the Company from 2000 to 24 February 2016. She was Corporate Secretary of the Company since 1995 and Senior Vice President and Chief Legal Counsel from 2009 to 24 February 2016. She holds a Bachelor of Arts degree in Political Science and Bachelor of Laws degree from the University of the Philippines. Her extensive experience includes working in the House of Representatives and Quisumbing Torres & Evangelista Law Office (now Quisumbing & Torres Law Office), associated office of Baker & McKenzie in the United States.

Positions held in the Company and its subsidiaries until 24 February 2016 include Director/Corporate Secretary of Orion Land Inc., Tutuban Properties, Inc. (until 24 February 2016), TPI Holdings Corporation, Orion Property Development, Inc., Orion Beverage, Inc., Luck Hock Venture Holdings, Inc. (inactive), Orion I Holdings Philippines, Inc., Zeus Holdings, Inc. (listed company) (March 2001 to 24 March 2016), ZHI Holdings, Inc., FLT Prime Insurance Corporation, Orion Solutions, Inc., OE Holdings, Inc. and Orion Maxis Inc..

Her other directorships/officerships are Director of Guoco Assets (Philippines), Inc., Hong Way Holdings, Inc.; Maxcellon Inc.; Director/Corporate Secretary of Orange Grove Investments Corporation, Philtravel Corp. (Sept. 2012-present), El Faro Development Corporation (2013 to present); Guoman Philippines Incorporated, BIB Aurora Insurance Brokers, Inc., Genez Investments Corporation, Treasure-House Holdings Corporation.

Ronald P. Sugapong, Filipino, 49, was Director of the Company from 2007 to 24 February 2016. He was Treasurer of the Company from 2002 to 24 February 2016. He served as Senior Vice President and Chief Finance Officer in 2009 until 24 February 2016. He is a Certified Public Accountant, with a degree in Accounting from the Philippine School of Business Administration. His work experience includes working for the auditing firm of Punongbayan & Araullo.

Positions held in the Company and its subsidiaries until 24 February 2016 include Director/Treasurer of Orion Land Inc., Tutuban Properties, Inc. (until 24 February 2016), TPI Holdings Corporation, Orion Property Development, Inc., Orion Beverage, Inc., Luck Hock Venture Holdings, Inc. (inactive), Orion I Holdings Philippines, Inc., Zeus Holdings, Inc. (listed company) (March 2001 to 24 March 2016), ZHI Holdings, Inc., Orion Solutions, Inc., OE Holdings, Inc., and Orion Maxis Inc.; Treasurer of FLT Prime Insurance Corporation and BIB Aurora Insurance Brokers, Inc..

His other directorships/officerships are Director/Treasurer of Guoco Assets (Philippines), Inc.; Hong Way Holdings, Inc., and Guoman Philippines Incorporated.

2. Attendance of Directors in Board Meetings, Annual Stockholders' Meeting (ASM) and Board Committee Meetings

For FY 2015/2016, the BOD had fifteen (15) meetings. Of said meetings, 11 meetings were held before the entry of ALI from 1 July 2015 to 24 February 2016. The members of the Board then attended all 11 meetings, except for one director who was not able to attend one (1) meeting. For remaining 4 meetings (held from 1 March to 16 May 2016), all the directors were present. The Company did not have an annual stockholders' meeting in 2015. However, there was a special stockholders' meeting held on 20 October 2015 which was attended by all directors then.

Attendance in the meetings of the Board Committees for FY 2015-2016 were as follows:

(a) Nomination Committee- All of the members attended the two (2) meetings of the Committee (all held before the entry of ALI on 24 February 2016).

(b) Audit and Risk Management Committee- The Committee had six (6) meetings for the year. Of said meetings, three (3) meetings were held before the entry of ALI on 24 February 2016, and one director was not able to attend one meeting. The two (2) meetings held after 24 February 2016 were attended by the all members of the Committee.

(c) Compensation and Remuneration Committee- The Committee had three (3) meetings (which were all held before 24 February 2016) and one member was not able to attend one meeting.

B. *Independent Directors*

An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company.

In compliance with the requirements of the Securities Regulation Code, the Company has two independent directors, namely, Atty. Ricardo J. Romulo and Mr. Rex Ma. A. Mendoza. Atty. Romulo was elected during the Corporation's ASM last 2 December 2014 while Mr. Mendoza was elected last 26 February 2016 (as replacement of Mr. Victor C. Say).

C. *Significant Employees*

The Company's entire work force is considered as significant employees. The entire work force is expected to work as a team to attain the Company's objectives.

D. *Family Relationships*

There are no family relationships (up to fourth civil degree) either by consanguinity or affinity among the abovenamed directors and executive officers.

E. *Involvement in Certain Legal Proceedings*

The abovementioned directors and executive officers have not been involved in the following events or legal proceedings that occurred during the past five (5) years up to the present date which are material to an evaluation of the ability and integrity of the said directors and executive officers:

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 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 Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

A. Information as to aggregate compensation paid or accrued during the last two fiscal years and the ensuing fiscal year to the Company's Chief Executive Officer and four other most highly compensated executive officers.

Summary Compensation Table
Annual Compensation

Name	Fiscal Year	Salary (in P000s)	Bonus (in P000s)	Other Annual Compensation (in (P000s)
Yuen Po Seng* (President)	2014-2015 2015-2016			
Ronald P. Sugapong* (SVP-Treasurer/CFO)	2014-2015 2015-2016			
Daisy L. Parker* (SVP-Chief Legal Counsel)	2014-2015 2015-2016			
Ma. Rhodora P. dela Cuesta (VP-Legal Dept.)	2014-2015 2015-2016			
Edwin M. Silang (AVP-Group HR)	2014-2015 2015-2016 2016-2017			
CEO and four most highly compensated Exec. Officers	2014-2015 2015-2016 *2016-2017 (projected)*	P 27,917.71 27,336.72 *6,431.34*	P 4,833.90 5,302.76 *596.09*	P 0.00
All officers and directors as a group unnamed	2014-2015 2015-2016 *2016-2017 (projected)*	P 32,077.71 38,376.72 *12,371.34*	P 8,333.90 13,702.76 *5,096.09*	P 0.00

*separated from employment effective 26 March 2016
On 24 February 2016, Mr. Jose Emmanuel H. Jalandoni, Ms. Ruby P. Chiong and Ms. Rhodora Estrella B. Revilla were elected as President, Treasurer and Chief Finance Officer of the Company, respectively. They are officers of ALI and received no salaries or compensation from the Company from time of their election to the end of fiscal year 2016.

B. Compensation of Directors/Executive Officers

Members of the Board of Directors are elected for a term of one year until the election and acceptance of their qualified successors. They receive no compensation except reasonable director's fee (and/or bonus) as fixed by the Board of Directors at the end of the fiscal year in accordance with the Company's By-laws. Section 12 of Article III of the By-laws provides that subject to the approval of the stockholders, the Board of Directors shall be authorized to fix the per diems of directors attending board meetings, executive committee meetings and other committee meetings. The amounts per diem shall however be guided by reasonableness and industry practice. Section 13 of Article III provides that an amount equivalent to five percent (5%) of net income before tax in each year shall be paid and distributed at the Board's discretion, to the members of the Board of Directors and the Executive Committee and officers of the Corporation.

The members of the Board who are executive officers of the Registrant are remunerated with a compensation package comprising of 13-month base pay. In addition, they may receive a performance bonus at year-end which the Board extends to the rest of the managerial, supervisory and rank and file employees.

C. Employment Contracts/Termination of Employment/Change-in Control Arrangements

The Executive Officers are regular employees of the Company and are remunerated with a compensation package (as mentioned in the foregoing paragraph) corresponding to their position/rank as provided in their respective standard engagement/employment contracts.

There are no special terms or compensatory plans or arrangements relative to the resignation, termination of employment of such executive officers other than the Employees Stock Ownership Plan. However, such executive officer may receive compensation if he qualifies under the terms and conditions of the Company's retirement benefit plan.

Further, the Company has no change-in-control arrangements with its executive officers.

On 26 March 2016, three (3) executives were separated from the Company and were paid benefits as provided in the Company's retirement plan.

In September 2016, the Company served notices of separation to the employees and officers as part of the reorganization of the Company.

D. Options Outstanding

On 13 August 2015, the Board of Directors of the Company approved the Terms and Conditions of its Employees Stock Ownership Plan (ESOWN) covering 250 million shares of the Company. In November 2015, the Company applied for, and was granted by the SEC, exemption from the registration requirements of the Securities Regulation Code (SRC) of its ESOWN covering 32 million shares of the Company. In December 2015, an application for listing of the ESOWN covering 32 million shares of the Company has been filed, and is pending, with the Philippine Stock Exchange.

Item 11. Security Ownership of Certain Beneficial Owners and Management

. *Security Ownership of Certain Record and Beneficial Owners* (more than 5%)
(As of 30 September 2016, based on report of the Stock and transfer agent, BDO Unibank, Inc. and PDTC list)

Title of Class	Name & address of record owner & relationship with issuer	Name of Beneficial Owner & relationship with record owner	Citizenship	No. of Shares Held	Percent (%)
Common	Ayala Land, Inc.[1] 31/F Tower One and Exchange Plaza, Ayala Triangle, Makati City -Stockholder	Ayala Land, Inc.[2]	Filipino	2,499,999,997	51.057%
Common	PCD Nominee Corp.[3] G/F Makati Stock Exchange, Ayala Ave., Makati City	PCD participants acting for themselves or for their customers[4]	Filipino	983,555,226	20.087%
Common	PCD Nominee Corp. G/F Makati Stock Exchange, Ayala Ave., Makati City[3]	Guoco Assets (Philippines), Inc. (GAPI)[5]	Singaporean	451,256,180	9.216%
Common	PCD Nominee Corp. G/F Makati Stock Exchange, Ayala Ave., Makati City[3]	Genez Investments Corporation (GIC)[6]	Malaysian	263,819,038	5.388%

B. *Security Ownership of Management*
(as of 30 September 2016, based on the report of stock and transfer agent, BDO Unibank, Inc.)

Title of Class	*Name of Beneficial Owner*	*Amount and Nature of Beneficial ownership [direct (d) or indirect (i)]*	*Citizenship*	*Percent of Class (%)*
Common	Bernard Vincent O. Dy	2 shares (d/i)	Filipino	-
Common	Felipe U. Yap	6,594,000 shares* (d)	Filipino	0.135
Common	Jose Emmanuel H. Jalandoni	2 shares (d/i)	Filipino	-
Common	Maria Rowena M. Tomeldan	2 shares (d/i)	Filipino	-
Common	Victor C. Say	26,572,000 shares* (d/i)	Filipino	0.543
Common	Ricardo J. Romulo	3,072,001* (d)	Filipino	0.063
Common	Rex Ma. A. Mendoza	1	Filipino	-
Common	Ma. Rhodora P. dela Cuesta	921,850* (d)	Filipino	0.019
	Total Holdings of Directors & Executive Officers	**37,159,858**		**0.76**

*includes shares under the Employees Stock Ownership Plan

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1 Ayala Land, Inc. is the parent of the Company.
2 Under the By-Laws and the Corporation Code, the ALI Board has the power to decide how ALI's shares are to be voted.
3 PCD is not related to the Company.
4 Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The Company has no record relating to the power to decide how the shares held by PCD are to be voted. As per PDTC List of Outstanding Balances for a Specific Company dated 30 September 2016, the following hold at least 5% of POPI's voting stocks: (1) Guoco Assets (Philippines), Inc. (GAPI)-451,256,180 (9.22%) and (2) David Go Securities Corp. (DGCS)- 494,461,462 (10.037%).
5The Board of Directors of GAPI has authority to decide how the POPI shares will be voted. The POPI shares will be voted in accordance with the instructions of GAPI's proxy.
6 The GIC Board of Directors has the power to decide how the POPI shares will be voted.

C. Voting Trust Holders of 10% or More

There are no voting trust holders of 10% or more of the common shares.

D. *Changes in Control of the Registrant since beginning of last Fiscal Year*

On 24 February 2016, the Company entered into a Deed of Subscription with ALI whereby ALI subscribed to 2.5 billion common shares of stock of POPI (the "ALI Subscription") at the price of P5.625 billion, from the increase in the Company's authorized capital stock from P2.4 billion to P7.5 billion.

Of the Company's increase in authorized capital stock of P5.1 billion, ALI subscribed to P2.5 billion worth of common shares. On 4 July 2016, the Securities and Exchange Commission approved the Company's increase in its authorized capital stock from P2.4 billion to P7.5 billion divided into 7.5 billion common shares, with par value of P1.00 per share. The ALI Subscription represents 51.06% of the total outstanding capital stock of the Company and will come from original issuance of shares of the Company.

Of the ALI Subscription of 2.5 billion shares, P1.406 billion has been paid, the balance to be paid upon completion of certain conditions. As majority owner of the total outstanding stock of the Company, ALI gained control of the Company. Previously, the Company had no parent company as no stockholder held more than 20% of the equity of the Company.

Item 12. Certain Relationships and Related Transactions

(1) There has been no transaction during the last two years, or proposed transactions, to which the Company/Registrant was or is to be a party, in which any of the following persons had or is to have a direct or indirect material interest:
   a. Any director or executive officer of the Registrant;
   b. Any nominee for election as a director;
   c. Any security holder named in Sections 1.1 and 1.2 above; and
   d. Any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the persons named in the immediately preceding subparagraphs (1), (2) and (3).

(2) ALI is the majority stockholder of the Company as it owns 51.06% of the total outstanding capital stock of the Company.

(3) The Company and its subsidiaries in their normal course of business, have entered into transactions with related parties principally consisting of noninterest-bearing advances with no fixed repayment terms and are due and demandable. As disclosed in Note 18 of the Notes to Consolidated Financial Statements, the Company and the related parties have common stockholders.

    The Company has no relationship that enables the parties to negotiate terms of material transactions other than on an arm's length basis.

PART IV- CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to attached Annual Corporate Governance Report.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

See accompanying Index to Exhibits

(b) Reports on SEC Form 17-C

During the period covered by this report, the reports on Form 17-C (Current Report) filed with the SEC cover the following:

(i) Execution of an agreement with ALI whereby ALI will subscribe to 2.5 billion common shares of the Corporation for a total consideration of P5.625 billion, subject to certain terms and conditions. The Board of Directors also approved the amendment of POPI's Articles of Incorporation specifically, (1) Article Sixth- to increase the number of directors from 7 to 9; and (2) Article Seventh-to increase its authorized capital stock from P2.4 billion to P7.5 billion. For this purpose, the Board shall call a special stockholders' meeting (SSM), to secure the approval of the stockholders on the proposed resolutions. The SSM was set on 20 October 2015, with record date of stockholders entitled to vote thereat on 4 September 2015. The Board also approved the Terms and Conditions of the ESOWN Plan covering 250 million shares of stock, and the filing of the request for exemption from registration of the ESOWN with the SEC.(13 August 2015);

(ii) Execution by POPI of a Deed of Absolute Sale conveying its parcel of land in Mandaue City with an area of 10.747 square meters, covered by Transfer Certificate of Title No. MR-5672 (T-63866) in favor of Urban Apex Resources group, Inc. for a consideration of Php40,250.00 per square meter of a total of Php432,566,750.00) (7 September 2015)

(iii) Setting the venue of the SSM on 20 October 2015 at Paranaque AB Function Room, Makati Shangri-la Manila, Ayala Avenue, Makati City (10 September 2015);

(iv) Approval by the Board of Directors of the Company's audited financial statements for the fiscal year ended 30 June 2015. The Company reported the turnover by the Philippine National Railways (PNR) to Tutuban Properties, Inc. (TPI) of 3 hectares of Phase II-A of the property leased along Tayuman and in June, PNR turned over about 8.5 hectares of Phase II-B (air rights) along Dagupan St.. In turn, TPI released to PNR the corresponding rental of about P115 million. (9 October 2015);

(v) Approval by the Board of Directors of the postponement of the annual stockholders' meeting to a date to be determined later in view of the SSM held on 20 October 2016. During the SSM, the stockholders approved the following:
   a. Minutes of the ASM dated 2 December 2014;
   b. Increase in POPI's authorized capital stock form P2.4 billion to P76.5 billion, and the subscription of ALI to 2.5 billion shares of stock (out of said increase) under certain terms and conditions;
   c. Amendments to the POPI's Articles of Incorporation-
      (i) Article Seventh – increase in authorized capital stock from P2.4 billion to P7.5 billion
      (ii) Article Sixth – increase in number of directors from seven (7) to nine (9)
   d. Application for listing of the Ali Subscription with the Philippine Stock Exchange. (20 October 2015)

(vi) In connection with the Agreement to Subscribe between POPI and ALI dated 13 August 2015, the parties agreed to mutually extend the due diligence period for another thirty (30) days or until 17 December 2015. (17 November 2015);

(vii) Execution of a Deed of Subscription and a Supplement to the Deed of Subscription whereby ALI will subscribe to 2.5 billion common shares of stock of POPI which will represent 51.06% of the total outstanding shares of POPI, with a total consideration of ALI Subscription of P5.625 million of which 25% was paid and 75% to be paid upon fulfillment of certain terms and conditions. Further, as a result of the entry of ALI as majority stockholder of POPI, there were changes in management with the resignation of two directors and election of new directors and separation of certain officers of the Company. (24 February 2016).

(viii) As part of the change in management in POPI, two directors resigned and new directors were elected. (26 February 2016)

(ix) Reorganization of the Board Committees of POPI (1 March 2016)

(x) Approval of the following amendments to POPI's By-laws by the Board of Directors:

   a. Change in the date of the annual meetings of stockholders from "2nd Monday of November" to "second Friday of April or if falls on a holiday, the following business day, or any day approved by the Board of Directors (Art. II, Section 1);

b. Inclusion of Chief Finance Officer as officer of the Company and provision on the responsibilities of the CFO (Article IV, Sections 1 and 10);
c. Change in the financial year from fiscal year (1 July to 30 June) to calendar year (1 January to 30 December) (Article V, Section 1); and
d. Delegation of authority to the Board of Directors to amend or repeal the By-laws or adopt new By-laws (Article VII, Section1).

The Board also approved the postponement of the ASM previously set on 12 May 2016 and the amendment of Section 4.2.1.2 of the Revised Manual of Corporate Governance (15 March 2016).

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SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report to be signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 28TH October 2016.

PRIME ORION PHILIPPINES, INC.
Issuer
By:

JOSE EMMANUEL H. JALANDONI
President/Chief Executive Officer

RUBY P. CHIONG
Treasurer

RHODORA ESTRELLA B. REVILLA
Chief Finance Officer

JUNE VEE D. MONTECLARO-NAVARRO
Corporate Secretary

OCT 28 2016

SUBSCRIBED AND SWORN to before me this _____ day of October 2016, at Makati City, affiants exhibited to me their passports as competent evidence of their identities, as follows:

Names	Competent Evid. of Identity	Date/Place of Issue
Jose Emmanuel H. Jalandoni	Passport#EB6926167	12-11-2012/DFA Manila
Ruby P. Chiong	Passport #EB9630735	11-20-2013/DFA Pampanga
June Vee D. Monteclaro-Navarro	Passport#EC4193967	5-18-2015/DFA Manila
Rhodora Estrella B. Revilla	Passport #EB8658544	7-13-2013/DFA Manila

Doc. No. 86;
Page No. 27;
Book No. 24;
Series of 2016.

ATTY. HENRY D. ADASA
NOTARY PUBLIC
UNTIL DEC 31, 2016
S.C. ROLL NO. 29679
1352 SAN MARCELINO ST MALATE.MLA.
IBP NO. 539545/01/04/2015 Z.N.
PTR NO. 491514/01/04/2016 MLA.
MCLE NO. IV-0025957 04/22/2016

PRIME ORION PHILIPPINES, INC.
Index to Financial Statements and Supplementary Schedules
Form 17-A, Item 7

Consolidated Financial Statements Page No.

Supplementary Schedules

PrimeOrion Philippines, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PRIME ORION PHILIPPINES, INC.** is responsible for the preparation and fair presentation of the consolidated financial statements for the fiscal years ended June 30, 2016 and 2015, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Signed under oath by the following

FELIPE U. YAP
Vice-Chairman

JOSE EMMANUEL H. JALANDONI
President

RHODORA ESTRELLA B. REVILLA
Chief Finance Officer

Signed this 6th day of October 2016.

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

OCT 2 8 2016

SUBSCRIBED AND SWORN to before me this _____day of October 2016, at Makati City, affiants exhibited to me their passports as competent evidence of their identities, as follows:

Name	Competent Evidence of Identity	Date/Place issued
Felipe U. Yap	Ppt No. EC6551281	01-22-2016 / Manila
Jose Emmanuel H. Jalandoni	Ppt No. EB6926167	12-11-2012/ Manila
Rhodora Estrella B. Revilla	Ppt No. EB8658544	07-13-2013 / Manila

WITNESS MY HAND AND SEAL on the date and at the place first above written.

Doc. No. 84
Page No. 26
Book No. 21
Series of 2016.

ATTY. HENRY D. ADASA
NOTARY PUBLIC
UNTIL DEC. 31, 2016
S.C. ROLL NO. 29675
1852 SAN MARCELINO ST MALATE MLA
IBP NO. 939545/01/04/2016 Z.N.
PTR NO. 4915141/01/04/2016 MLA
MCLE NO. IV-0025957 04/22/2016

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	3	6	7	1					

COMPANY NAME

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

20/F LKG Tower, 6801 Ayala Ave., Makati City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
popi-corporate@primeorion.com	(632) 884-1106	None

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
969	11/14	06/30

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
Rhodora Estrella B. Revilla	revilla.jing@ayalaland.com.ph	(02) 884-1106	(63) 917 5439458

CONTACT PERSON's ADDRESS

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

NOTE1 : *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.*

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Prime Orion Philippines, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Prime Orion Philippines, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended June 30, 2016 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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Building a better
working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Prime Orion Philippines, Inc. and its subsidiaries as at June 30, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended June 30, 2016 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-1 (Group A),
June 30, 2015, valid until June 29, 2018
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5321694, January 4, 2016, Makati City

October 6, 2016

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Par Value and Number of Shares)

	June 30	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 30)	**₱1,306,884**	₱151,763
Receivables (Notes 5 and 30)	**1,919,932**	496,125
Inventories (Note 6)	**8,836**	12,006
Real estate held for sale and development (Note 7)	**264,464**	430,103
Available-for-sale financial assets (Notes 8, 19 and 30)	**1,397,514**	1,507,408
Financial assets at fair value through profit or loss (Notes 9 and 30)	**12,703**	27,992
Other current assets (Note 10)	**240,815**	244,729
Total Current Assets	**5,151,148**	2,870,126
Noncurrent Assets		
Investment in an associate (Note 11)	**1,942**	2,571
Investment properties (Note 12)	**1,163,169**	1,329,022
Property and equipment (Note 13)	**19,507**	46,328
Software costs (Note 14)	**6,216**	8,800
Other noncurrent assets (Note 15)	**95,422**	204,226
Total Noncurrent Assets	**1,286,256**	1,590,947
TOTAL ASSETS	**₱6,437,404**	₱4,461,073
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 16 and 30)	**₱895,144**	₱667,262
Current portion of rental and other deposits (Note 17)	**141,362**	148,230
Deposit for future stock subscriptions (Note 1)	**1,406,250**	–
Total Current Liabilities	**2,442,756**	815,492
Noncurrent Liabilities		
Rental and other deposits - net of current portion (Note 17)	**88,425**	85,331
Net retirement benefits liability (Note 23)	**75,704**	96,975
Deferred rent income (Note 27)	**536**	792
Deferred income tax liabilities - net (Note 24)	**220,974**	234,565
Subscriptions payable (Note 19)	**481,675**	481,675
Total Noncurrent Liabilities	**867,314**	899,338
Total Liabilities	**₱3,310,070**	₱1,714,830

(Forward)

	June 30	
	2016	2015
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value (Note 1)		
Authorized - 2,400,000,000 shares		
Issued and subscribed - 2,378,638,123 shares (net of subscriptions receivable of ₱248,062 and ₱297,237 as at June 30, 2016 and 2015, respectively) (Note 1)	**₱2,130,576**	₱2,069,912
Additional paid-in capital	**829,904**	829,904
Equity reserves (Notes 3 and 29)	**27,469**	–
Treasury shares	**(21,916)**	(21,916)
Revaluation increment (Notes 12 and 13)	**237,011**	244,622
Unrealized valuation gains on AFS financial assets (Note 8)	**276,226**	2,066
Loss on remeasurement of retirement benefits liability (Note 23)	**(66,639)**	(72,481)
Deficit	**(340,166)**	(378,204)
	3,072,465	2,673,903
Non-Controlling Interests	**54,869**	72,340
Total Equity	**3,127,334**	2,746,243
TOTAL LIABILITIES AND EQUITY	**₱6,437,404**	₱4,461,073

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share)

	Years Ended June 30		
	2016	2015	2014
REVENUE AND INCOME			
Rental and other charges (Note 12)	**₱467,927**	₱414,475	₱402,520
Real estate sales (Note 7)	**274,082**	–	–
Insurance premiums and commissions - net	**237,243**	236,452	222,126
Service fees	**17,927**	8,070	6,972
Gain on sale of AFS financial assets (Note 8)	**17,240**	8,846	159,189
Interest income on AFS financial assets (Note 8)	**15,411**	11,753	7,803
Merchandise sales	**4,768**	8,611	22,070
Dividend income (Notes 8 and 9)	**2,495**	4,228	4,032
	1,037,093	692,435	824,712
COSTS AND EXPENSES			
Cost of goods sold and services (Note 20)	**430,237**	226,309	242,802
Cost of real estate sold (Notes 7 and 20)	**186,607**	–	–
Operating expenses (Note 20)	**556,944**	357,414	386,673
Commission and other underwriting expenses	**197,052**	173,252	186,534
	1,370,840	756,975	816,009
OTHER INCOME (CHARGES)			
Impairment losses on AFS financial assets (Note 8)	**(3,115)**	(241,187)	(2,600)
Gain on sale of investment property (Note 12)	**578,965**	–	–
Gain on sale of property and equipment (Note 13)	**5,972**	15,346	196
Reversal of impairment losses on receivables (Note 5)	**–**	8,009	–
Interest income (expense) and bank charges - net (Note 22)	**10,359**	1,825	(1,866)
Reversal of inventory losses (Note 6)	**4,223**	1,242	4,360
Unrealized gain (loss) on financial assets at FVPL (Note 9)	**(425)**	280	–
Rehabilitation expenses (Note 1)	**–**	(609)	(13,495)
Equity in net income (loss) of an associate (Note 11)	**(19)**	7	(24)
Recovery from insurance (Note 1)	**–**	–	269,282
Loss on write off on investment properties (Note 12)	**–**	–	(288)
Net unrealized foreign exchange gain	**93**	–	–
Provision for probable losses and impairment losses (Note 28)	**(262,424)**	–	–
Others - net	**20,188**	28,956	23,585
	353,817	(186,132)	279,150
INCOME (LOSS) BEFORE INCOME TAX	**20,070**	(250,672)	287,853
PROVISION FOR INCOME TAX - Net (Note 24)	**7,114**	11,564	81,950
NET INCOME (LOSS)	**12,956**	(₱262,236)	₱205,903
ATTRIBUTABLE TO:			
Equity holders of the Parent	**₱30,427**	(₱262,453)	₱210,618
Non-controlling interests	**(17,471)**	217	(4,715)
	₱12,956	(₱262,236)	₱205,903
EARNINGS (LOSS) PER SHARE (Note 25)			
Basic and diluted, for income for the year attributable to ordinary equity holders of the Parent	**₱0.01**	(₱0.11)	₱0.09

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		Years Ended June 30	
	2016	2015	2014
NET INCOME (LOSS)	**₱12,956**	(₱262,236)	₱205,903
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains on AFS financial assets (Note 8)	**277,649**	251	245,666
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Gain (loss) on remeasurement on retirement benefits liability - net of tax (Note 23)	**5,842**	(5,745)	(8,592)
Effect of shortened corporate life of a subsidiary	–	–	5,026
	283,491	(5,494)	242,100
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱296,447**	(₱267,730)	₱448,003
ATTRIBUTABLE TO:			
Equity holders of the Parent	**₱313,918**	(₱275,665)	₱454,024
Non-controlling interests	**(17,471)**	7,935	(6,021)
	₱296,447	(₱267,730)	₱448,003

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Equity Reserves	Revaluation Increment (Notes 12 and 13)	Unrealized Valuation Gains (Losses) on AFS Financial Assets (Note 8)	Losses on Remeasurement of Retirement Benefits Plan (Note 23)	Deficit	Equity attributable to Equity Holders of Prime Orion Philippines, Inc.	Non-Controlling Interests	Total
Balances at June 30, 2013	₱2,066,357	₱829,904	₱–	₱–	₱259,844	(₱4,859)	(₱75,328)	(₱343,172)	₱2,732,746	₱75,592	₱2,808,338
Net income	–	–	–	–	–	–	–	210,618	210,618	(4,715)	205,903
Other comprehensive income (loss)											
Unrealized valuation gain (loss)on AFS financial assets	–	–	–	–	–	247,849	–	–	247,849	(2,183)	245,666
Actuarial loss recognized in OCI	–	–	–	–	–	–	8,592	–	8,592	–	8,592
Total comprehensive income	–	–	–	–	–	247,849	8,592	210,618	467,059	(6,898)	460,161
Transfer of realized valuation increment	–	–	–	–	(7,611)	–	–	7,611	–	–	–
Unrealized gain transferred from equity to consolidated statement of income	–	–	–	–	–	(159,189)	–	–	(159,189)	–	(159,189)
Effect of shortened corporate life of a subsidiary	–	–	–	–	–	–	–	1,581	1,581	3,445	5,026
Balances at June 30, 2014	2,066,357	829,904	–		252,233	83,801	(66,736)	(123,362)	3,042,197	72,139	3,114,336
Net income	–	–	–	–	–	–	–	(262,453)	(262,453)	217	(262,236)
Other comprehensive income (loss)											
Unrealized valuation gain (loss)on AFS financial assets	–	–	–	–	–	267	–	–	267	(16)	251
Actuarial loss recognized in OCI	–	–	–	–	–	–	(5,745)	–	(5,745)	–	(5,745)
Total comprehensive income	–	–	–	–	–	267	(5,745)	(262,453)	(267,931)	201	(267,730)
Transfer of realized valuation increment	–	–	–	–	(7,611)	–	–	7,611	–	–	–
Treasury shares	–	–	(21,916)	–	–	–	–	–	(21,916)	–	(21,916)
Unrealized gain transferred from equity to consolidated statement of income	–	–	–	–	–	(82,002)	–	–	(82,002)	–	(82,002)
Collection of subscription receivable	3,555	–	–	–	–	–	–	–	3,555	–	3,555
Balances at June 30, 2015	₱2,069,912	₱829,904	(₱21,916)	₱–	₱244,622	₱2,066	(₱72,481)	(₱378,204)	₱2,673,903	₱72,340	₱2,746,243

(Forward)

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Equity Reserves	Revaluation Increment (Notes 12 and 13)	Unrealized Valuation Gains (Losses) on AFS Financial Assets (Note 8)	Losses on Remeasurement of Retirement Benefits Plan (Note 23)	Deficit	Equity attributable to Equity Holders of Prime Orion Philippines, Inc.	Non-Controlling Interests	Total
Balances at June 30, 2015	₱2,069,912	₱829,904	(₱21,916)	₱–	₱244,622	₱2,066	(₱72,481)	(₱378,204)	₱2,673,903	₱72,340	₱2,746,243
Net income	–	–	–	–	–	–	–	30,427	30,427	(17,471)	12,956
Other comprehensive income (loss)											
Unrealized valuation gain on AFS financial assets	–	–	–	–	–	277,649	–	–	277,649	–	277,649
Actuarial gain recognized in OCI	–	–	–	–	–	–	5,842	–	5,842	–	5,842
Total comprehensive income	–	–	–	–	–	277,649	5,842	30,427	313,918	(17,471)	296,447
Collection of subscription receivable	60,664	–	–	–	–	–	–	–	60,664	–	60,664
Equity reserves (Notes 3 and 29)	–	–	–	27,469	–	–	–	–	27,469	–	27,469
Transfer of realized valuation increment	–	–	–	–	(7,611)	–	–	7,611	–	–	–
Unrealized gain transferred from equity to consolidated statement of income	–	–	–	–	–	(3,489)	–	–	(3,489)	–	(3,489)
Balances at June 30, 2016	**₱2,130,576**	**₱829,904**	**(₱21,916)**	**₱27,469**	**₱237,011**	**₱276,226**	**(₱66,639)**	**(₱340,166)**	**₱3,072,465**	**₱54,869**	₱3,127,334

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended June 30		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱20,070**	(₱250,672)	₱287,853
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 14 and 20)	**79,733**	79,748	77,167
Provision for impairment losses on:			
AFS financial assets (Note 8)	**3,115**	241,187	2,600
Investment in an associate (Note 11)	**610**	–	–
Noncurrent assets	**12,870**	–	–
Retirement benefits expense (Note 23)	**16,018**	22,773	25,339
Interest income	**(29,765)**	(16,599)	(13,623)
Gain on sale of:			
Investment property (Note 12)	**(578,965)**	–	–
Property and equipment (Note 13)	**(5,972)**	(15,346)	(196)
AFS financial assets (Note 8)	**(17,240)**	(8,846)	(159,189)
Dividend income (Notes 8 and 9)	**(2,495)**	(4,228)	(4,032)
Interest expense and bank charges (Note 22)	**331**	523	1,569
Gain on valuation of fair value of FVPL	**–**	(130)	–
Equity in net loss (income) of associates (Note 11)	**19**	(7)	24
Recovery from insurance (Note 1)	**–**	–	(269,282)
Loss on write-off of investment property (Note 12)	**–**	–	288
Unrealized foreign exchange losses (gains) - net	**(93)**	–	4
Provision for probable losses (Note 28)	**231,144**	–	–
Share-based expense (Note 29)	**27,469**	–	–
Operating income (loss) before working capital changes	**(241,698)**	48,403	(51,478)
Decrease (increase) in:			
Receivables	**(1,423,764)**	105,428	538,590
Inventories	**2,842**	6,468	11,972
Real estate held for sale and development	**165,640**	(596)	(149,328)
Amounts owed by related parties	**–**	13	–
Other current assets	**(4,656)**	(12,614)	(32,414)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(17,014)**	(6,510)	(381,846)
Rental and other deposits	**(3,774)**	18,818	15,584
Net cash flows generated from (used in) operations	**(1,522,424)**	159,410	(48,920)
Interest received	**29,765**	18,196	14,466
Income tax paid	**–**	(19,712)	(11,589)
Interest paid	**(331)**	(523)	(1,569)
Net cash flows from (used in) operating activities	**(₱1,492,990)**	₱157,371	(₱47,612)

(Forward)

	Years Ended June 30		
	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Contributions paid for retirement plan	**(₱29,997)**	(₱30,727)	(₱55,881)
Proceeds from sale of			
Investment properties	**703,148**	–	–
AFS financial assets (Note 8)	**21,360**	94,593	222,945
Property, plant and equipment	**19,305**	15,346	230
Disposal (acquisitions) of:			
AFS financial assets (Note 8)	**379,485**	(271,179)	(383,204)
Investment properties (Note 12)	**(22,435)**	(34,197)	(15,477)
FVPL investments	**5,298**	(27,712)	–
Property, plant and equipment (Note 13)	**(4,068)**	(7,367)	(6,152)
Software cost (Note 14)	**(1,568)**	(3,805)	(4,183)
Decrease (increase) in:			
Other noncurrent assets	**108,217**	(98,019)	8,363
Amounts owed by related parties	**(43)**	–	3
HTM investments	–	–	2,000
Deferred rent income	–	74	423
Dividends received (Note 8)	**2,495**	4,228	4,032
Net cash flows from (used in) investing activities	**1,181,197**	(358,765)	(226,901)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	–	(21,916)	–
Receipt of deposit for future stock subscriptions (Note 1)	**1,406,250**	–	–
Collection of subscription receivables	**60,664**	3,555	–
Decrease in minority interest	–	(16)	2,843
Decrease in amounts owed to related parties (Note 18)	–	–	(2,673)
Net cash flows from (used in) financing activities	**1,466,914**	(18,377)	170
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,155,121**	(219,771)	(274,343)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**151,763**	371,534	645,877
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,306,884**	₱151,763	₱371,534

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

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

Prime Orion Philippines, Inc. and its subsidiaries, collectively referred to as "the Group", have principal business interests in holding companies, real estate and property development, financial services and manufacturing and distribution (see Note 26).

Status of Operations
On December 23, 2011, Lepanto Ceramics, Inc. (LCI), a wholly-owned subsidiary, filed a Petition for Rehabilitation (PR) to arrest LCI's continuing financial losses for the past several years and to enable it to eventually meet its financial obligations to its creditors. After a series of court-approved amendments to the rehabilitation plan, on January 11, 2013, the rehabilitation receiver issued a Notice to Creditors that the pay-out of claims would commence on January 21, 2013.

On May 29, 2014, LCI filed a Motion for Termination of Rehabilitation Proceedings, stating that LCI has substantially accomplished the tasks and conditions of the amended and restated rehabilitation plan. On August 28, 2014, the court granted LCI's Motion for Termination of Rehabilitation Proceedings and declared LCI's successful rehabilitation. The rehabilitation expenses incurred by LCI amounted to ₱0.61 million and ₱13.49 million in 2015 and 2014, respectively (nil in 2016).

Moreover, with the total lifting of the import safeguards for ceramic tiles beginning 2010, LCI suspended its manufacturing operations in 2012 and started renting out its warehouses in July 2014. In September 2016, the Board of Directors (BOD) of LCI amended LCI's Articles of Incorporation (AOI) by changing its name to Lepanto Development Corporation and its primary purpose was changed to state that it may purchase, acquire, own, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

In September 2012, certain property and equipment and investment properties of Tutuban Properties, Inc. (TPI; a wholly-owned subsidiary) were damaged by fire. FLT Prime Insurance Corporation (FPIC), the insurance policy provider and also a wholly-owned subsidiary of POPI, recognized the incident as a fire loss event. The insurance policy was substantially ceded by FPIC to third party reinsurers. In line with this, TPI recognized recovery from insurance amounting to ₱269.28 million in 2014 (nil in 2016 and 2015). TPI received insurance proceeds from FPIC amounting to ₱17.89 million, ₱204.90 million and ₱174.71 million in 2016, 2015 and 2014, respectively.

On April 1, 2015, TPI signed a Memorandum of Understanding (MOU) with the Department of Transportation and Communication (DOTC) and Philippine National Railways (PNR) to formalize the agreement to cooperate in the finalization and implementation of plans to North-South Railway Project (NSRP) within a period of six (6) months. The NSRP involves construction of the North Line (Bulacan to Tutuban) and South Line (Tutuban to Albay) with the transfer station located at Tutuban Center. In 2016, discussions on the implementation of the NSRP among DOTC, PNR and TPI are on-going.

On January 13, 2015, the Insurance Commission (IC) issued Circular No. 2015-02-A which provided clarification of the provisions of Sections 194, 197, 200 and 289 of the Amended Insurance Code to ensure the compliance with the minimum capitalization and net worth requirements by the insurance companies. The Group is committed to infuse the necessary capital to comply with the IC's requirements for FPIC for 2015. While management is exploring various options, FPIC will continue to serve its portfolio of active insurance policies, the maturities of which range up to 2018.

On August 14, 2015, POPI entered into an agreement with Ayala Land, Inc. (ALI) whereby ALI will subscribe to 2,500,000,000 common shares of stock of POPI or 51.36% equity interest in POPI for a total consideration of ₱5.625 billion, subject to certain terms and conditions. In connection with the foregoing, on August 13, 2015, the BOD approved the amendment of POPI's AOI, specifically: (i) Article Sixth - to increase the number of its directors from seven (7) to nine (9); and (ii) Article Seventh - to increase its authorized capital stock from ₱2.40 billion (divided into 2.40 billion common shares at ₱1 par value) to ₱7.50 billion (divided into 7.50 billion common shares at ₱1 par value). The increase in authorized capital stock was approved by the SEC on July 4, 2016. On February 24, 2016, the Deed of Subscription was executed. As of June 30, 2016, the amount received for the subscription amounting to ₱1,406.25 million was presented as deposit for future stock subscription in the 2016 statement of financial position.

With the entry of ALI, the Group will be able to benefit from the expertise and resources of ALI and optimize the development of its property assets, especially the Tutuban Center, a commercial complex operated by TPI and located in Manila City. The Tutuban Center, which sits on a 20-hectare property, will be the location of the NSRP Transfer Station which will interconnect with the LRT 2 West Station.

As part of the rationalization of the Group's operations, on September 2, 2016, the BOD of Orion Property Development, Inc. (OPDI), a wholly-owned subsidiary, approved the closure of its land title services division. On the same date, the BOD of Orion Maxis Inc. (OMI) and Orion Solutions, Inc. (OSI) approved and authorized the dissolution and liquidation of OMI and OSI by shortening their corporate term up to December 31, 2016. Both OMI and OSI are wholly-owned subsidiaries of POPI. On September 5, 2016, the BOD of TPI approved the closure of its hotel and café operations.

The consolidated financial statements of the Group as at June 30, 2016 and 2015 and for years ended June 30, 2016, 2015 and 2014 were approved and authorized for issue in accordance with the resolution by the BOD on October 6, 2016.

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

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for the quoted available-for-sale (AFS) financial assets and financial assets at fair value through profit or loss (FVPL) that are carried at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded off to the nearest thousand (₱1,000), except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at June 30, 2016 and 2015:

Subsidiaries	Nature of Business	Effective Percentage of Ownership	
		2016	2015
Real Estate, Property Development and Others:			
Orion Land Inc. (OLI) and Subsidiaries:			
OLI	Real Estate and Investment Holding Company	**100%**	100%
TPI and Subsidiaries:			
TPI (Note 1)	Real Estate, Mall Operations	**100%**	100%
TPI Holdings Corporation (TPIHC)	Investment Holding Company	**100%**	100%
OPDI and Subsidiaries:			
OPDI (Note 1)	Real Estate Development	**100%**	100%
Orion Beverage, Inc. (OBI) *	Manufacturing	**100%**	100%
LCI (Note 1)	Manufacturing and Distribution	**100%**	100%
Luck Hock Venture Holdings, Inc.*	Other Business Activities	**60%**	60%
Financial Services and Others:			
OE Holdings, Inc. (OEHI) and Subsidiaries:			
OEHI	Wholesale and Trading	**100%**	100%
OMI (Note 1)	Marketing and Administrative Services	**100%**	100%
ZHI Holdings, Inc. (ZHI)	Financial Holding Company	**100%**	100%
OIHPI	Financial Holding Company	**100%**	100%
FPIC (Note 1)	Non-Life Insurance Company	**78.77%**	70%
OSI (Note 1)	Management Information Technology Consultancy Services	**100%**	100%

* *Inactive*

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

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

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

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at July 1, 2015.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. This amendment became effective for annual periods beginning on or after January 1, 2015 but has no impact to the Group since it has no defined benefit plan with contributions from employees and third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after July 1, 2015 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after July 1, 2015 and did not have material effect to the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

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

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

Future Changes in Accounting Policies
The Group will consider the effects on the Group's consolidated financial statements of the following future changes in accounting policies as these become effective and applicable in the future

Effective July 1, 2016:

- PAS 1, Presentation of Financial Statements - Disclosure Initiative (Amendments)
  The amendments are intended to assist entities in applying judgment when meeting the presentation disclosure requirements in PFRS. The amendments include various clarifications in the presentation and disclosure of the amounts in the face of and in the notes to the financial statements.

- 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. These amendments are not expected to have any effect to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16*, Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. These amendments are not expected to apply to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements* - *Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments will not have any effect on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (Amendments)
  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments will not have any effect on the Group's consolidated financial statements.

- 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 (as defined by PFRS 3) must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. This standard is not expected to apply to the Group.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after July 1, 2015 and are not expected to have a material effect to the Group. They include:

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

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

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

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

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

Effective July 1, 2018:

PFRS 9, *Financial Instruments*

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

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will have no effect on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the effect of adopting this standard.

- 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 PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective in July 1, 2019

- PFRS 16, *Leases*
  PFRS 16, *Leases*, replaces PAS 17, the current standard for leases, and its related Interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value."

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt PFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

Effectivity Deferred

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investment 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. The FRSC decided to postpone the original effective date of January 1, 2016 until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the financial statements in the year of adoption, if applicable.

Summary of Significant Accounting and Financial Reporting Policies

<u>Presentation of Financial Statements</u>
The Group has elected to present two statements, a consolidated statement of income and a consolidated statement of comprehensive income, rather than a single consolidated statement of comprehensive income containing the two elements.

Current versus Noncurrent Classification
The Group presents assets and liabilities in its statement of financial position based on a current and noncurrent classification. An asset is current when it is:

a. Expected to be realized or intended to be sold or consumed in normal operating cycle.
b. Held primarily for the purpose of trading.
c. Expected to be realized within twelve months after the reporting period or
d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

a. It is expected to be settled in normal operating cycle
b. It is held primarily for the purpose of trading
c. It is due to be settled within twelve months after the reporting period, or
d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Financial Instruments - Initial Recognition
Financial instruments within the scope of PAS 39 are classified as financial assets and liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial instruments at initial recognition.

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

As at June 30, 2016 and 2015, the Group's financial assets are in the nature of loans and receivables, financial assets at FVPL and AFS financial assets. The Group has no financial assets classified as HTM investments as at June 30, 2016 and 2015.

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

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

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

As at June 30, 2016 and 2015, the Group's financial liabilities are in the nature of other financial liabilities. As at June 30, 2016 and 2015, the Group has no financial liabilities classified as at FVPL and derivatives designated as hedging instruments in an effective hedge.

Financial Instruments - Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are impaired or derecognized. Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables include cash and cash equivalents, receivables and refundable deposits (included under "Other noncurrent assets"; see Notes 4, 5, 15 and 18).

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

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

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

After initial recognition, AFS financial assets are subsequently measured at fair value with unrealized gains and losses recognized under OCI in the "Unrealized valuation gains (losses) on AFS financial assets" in the consolidated statement of changes in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or the investment is determined to be impaired, when the cumulative loss is reclassified from equity to the consolidated statement of income as finance costs. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the EIR. Dividends earned on holding AFS financial assets are recognized in the consolidated statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

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

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

derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of income.

The Group evaluated its financial assets at FVPL (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, AFS financial assets or HTM investments depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation.

The Group's investment in redeemable preference shares are classified under this category (see Note 9).

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

The Group's financial liabilities include accounts payable and accrued expenses, rental and other deposits, subscriptions payable and deposit for future subscriptions (see Notes 1, 16, 17, and 19).

Fair Value Measurement
The Group measures financial instruments, such as financial assets at FVPL, at fair value at each end of the reporting period. Also, fair values of financial instruments measured are disclosed in Note 30.

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: (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated 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 each end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined the 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.

Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. Interest income continues to be recognized based in the original EIR. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets Carried at Fair Values
For investments in debt securities, the Group assesses at each end of the reporting period whether there is objective evidence that an investment is impaired. The losses arising from impairment of such financial assets are recognized in the consolidated statement of income.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income in the "Other charges" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

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

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

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

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

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to 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.

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

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

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

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

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value (NRV). The NRV of finished goods is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of factory supplies and spare parts is the current replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

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

<u>Other Current Assets</u>
Other current assets consists creditable withholding taxes (CWTs), input value added tax (VAT), and prepayments.

CWTs
CWTs represent taxes withheld by the Group's customer on sale of goods and services which are claimed against income tax due. The excess over tax payable is either carried over in the succeeding period for the same purpose or claimed for refund.

Input VAT
Input VAT represents VAT imposed on the Group by its suppliers for the purchase of domestic goods and/or services as required by Philippine taxation laws and regulations. This account is offset against any output VAT previously recognized. Input VAT on capital goods exceeding ₱1 million and input VAT from purchases of goods and services which remain unpaid at each reporting date are recognized as "Deferred input VAT." Input VAT is presented as current asset while deferred input VAT is presented as noncurrent asset.

Prepayments
Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepaid expenses are apportioned to expense over the period covered by the payment and charged to the appropriate expense accounts when incurred.

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

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

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

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

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

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

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

Investment in an associate pertains to the 20% percentage of ownership in investment in BIB Aurora Insurance Brokers, Inc. (BAIBI).

Investment Properties
The Group's investment properties include properties utilized in its mall operations, condominium unit, commercial building, plant facilities and certain land and land improvements which are held

for rentals while the rest of the land is held for capital appreciation.

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

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

The estimated useful lives of investment properties follow:

	Useful life in years
Land improvements	30
Buildings and improvements	30

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

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

Leasehold improvements and investment properties are amortized on a straight-line basis over the estimated useful lives or the term of the lease, whichever is shorter. The lease contract on a land where investment property is located is for twenty five (25) years, which is also the depreciation period of the investment property. In December 2009, the lease contract on a land where the Group's primary investment property is located was renewed (see Note 27). As a result of the lease renewal, and the review of the estimated useful life and depreciation period of the said investment property, management came to a conclusion that there has been a significant change in the expected pattern of economic benefits from the said property of the Group. As a result, the Group prospectively revised the remaining depreciation period of this property from an average of twenty five (25) years (which is the shorter of the lease term and the estimated useful life) to thirty five (35) years effective September 5, 2014. The change has been accounted for as a change in accounting estimates.

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

annually from "Revaluation increment on property, plant and equipment" to "Deficit" account in the consolidated statement of financial position. In 2015, these properties were reclassified to investment properties, with the carrying amount as the deemed cost.

Leasehold Improvements, Machinery and Equipment, Transportation Equipment, Furniture, Fixtures and Equipment, Condominium Units and Improvements, and Hotel Equipment at Cost

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

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

	Useful life in years
Buildings	30
Machinery and equipment	5 - 10
Transportation equipment	5
Furniture, fixtures and equipment	3 - 5
Condominium units and improvements	25
Hotel equipment	5

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

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

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

<u>Software Costs</u>

Acquired software license is capitalized on the basis of costs incurred to acquire and bring to use the specific software. Software license is amortized on a straight-line basis over its estimated useful life of three (3) to four (4) years. Costs associated with the development or maintenance of computer software programs are recognized as expense when incurred in the consolidated statement of income.

An item of software license is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of income in the year the items is derecognized.

The Group's capitalized software costs includes purchase price payments for new software and other directly related costs necessary to bring the asset to its intended use.

Other Noncurrent Assets

Other noncurrent assets consist of advance rental, deferred acquisition cost, deferred reinsurance premiums, refundable deposits, deferred input VAT, spare parts and supplies, unclaimed claims reserve fund and other prepayments that will be consumed after twelve (12) months after each end of the reporting period.

Deferred Acquisition Costs

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

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

Impairment of Nonfinancial Assets

Inventories and Real Estate Held for Sale and Development

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

Investment in an Associate

The Group assesses at each end of the reporting period whether there is any indication that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the investment and the acquisition cost and recognizes the amount in the consolidated statement of income.

An assessment is made at each end of the reporting period 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 investment's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the investment is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of income.

Investment Properties, Property and Equipment and Software Costs
The Group assesses at each end of the reporting period whether there is an indication that investment properties, property and equipment and software costs may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

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

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

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

Recognition and Measurement

a) Premium Revenue

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

b) Insurance Contract Liabilities

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Provision for Unearned Premiums

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

Claims Provision and Incurred but not Reported (IBNR) losses

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

Liability Adequacy Test

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

c) Reinsurance Assets

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

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

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

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

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

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

Capital Stock
Common shares are classified as equity.

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

Treasury Shares
Treasury shares are own shares (POPI and subsidiaries) acquired by the Group. These are measured at acquisition cost and presented as deduction against equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Share-based Payments
The Group has equity-settled, share-based compensation plan with its employees. The Group has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Group's shares at a discounted price. The Group recognizes stock compensation expense at the date of grant. These are accounted for as limited-recourse loan-type share plans. Dividends paid on the awards are treated as installment payment against the exercise price of the options. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in "Equity Reserves" in equity, in "Personnel Expense" account.

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

Revenue and Income Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the

Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized:

Rent and Other Charges
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature. Other charges pertain to rebilled utility charges to tenants in relation to the operating lease on properties.

Insurance Premiums and Commissions - net
Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for premiums arising from marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relates to the unexpired periods of the policies at financial reporting dates is accounted for as “Reserve for unearned premiums” and shown as part of “Insurance contract liabilities” in the consolidated statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at financial reporting dates are accounted for as “Deferred reinsurance premiums” and shown under “Reinsurance assets” in the consolidated statement of financial positions. The net changes in these accounts between financial reporting dates are charged to or credited against income for the period.

Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo where the deferred reinsurance commission pertains to the premiums for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the financial reporting date is accounted for as “Deferred reinsurance commissions” in the Liabilities section of the consolidated statement of financial position.

Gain on Sale of AFS Financial Assets
Gain on sale of AFS financial assets is recognized when the Group sold its AFS financial assets higher than its fair market value at the time of sale.

Merchandise Sales, Real Estate Sales and Sale of Assets
Revenue from sale of merchandise and assets are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

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

Service Fees
Service fees are recognized based on agreed rates upon rendering of the service.

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

Cost and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or incurrence of liabilities that result in decrease in equity. Expenses are recognized in the consolidated statement of income in the period these are incurred. Cost and expenses are generally recognized when services or goods used or the expense arises in the appropriate financial reporting period and measured in the amount paid of payable.

Cost of Goods Sold and Services
Cost of sales and services are direct costs incurred in the normal course of the business, are recognized when incurred and generally measured in the amount paid or payable. These comprise cost of goods sold, services, merchandise and handling services.

Operating Expenses
Operating expenses consist of all expenses associated with the development and execution of marketing and promotional activities and expenses incurred in the direction and general administration of day-to-day operations of the Group. These are generally recognized when the service is incurred or the expense arises.

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

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

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carry forward of unused NOLCO and MCIT can be utilized, and except if it arises from initial recognition and those associated with the investments in subsidiaries, associates and joint ventures as discussed above.

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

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

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

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

<u>Retirement Benefits Costs</u>
The Group has a funded, non-contributory defined benefit retirement plan.

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- 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 retirement benefits costs under “Personnel expenses” in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

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

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

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. A reassessment is made after the inception of the lease only if one of the following applies:

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

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

Operating Lease Commitments - Group as a Lessor

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

Operating Lease Commitments - Group as a Lessee

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

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in Philippine peso based on the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Claims

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

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restructuring provisions are recognized when the Group has a constructive obligation (the Group has committed to settle), which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

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

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

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

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

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

3. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and contingent liabilities, at the end of the reporting period. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments

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

Determining Classification of Investment Properties

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

Assessment Whether an Agreement is a Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance lease or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased item. Based on the management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for such lease as operating lease.

Assessing Operating Lease Commitments - Group as Lessor

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Assessment of Impairment Indicators of Property and Equipment, and Software Costs

The Group assesses impairment of property, plant and equipment, and software costs whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

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

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

There were no impairment indicators identified on the Group's property and equipment and software costs. The carrying values of property and equipment amounted to ₱19.51 million and ₱46.33 million as at June 30, 2016 and 2015, respectively, net of accumulated depreciation and amortization amounting to ₱2.11 billion and ₱2.21 billion as of the same dates (see Note 13). The carrying values of software costs amounted to ₱6.22 million and ₱8.80 million as of the same dates, respectively (see Note 14).

Estimates and Assumptions

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

Estimating Recovery from Insurance

Management estimates that the recorded amount of the recovery from insurance is virtually certain after an exhaustive review of its existing insurance coverage against the casualty loss incurred and the discussions with and inspections conducted by the insurance company, adjusters, and technical consultants. In 2014, the Group recorded recovery from insurance amounting to ₱269.28 million (nil in 2016 and 2015; see Note 1).

Estimating Allowance for Impairment Losses on Receivables

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

For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations and considers cumulative assessment for the risk of the collectability of past due accounts. Facts, such as the Group's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered to ascertain the amount of allowance that will be provided. The allowances are evaluated and adjusted as additional information is received.

For the amounts owed by related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing allowance against the recorded receivable amounts.

Provision for impairment losses on receivables amounted to ₱36.79 million, ₱2.46 million and ₱0.73 million in 2016, 2015 and 2014, respectively. Recovery on impairment losses on receivables amounted to nil, ₱8.01 million and ₱1.29 million in 2016, 2015 and 2014, respectively. The Group wrote-off allowance for impairment losses on receivables amounting to ₱25.89 million, ₱1.32 million and ₱6.97 million in 2016, 2015 and 2014, respectively. The carrying values of the receivables amounted to ₱1,919.93 million and ₱496.12 million as at June 30, 2016 and 2015, respectively, net of allowance for impairment losses amounting to ₱312.77 million and ₱301.89 million, respectively (see Note 5).

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

Provision for inventory losses amounted to ₱1.81 million in 2014 (nil in 2016 and 2015). Reversal of allowance for impairment on inventory losses amounted to ₱4.22 million, ₱8.97 million and ₱4.59 in 2016, 2015 and 2014, respectively. The Group wrote-off allowance for impairment losses on inventories amounting ₱1.43 million and ₱13.11 million in 2015 and 2014, respectively (nil in 2016). The carrying values of inventories amounted to ₱8.84 million and ₱12.01 million as at June 30, 2016 and 2015, respectively, net of allowance for inventory losses amounting to ₱67.39 million and ₱71.61 million as at June 30, 2016 and 2015, respectively (see Note 6).

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

Impairment losses on real estate held for sale and development recognized in 2016 amounted to ₱16.03 million (nil in 2015 and 2014). The carrying values of real estate held for sale and development amounted to ₱264.46 million and ₱430.10 million as at June 30, 2016 and 2015, respectively (see Note 7).

Estimating Allowance for Impairment Losses of AFS Financial Assets
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. The Group treats ‘significant’ generally as 20% or more and ‘prolonged’ as greater than six (6) months for quoted equity securities. For equity instruments, when determining whether the decline in value is significant, the Group considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period). For debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on the AFS financial assets previously recognized in the consolidated statement of income.

Provision for impairment losses on AFS financial assets amounted to ₱3.12 million, ₱241.19 million and ₱2.60 million in 2016, 2015 and 2014, respectively. The fair values of AFS financial assets amounted to ₱1,397.51 million and ₱1,507.41 million as at June 30, 2016 and 2015, respectively, net of allowance for impairment losses amounting to ₱538.40 million and ₱535.29 million as at June 30, 2016 and 2015, respectively (see Note 8).

Estimating Allowance for Impairment Losses on Investment in an Associate and Investment Properties
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of investment in an associate and investment properties which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that this asset may not be recoverable. Any resulting impairment loss could have a material adverse impact on financial condition and results of operations of the Group.
Provision for impairment losses on investment in an associate amounted to ₱0.61 million in 2016 (nil in 2015 and 2014). The carrying values of the investment in an associate amounted to ₱1.94 million and ₱2.57 million as at June 30, 2016 and 2015, respectively (see Note 11).

The carrying value of investment properties amounted to ₱1,163.17 million and ₱1,329.02 million as at June 30, 2016 and 2015, respectively, net of allowance for impairment losses amounting to ₱12.83 million as of the same dates (see Note 12).

Estimating Useful Lives of Depreciable Investment Properties, Property and Equipment and Software Costs
The estimated useful lives used as bases for depreciating and amortizing the Group's investment properties, property and equipment and software costs were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group's assets. The Group estimates the useful lives of its investment properties, property, plant and equipment and software costs based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties, property, plant and equipment and software costs are reviewed, at least, annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of these assets increases depreciation and amortization and decreases the carrying value of investment properties, property, plant and equipment and software costs.

The carrying values of investment properties amounted to ₱1,163.17 million and ₱1,329.02 million as at June 30, 2016 and 2015, respectively (see Note 12).

The carrying values of property and equipment amounted to ₱19.51 million and ₱46.33 million as at June 30, 2016 and 2015, respectively, net of accumulated depreciation and amortization amounting to
₱2.11 billion and ₱2.21 billion as of the same dates (see Note 13).

The carrying values of software costs amounted to ₱6.22 million and ₱8.80 million as at June 30, 2016 and 2015, respectively, net of accumulated amortization amounting to ₱31.30 million and ₱ 27.14 million as of the same dates (see Note 14).

Information on the estimated useful life of investment properties, property and equipment and software cost is included in Note 2.

Estimating Allowance for Impairment Losses on Nonfinancial Other Current and Noncurrent Assets
The Group provides allowance for losses on nonfinancial other current assets whenever they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if

the Group made different judgments or utilized different estimates. An increase in allowance for losses would increase recorded expenses and decrease nonfinancial other current and noncurrent assets.

Provisions for impairment losses on nonfinancial other current assets amounted to ₱2.85 million and ₱2.90 million, respectively, as at June 30, 2016 and 2015. As of the same dates, the carrying values of nonfinancial other current assets amounted to ₱240.82 million and ₱244.73 million, respectively (see Note 10).

There was no provision for impairment losses on nonfinancial other noncurrent assets recognized in 2016, 2015 and 2014. As at June 30, 2016 and 2015, the carrying values of nonfinancial other noncurrent assets amounted to ₱76.02 million and ₱184.59 million, respectively (amounts exclude refundable deposit, see Note 15).

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

The carrying values of claims payable amounted to ₱226.39 million and ₱230.61 million as at June 30, 2016 and 2015, respectively (see Note 16).

Determining Retirement Benefits Liability
The cost of defined retirement obligation as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligation are highly sensitive to changes in these assumptions. The assumptions are reviewed at each end of the reporting period.

Retirement benefit costs amounted to ₱20.49 million, ₱22.77 million and ₱25.34 million in 2016, 2015 and 2014, respectively. As at June 30, 2016 and 2015, the net retirement benefits liability of the Group amounted to ₱75.70 million and ₱96.98 million, respectively (see Note 23).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Further details about the assumptions used are provided in Note 23.

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

Deferred income tax assets recognized in the books amounted to ₱71.04 million and ₱69.65 million as at June 30, 2016 and 2015, respectively (see Note 24).

The temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized, as the management has assessed that it is not probable that sufficient future taxable income will be available for which the benefit of the deferred income tax assets can be utilized, are disclosed in Note 24.

Assessing and Estimating Contingencies and Provisions
The Group is currently involved in various legal proceedings and claims. The estimate of the probable costs for the resolution of these claims has been developed in consultation with inside and outside legal counsel handling the defense in these matters and is based upon the analysis of potential results. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

Total provisions amounted to ₱251.15 million in 2016 and nil in both 2015 and 2014 (see Note 28).

Estimating Fair Value of Options under the ESOWN
The Group initially measures the cost of equity-settled transactions using Cox-Ross-Rubenstein option pricing model to determine the fair value of the option at date of grant. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the volatility and dividend yield and making assumptions about them. In 2016, personnel expense and the corresponding equity reserve recognized in relation to the ESOWN amounted to ₱27.47 million. See Note 29 for further details on the ESOWN, including the assumptions used in the valuation.

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

Fair values of financial assets as at June 30, 2016 and 2015 amounted to ₱4,642.09 million and ₱2,173.65 million, respectively, while the fair values of financial liabilities as at June 30, 2016 and 2015 amounted to ₱1,560.24 million and ₱1,362.64 million, respectively (see Notes 30 and 31).

4. Cash and Cash Equivalents

	2016	2015
	(In Thousands)	
Cash on hand and in banks	**₱475,593**	₱56,304
Short-term investments	**831,291**	95,459
	₱1,306,884	₱151,763

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

Interest earned from cash in banks amounted to ₱0.57 million, ₱0.26 million and ₱0.98 million in 2016, 2015 and 2014, respectively. Interest earned from short-term investments amounted to ₱2.77 million, ₱1.42 million and ₱4.77 million in 2016, 2015 and 2014, respectively (see Note 22).

5. Receivables

	2016	2015
	(In Thousands)	
Trade debtors	**₱112,888**	₱140,907
Loans receivable	**1,425,750**	–
Insurance receivables	**397,077**	416,290
Others (Note 18)	**298,663**	242,438
	2,234,378	799,635
Less allowance for impairment losses	**314,446**	303,510
	₱1,919,932	₱496,125

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

Loans receivable pertain to advances made to certain real estate companies. These are short-term in nature and earn interest at 2.41-2.70% per annum.

Insurance receivables consist of premiums receivable, due from ceding companies, reinsurance recoverable on paid and unpaid losses - facultative, funds held by ceding companies and reinsurance accounts receivables and are generally on 90 to 360 days' term.

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱160.45 million as at June 30, 2016 and 2015. These receivables are collateralized by the shares of stock of Cyber Bay owned by CLC. The receivables from CLC are fully provided with allowance.

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

	Trade debtors	Insurance receivables	Others	Total
	(In Thousands)			
At July 1, 2013	₱90,438	₱7,755	₱218,088	₱316,281
Provisions (Note 20)	146	586	–	732
Write-off	(2)	–	(6,968)	(6,970)
Recovery	(1,285)	–	–	(1,285)
At June 30, 2014	89,297	8,341	211,120	308,758
Provisions (Note 20)	545	418	1,493	2,456
Write-off	(1,320)	–	–	(1,320)
Recovery	(649)	–	(7,360)	(8,009)
At June 30, 2015	**87,873**	**8,759**	**205,253**	**301,885**
Provisions (Note 20)	**622**	**33,115**	**3,031**	**36,768**
Write-off	**(21,984)**	**–**	**(4,171)**	**(25,885)**
At June 30, 2016	**₱66,511**	**₱41,874**	**₱204,113**	**₱312,768**

Interest earned from trade receivables amounted to ₱11.01 million, ₱1,115 and ₱0.07 million in 2016, 2015 and 2014, respectively (see Note 22).

In 2015, LCI and OMI have written-off portion of its trade receivables amounting to ₱0.84 million and ₱0.48 million, respectively. While in 2016, ₱25.82 million worth of receivables were written-off. This amount includes ₱13.78 million pertaining to OMI receivable from merchandisers and retailers for the sale of tiles while ₱7.76 million pertains to long outstanding receivable on rent, CUSA and utilities. The remaining ₱4.28 million pertains to the aggregate long outstanding trade and other receivables of the Group that were assessed to be uncollectible.

6. **Inventories**

	2016	2015
	(In Thousands)	
At NRV:		
Finished goods	**₱8,149**	₱11,130
Factory supplies and spare parts	**687**	682
Materials in transit	–	194
	₱8,836	₱12,006

Movements in the allowance for inventory losses are as follows:

	2016	2015
	(In Thousands)	
Beginning balances	**₱71,614**	₱82,016
Reversal	**(4,223)**	(1,242)
Write-off	**–**	(9,160)
	₱67,391	₱71,614

Inventories charged to operations amounted to ₱5.34 million, ₱15.80 million and ₱34.16 million in 2016, 2015 and 2014, respectively (see Note 20).

7. Real Estate Held for Sale and Development

	2016	2015
	(In Thousands)	
Land for development	**₱237,973**	₱395,549
Held for sale	**42,533**	34,554
	280,506	430,103
Allowance for impairment losses (Note 20)	**16,042**	–
	₱264,464	₱430,103

Land for development pertains to parcels of land located in Calamba, Laguna, Sto. Tomas, Batangas and San Vicente, Palawan. The composition of land for development as at June 30, 2016 and 2015 are as follows:

	2016	2015
	(In Thousands)	
Land cost	**₱212,558**	₱299,239
Construction overhead and other related costs	**22,882**	73,957
Professional fees	–	17,932
Taxes	**2,517**	4,421
	₱237,957	₱395,549

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

	2016	2015
	(In Thousands)	
Balances at beginning of year	**₱430,103**	₱429,507
Additions	**4,449**	39
Repossessions	–	557
Sale/disposal (Note 20)	**(154,046)**	–
Impairment loss (Note 20)	**(16,042)**	–
Balances at end of year	**₱264,464**	₱430,103

Additions include taxes, construction overhead and other related costs incurred during the year.

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

On August 18, 2015, OPDI, a subsidiary, entered into a Deed of Absolute Sale with Majestic Landscape Corporation covering the sale of several parcels of land situated in Brgy. Sto. Tomas in the province of Batangas with an aggregate area of 124,780 square meters for a total consideration amounting to ₱203.83 million.

On June 15, 2016, OPDI, a subsidiary, entered into a Deed of Absolute Sale with Park3 Realty and Development Corporation covering the sale of commercial lot with improvement located at J.P. Rizal corner P. Burgos St., Makati City with an aggregate area of 639 square meters for a total consideration amounting to ₱100.19 million.

8. AFS Financial Assets

	2016	2015
	(In Thousands)	
Listed equity securities	**₱1,518,088**	₱1,249,196
Nonlisted equity securities	**106,420**	518,889
Quoted debt securities	**300,489**	258,206
Unquoted debt securities	**10,820**	16,405
	1,935,917	2,042,696
Allowance for impairment losses	**538,403**	535,288
	₱1,397,514	₱1,507,408

AFS financial assets in quoted and unquoted shares of stock are carried at fair value with cumulative changes in fair values presented as a separate account in equity. Meanwhile, unquoted debt and equity financial assets are carried at cost, net of any impairment, until the investment is derecognized.

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

Movements in the allowance for impairment losses are as follows:

	2016	2015	2014
		(In Thousands)	
Balances at beginning of year	**₱535,288**	₱294,101	₱291,501
Provisions	**3,115**	241,187	2,600
Balances at end of year	**₱538,403**	₱535,288	₱294,101

Movements of unrealized valuation gain (losses) on AFS financial assets are as follows:

	Equity Holders	Non-Controlling Interests	Total
		(In Thousands)	
June 30, 2013	(₱4,859)	₱2,116	(₱2,743)
Gain (loss) recognized directly in equity	247,849	(2,183)	245,666
Loss transferred from equity to consolidated statement of income	(159,189)	–	(159,189)
June 30, 2014	83,801	(67)	83,734
Gain (loss) recognized directly in equity	267	(16)	251
Loss transferred from equity to consolidated statement of income	(82,002)	–	(82,002)
June 30, 2015	2,066	(83)	1,983
Gain recognized directly in equity	277,649	–	277,649
Loss transferred from equity to consolidated statement of income	(3,489)	–	(3,489)
June 30, 2016	**₱276,226**	**(₱83)**	**₱276,143**

Proceeds from the sale of AFS financial assets amounted to ₱21.36 million, ₱94.59 million and ₱222.95 million in 2016, 2015 and 2014, respectively, with a corresponding gain on sale of ₱17.24 million, ₱8.85 million and ₱159.19 million in 2016, 2015 and 2014, respectively.

Interest earned from AFS financial assets amounted to ₱15.41 million, ₱11.75 million and ₱7.80 million in 2016, 2015 and 2014, respectively.

Dividend income received on AFS financial assets amounted to ₱2.50 million, ₱3.27 million and ₱4.03 million in 2016, 2015 and 2014, respectively.

9. Financial Assets at FVPL

In 2016, the Group has 15,000 redeemable preferred shares with a cost of ₱2.92 million recorded as financial assets at FVPL upon initial recognition. Fair value of financial assets at FVPL as at June 30, 2016 and 2015 amounted to ₱12.70 million and ₱27.99 million, respectively, resulting to an unrealized gain (loss) of (₱0.43 million) and ₱0.28 million in 2016 and 2015, respectively (nil in 2014). During the fiscal year, 128,600 shares amounting to ₱9.66 million were redeemed. Dividend income earned from these shares amounted to ₱0.96 million in 2015 (nil in 2016 and 2014).

10. Other Current Assets

	2016	2015
	(In Thousands)	
CWTs	**₱185,608**	₱198,258
Input VAT	**33,485**	28,330
Prepayments	**24,574**	14,656
Unclaimed claims reserve fund	**–**	6,380
	243,667	247,624
Less allowance for impairment losses	**2,852**	2,895
	₱240,815	₱244,729

Creditable withholding taxes (CWTs) are available for offset against income tax payable in the future periods.

Input VAT pertains to taxes earned from transactions with VAT registered vendors during the year.

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

Unclaimed claims reserve fund pertains to the unclaimed payments on its trade creditors under rehabilitation plan which were deposited to Metropolitan Bank and Trust Company to serve as the fund. This is equivalent to the total amount of allowed claims that remain unclaimed as of filing of motion for termination of rehabilitation proceedings of the Company. All payments should be taken from the Fund upon presentation of sufficient evidence of identity. A creditor or worker may obtain payment within two (2) years from the opening of the account and should discharge the Company from its obligation. The fund is classified as current asset. The fund is readily available as payment for claims and was reclassified to AFS investment on June 30, 2016 upon the lapse of the two (2) - year period.

Movements in the allowance for impairment losses are as follows:

	2016	2015	2014
		(In Thousands)	
Balances at beginning of year	**₱2,895**	₱2,819	₱2,970
Provisions (Note 20)	**23**	76	61
Write-off	**(66)**	–	(212)
Balances at end of year	**₱2,852**	₱2,895	₱2,819

11. **Investment in an Associate**

	2016	2015
	(In Thousands)	
Acquisition costs:		
Balances at end of year	**₱5,959**	₱5,959
Accumulated equity in net losses		
Balances at beginning of year	**(3,388)**	(3,395)
Equity in net income (loss)	**(19)**	7
Balances at end of year	**(3,407)**	(3,388)
	2,552	2,571
Allowance for impairment loss	**(610)**	–
	₱1,942	₱2,571

Summarized of the financial statement information of the associate follows:

	2016	2015
	(In Thousands)	
Current assets	**₱9,941**	₱10,036
Noncurrent assets	**21**	21
Total liabilities	**261**	201
Revenue	**146**	223
Costs and expenses	**311**	266
Net income (loss)	**(94)**	35

12. **Investment Properties**

	2016		
	Buildings and Improvements	**Land and Improvements**	**Total**
		(In Thousands)	
Cost			
At beginning of year	**₱2,907,380**	**₱470,331**	**₱3,377,711**
Additions	**22,301**	**134**	**22,435**
Reclassification	**246**	**–**	**246**
Disposals	**–**	**(124,838)**	**(124,838)**
At end of year	**2,929,927**	**345,627**	**3,275,554**
Accumulated Depreciation and Amortization			
At beginning of year	**2,015,949**	**19,906**	**2,035,855**
Depreciation and amortization (Note 20)	**62,851**	**845**	**63,696**
At end of year	**2,078,800**	**20,751**	**2,099,551**
Balance before impairment	**851,127**	**324,876**	**1,176,003**
Less: Allowance for impairment losses	**12,834**	**–**	**12,834**
Net book values	**₱838,293**	**₱324,876**	**₱1,163,169**

	2015		
	Buildings and Improvements	Land and Improvements	Total
		(In Thousands)	
Cost			
At beginning of year	₱2,181,041	₱131,624	₱2,312,665
Additions	33,960	237	34,197
Transfer (Note 13)	692,379	338,470	1,030,849
At end of year	2,907,380	470,331	3,377,711
Accumulated Depreciation and Amortization			
At beginning of year	1,561,791	552	1,562,343
Depreciation and amortization (Note 20)	60,643	829	61,472
Transfer (Note 13)	393,515	18,525	412,040
At end of year	2,015,949	19,906	2,035,855
Balance before impairment	891,431	450,425	1,341,856
Less: Allowance for impairment losses	12,834	–	12,834
Net book values	₱878,597	₱450,425	₱1,329,022

Based on the latest appraisal reports, as determined by an independent firm of appraisers, the appraised values of the TPI's and LCI's investment properties amounted to ₱4.82 billion and ₱5.08 billion as at June 30, 2016 and 2015, respectively.

TPI

Investment properties of TPI substantially represent other land improvements, and building, machinery and equipment on the land leased from PNR which are utilized for TPI's office space, mall operations and held for rentals. These were valued by independent professionally qualified appraisers.

The appraised property is located along Claro M. Recto Avenue, within Tondo Manila. The hierarchy in which the fair value measurement in its entirety is recognized is at Level 3.

a. Based on the lease contract, TPI leases a land consisting of sixty nine (69) lots, containing an aggregate area of 227,773 square meters.

   The value of the land was estimated using the Sales Comparison Approach. This is a comparative approach that considers the sale of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered.

b. The method used to determine the value of other land improvements and building, machinery and equipment is the Sales Comparison Approach. This is a comparative approach to the value of the property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation.

LCI

LCI has historically classified land and improvements and buildings and improvements at revalued amounts as property and equipment. On July 1, 2014, LCI transferred its land and improvements and buildings and improvements under property and equipment. The carrying fair value of these assets was the deemed cost of the investment property upon transfer. The transfer was made in accordance with PAS 40*, Investment Property,* since the properties were held by the Company to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Movement of revaluation increment are as follows:

	2016	2015
	(In Thousands)	
Beginning balance	**₱244,622**	₱–
Reclassification (see Note 13)	–	252,233
Transfer of realized valuation increment	**(7,611)**	(7,611)
Balances at end of year	**₱237,011**	₱244,622

On June 30, 2016 and 2015, the net book values of TPI's and LCI's investment properties follow:

	2016	2015
	(In Thousands)	
At net book value:		
Original cost	**₱285,059**	₱298,580
Revaluation reserve (OCI)	**237,011**	244,622
Revaluation reserve (closed to retained earnings)	**236,083**	250,900
	₱758,153	₱794,102

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

Rental revenue from investment properties amounted to ₱467.93 million, ₱414.48 million and ₱402.52 million in 2016, 2015 and 2014, respectively. Direct operating expenses incurred for investment properties amounted to ₱406.99million, ₱212.81 million and ₱210.96 million in 2016, 2015 and 2014, respectively, and include depreciation, real property taxes and repairs and maintenance.

On August 18, 2015, TPIHC, a subsidiary, sold its investment properties located at Sto Tomas, Batangas with an aggregate area of 191,414 square meters for a total consideration of ₱270.58 million. On September 7, 2015, the Group also sold its investment properties located in Mandaue City, Cebu for ₱432.6 million.

Gain on sale of these properties recognized in 2016 amounted to ₱578.97 million.

13. Property and Equipment

	2016						
	Leasehold Improvements	**Machinery and Equipment**	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Condominium Units and Improvements**	**Hotel Equipment**	**Total**
				(In Thousands)			
At cost							
At beginning of year	**₱7,227**	**₱2,096,590**	**₱40,937**	**₱91,644**	**₱8,692**	**₱8,533**	**₱2,253,623**
Additions	**–**	**747**	**1,558**	**1,711**	**–**	**55**	**4,071**
Disposals/Retirement	**–**	**(70,916)**	**(16,137)**	**(28,195)**	**–**	**–**	**(115,248)**
At end of year	**7,227**	**2,026,421**	**26,358**	**65,160**	**8,692**	**8,588**	**2,142,446**
Accumulated Depreciation and Amortization							
At beginning of year	**6,725**	**2,069,817**	**34,598**	**85,754**	**4,622**	**5,779**	**2,207,295**
Depreciation and amortization (Note 20)	**241**	**4,982**	**2,258**	**2,644**	**218**	**1,542**	**11,885**
Disposals/retirements	**–**	**(65,417)**	**(14,912)**	**(28,195)**	**–**	**–**	**(108,524)**
At end of year	**6,966**	**2,009,382**	**21,944**	**60,203**	**4,840**	**7,321**	**2,110,656**
Less: Allowance for impairment loss (Note 20)	**–**	**12,283**	**–**	**–**	**–**	**–**	**12,283**
Net Book Values	**₱261**	**₱4,756**	**₱4,414**	**₱4,955**	**₱3,852**	**₱1,267**	**₱19,507**

	2015						
	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Condominium Units and Improvements	Hotel Equipment	Total
				(In Thousands)			
At cost							
At beginning of year	₱6,948	₱2,095,822	₱39,484	₱89,557	₱8,692	₱7,093	₱2,247,596
Additions	279	1,260	2,301	2,087	–	1,440	7,367
Disposals	–	(492)	(848)	–	–	–	(1,340)
At end of year	7,227	2,096,590	40,937	91,644	8,692	8,533	2,253,623
Accumulated Depreciation and Amortization							
At beginning of year	6,517	2,065,198	32,163	82,631	4,404	3,407	2,194,320
Depreciation and amortization (Note 20)	208	5,110	3,283	3,123	218	2,372	14,314
Disposals	–	(491)	(848)	–	–	–	(1,339)
At end of year	6,725	2,069,817	34,598	85,754	4,622	5,779	2,207,295
Net Book Values	₱502	₱26,773	₱6,339	₱5,890	₱4,070	₱2,754	₱46,328

	2015		
	Land and Improvements	Buildings and Improvements	Total
		(In Thousands)	
At revalued amounts:			
At beginning of year	₱338,470	₱692,379	₱1,030,849
Transfers (Note 12)	(338,470)	(692,379)	(1,030,849)
At end of year	–	–	–
Accumulated depreciation and amortization			
At beginning of year	18,525	393,515	412,040
Transfers (Note 12)	(18,525)	(393,515)	(412,040)
At end of year	–	–	–
Net book values	₱–	₱–	₱–

Certain items of property and equipment identified as idle and included under machinery and equipment were written down to their estimated recoverable amounts by ₱12.3 million.

Gain on sale of property and equipment was recognized in 2016 and 2015 and 2014 amounting to ₱5.97 million, ₱15.35 million and ₱0.20 million, respectively.

In 2015, LCI transferred its land and improvements and buildings and improvements carried at revalued amounts from property and equipment to investment property valued at deemed cost to reflect the change in use of the properties on July 1, 2014 (see Note 12).

Movement of revaluation increment are as follows:

	2016	2015
	(In Thousands)	
Beginning balance	**₱–**	₱252,233
Reclassification (see Note 12)	**–**	(252,233)
Balances at end of year	**₱–**	₱–

As at June 30, 2016 and 2015, the Group continues to utilize fully depreciated property and equipment with an aggregate acquisition cost amounting to ₱41.58 million and ₱66.15 million, respectively.

14. Software Costs

	2016	2015
	(In Thousands)	
At cost:		
Beginning balances	**₱35,940**	₱32,135
Additions	**1,568**	3,805
Ending balances	**37,508**	35,940
Accumulated amortization:		
Beginning balances	**27,140**	23,178
Amortization (Note 20)	**4,152**	3,962
Ending balances	**31,292**	27,140
Net book values	**₱6,216**	₱8,800

15. Other Noncurrent Assets

	2016	2015
	(In Thousands)	
Deferred acquisition cost	**₱21,344**	₱22,395
Deferred reinsurance premiums	**27,555**	22,141
Refundable deposits (Note 30)	**19,400**	19,637
Deferred input VAT	**7,572**	9,111
Spare parts and supplies	**9,180**	8,630
Prepaid rent and other expenses	**3,707**	115,832
Others	**6,664**	6,480
	₱95,422	₱204,226

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

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

Refundable deposits pertain to deposits made to utility companies, other suppliers and various miscellaneous deposits.

Deferred input VAT arises from the purchase of services on credit and capital goods by the Group which is not yet paid as at yearend.

Spare parts and supplies pertain to supplies, materials and spare parts for office and building maintenance of TPI.

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

Others consist mainly of various assets that are individually immaterial.

16. Accounts Payable and Accrued Expenses

	2016	2015
	(In Thousands)	
Claims payables	**₱226,387**	₱230,608
Reserves for unearned premiums	**118,074**	106,092
Trade payables	**61,298**	49,197
Nontrade payables	**58,652**	91,689
Due to reinsurers and ceding companies	**32,993**	41,865
Accrued expenses and others (Notes 27 and 28)	**397,740**	147,811
	₱895,144	₱667,262

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

Reserves for unearned premiums are portion of the premiums that relates to unexpired periods. Accrued expenses include janitorial, security, utilities and other accrued expenses.

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

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

- Trade payables and accrued expenses are noninterest-bearing and are normally settled on thirty (30) days' term.
- All other payables are noninterest-bearing and have an average term of one (1) year.

17. Rental and Other Deposits

	2016			2015		
	Due within One Year	**Beyond One Year**	**Total**	Due within One Year	Beyond One Year	Total
			(In Thousands)			
Rental deposits	**₱37,405**	**₱1,275**	**₱38,680**	₱28,295	₱11,324	₱39,619
Security deposits	**55,779**	**54,576**	**110,355**	72,297	31,334	103,631
Deferred rent	**32,971**	**21,263**	**54,234**	26,643	32,937	59,580
Customer deposits	**8,420**	**1,621**	**10,041**	13,222	1,582	14,804
Construction bond	**5,286**	**2,904**	**8,190**	3,848	4,167	8,015
Other deposits	**1,501**	**6,786**	**8,287**	3,925	3,987	7,912
	₱141,362	**₱88,425**	**₱229,787**	₱148,230	₱85,331	₱233,561

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

Deferred rent pertains to rent received in advance amounting to ₱54.23 million and ₱59.58 million as at June 30, 2016 and 2015, respectively.

Customer deposits consist of priority premiums paid by tenants which serve as their reservation deposits. The fair value of noncurrent security deposits amounted to ₱15.55 million and

₱13.29 million as at June 30, 2016 and 2015, respectively (see Note 27).

18. **Related Party Transactions**

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

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

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

Category	Year	Amount/ Volume	Outstanding Balance	Terms	Conditions
			(In Thousands)		
Amounts owed by related parties:					
Under common control					
Guoman Philippines, Inc	**2016**	**₱50**	**₱1,677**	To be settled in cash and collectible on demand	Unsecured, non-interest bearing, impaired, and unguaranteed
	2015	₱2	₱1,628		
Genez Investments Corp.	**2016**	–	–	To be settled in cash and collectible on demand	Unsecured, non-interest bearing, impaired, and unguaranteed
	2015	–	6		
Total	**2016**	**₱50**	**₱1,677**		
Total	2015	₱2	₱1,634		

	2016	2015
	(In Thousands)	
Amounts owed by related parties	**₱1,677**	₱1,634
Less allowance for impairment losses	**(1,625)**	(1,625)
	₱52	₱9

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

	2016	2015	2014
		(In Thousands)	
Balances at beginning of year	**₱1,625**	₱1,610	₱1,610
Provision for the year (Note 20)	**–**	15	–
Balances at end of year	**₱1,625**	₱1,625	₱1,610

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

Significant transactions entered into among subsidiaries other than advances include:
- Insurance premium coverage for certain properties of the subsidiaries (see Note 1).
- Management contract and service agreement between the parent company and a subsidiary.

Compensation of key management personnel which pertains mostly to salaries and wages amounted to ₱75.0 million, ₱78.1 million and ₱71.8 million in 2016, 2015 and 2014, respectively.

There were no other transactions made between the Group or its parent company and the retirement fund during the year.

19. **Subscription Payable**

On April 25, 1995, Central Bay, a wholly-owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the Project) consisting of three partially reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila, with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares, more or less, to regularize the configuration of the reclaimed area.

On March 30, 1999, the PRA and Central Bay executed an Amended Joint Venture Agreement (AJVA) to enhance the Philippine Government's share and benefits from the Project which was approved by the Office of the President of the Philippines on May 28, 1999.

On July 9, 2002, the Supreme Court (SC) (in the case entitled "Francisco Chavez vs. Amari Coastal Bay and Reclamation Corp.") issued a ruling declaring the AJVA null and void.

Accordingly, PRA and Central Bay were permanently enjoined from implementing the AJVA. On July 26, 2002, Central Bay filed a Motion for Reconsideration (MR) of said SC decision. On May 6, 2003, the SC En Banc denied with finality Central Bay's MR. On May 15, 2003, Central Bay filed a Motion for Leave to Admit Second MR. In an En Banc Resolution of the SC dated July 8, 2003, the SC resolved to admit the Second MR of Central Bay.

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the SC's latest resolution which motion was denied with finality by the SC. With the nullification of the AJVA, Central Bay has suspended all Project operations.

On August 10, 2007, in view of the failure by the PRA to comply with its obligations and representations under the AJVA, Cyber Bay and Central Bay have filed their claims for reimbursement of Project expenses in the amount of ₱10.2 billion with the PRA. Cyber Bay and Central Bay provided the PRA with the summary and details of their claims on September 5, 2007.

On July 15, 2008, Cyber Bay sent a follow-up letter to the PRA. The PRA, in its letter dated July 18, 2008, informed Cyber Bay that its claim is still being evaluated by the PRA.

As at June 30, 2016 and 2015, the Parent Company has unpaid subscription in Cyber Bay amounting to ₱481.68 million, which is presented as "Subscriptions Payable" in the consolidated statements of financial position. The investment in Cyber Bay under "AFS financial assets" amounted to ₱888.38 million and ₱610.76 million as at June 30, 2016 and 2015, respectively, net of allowance for impairment losses amounting to ₱527.48 million and ₱527.48 million as at June 30, 2016 and 2015, respectively (see Note 8).

20. Cost of Goods Sold, Services and Operating Expenses

	2016	2015	2014
		(In Thousands)	
Personnel expenses (Notes 21 and 29)	**₱231,251**	₱204,980	₱210,231
Rental (Note 27)	**285,139**	99,801	90,819
Cost of real estate and services sold (Note 7)	**205,014**	–	–
Share in CUSA related expenses	**92,816**	56,304	89,356
Taxes and licenses	**92,133**	30,935	37,873
Depreciation and amortization (Notes 12, 13 and 14)	**79,733**	79,748	89,356
Professional and legal fees	**71,171**	29,970	21,563
Provision for impairment losses (Notes 5, 7, 10 and 18)	**49,168**	2,547	2,606
Janitorial and security services	**13,423**	11,670	10,436
Marketing expenses	**12,718**	7,459	7,852
Communication and transportation	**8,167**	8,869	10,236
Supplies and repairs	**8,378**	5,153	7,158
Materials used and changes in inventories (Note 6)	**5,337**	15,799	34,158
Insurance	**4,203**	13,127	8,249
Representations	**2,210**	2,163	1,955
Others	**12,900**	15,198	7,627
	₱1,173,788	₱583,723	₱629,475

21. Personnel Expenses

	2016	2015	2014
		(In Thousands)	
Compensation and employee benefits	**₱210,761**	₱182,208	₱184,892
Retirement benefits costs (Note 23)	**20,490**	22,772	25,339
	₱231,251	₱204,980	₱210,231

22. Interest Income (Expense) and Bank Charges - net

	2016	2015	2014
		(In Thousands)	
Interest income:			
AFS financial assets	**₱–**	₱3,164	₱–
Short-term investments (Note 4)	**2,772**	1,421	4,770
Cash in banks (Note 4)	**569**	260	978
Receivables (Note 5)	**11,013**	1	71
	14,354	4,846	5,819
Interest expense and bank charges:			
Retirement benefits liability (Note 23)	**3,664**	2,498	6,116
Bank charges	**331**	444	1,394
Interest expense	**–**	–	175
Others	**–**	79	–
	3,995	3,021	7,685
	₱10,359	₱1,825	(₱1,866)

23. Retirement Benefits Liability

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

The latest independent actuarial valuation dated August 18, 2016 was determined using the projected unit credit method in accordance with PAS 19.

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position, and the components of the net retirement benefit costs recognized in the consolidated statements of income for the retirement plan:

	2016	2015
	(In Thousands)	
Retirement benefits liability:		
Present value of obligation (PVO)	**₱159,862**	₱271,321
Fair value of plan assets	**(84,158)**	(174,346)
Unfunded obligation	**₱75,704**	₱96,975

	2016	2015	2014
	(In Thousands)		
Retirement benefits costs:			
Current service cost	**₱16,825**	₱20,275	₱20,843
Interest cost - net (Note 22)	**3,664**	2,497	6,116
Past service cost	**–**	–	(1,620)
	₱20,489	₱22,772	₱25,339

Movements in the retirement benefits liability are as follows:

	2016	2015
	(In Thousands)	
Balances at beginning of year	**₱96,975**	₱99,186
Benefit expense	**20,489**	22,772
Actuarial losses (gains) - net	**(5,842)**	5,745
Actual contributions	**(35,918)**	(30,728)
Balances at end of year	**₱75,704**	₱96,975

Changes in the PVO are as follows:

	2016	2015
	(In Thousands)	
Balances at beginning of year	**₱271,321**	₱242,467
Current service cost	**16,825**	20,275
Interest cost	**10,878**	10,031
Benefits paid	**(126,737)**	(9,628)
Actuarial loss (gain)	**(12,425)**	8,176
Balances at end of year	**₱159,862**	₱271,321

Changes in fair value of plan assets are as follows:

	2016	2015
	(In Thousands)	
Balances at beginning of year	**₱174,346**	₱143,282
Actual contributions	**35,918**	30,727
Interest income	**7,214**	7,534
Actuarial gain (loss) on plan assets	**(6,583)**	2,431
Benefits paid	**(126,737)**	(9,628)
Balances at end of year	**₱84,158**	₱174,346

The categories of plan assets as a percentage of fair value of the total plan assets are as follows:

	2016	2015
Cash	**17.03%**	15.39%
Equity	**69.67%**	68.63%
Fixed income	**3.30%**	4.04%
Others	**10.00%**	11.94%
	100.00%	100.0%

The Group do not expect to contribute to the retirement plan in 2017.

The principal assumptions used to determine pension for the Group are as follows:

	2016	2015
Discount rates	**5.19%**	4.82%
Expected rates of return on plan assets	**4.85%**	6.00%
Salary increase rate	**7.00%**	7.50%

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

	Increase (decrease) in Significant assumptions	Increase (decrease) in defined benefit obligation
2016		
Discount rate	**+1%**	**(₱2,502,500)**
	(1%)	**2,941,292**
Future salary increases	**+1%**	**2,994,291**
	(1%)	**(2,594,950)**
2015		
Discount rate	+1%	(3,477,684)
	(1%)	4,042,367
Future salary increases	+1%	3,723,532
	(1%)	(3,216,121)

Amounts for the current and previous four (4) years are as follows:

	2016	2015	2014	2013	2012
			(In Thousands)		
Defined benefit obligation	**₱159,862**	₱271,321	₱242,467	₱231,516	₱190,820
Plan assets	**84,158**	174,346	143,282	93,197	75,808
Unfunded obligation	**75,704**	96,975	99,185	138,319	115,012
Experience adjustment on plan liabilities - loss (gain)	**2,863**	(664)	(21,676)	6,256	(3,275)
Experience adjustment on plan assets - gain (loss)	**6,583**	40	4,565	4,714	(727)
Change in actuarial assumptions	**(15,288)**	9,454	(3,919)	20,793	15,615

24. Income Taxes

The Group’s current provision for income tax in 2016, 2015 and 2014 represents regular corporate income tax.

	2016	2015	2014
		(In Thousands)	
Current	**₱21,478**	₱15,721	₱10,105
Final	**2,599**	3,991	1,485
Deferred	**(16,963)**	(8,148)	70,360
	₱7,114	₱11,564	₱81,950

The reconciliation of the statutory income tax rates to the effective income tax rates follows:

	2016	2015	2014
At statutory tax rates	**30.0%**	30.0%	30.0%
Additions to (reductions in) income taxes resulting from:			
Movements in unrecognized deferred income tax assets	**(78.6)**	(28.1)	(9.6)
Expired NOLCO	**(27.3)**	(15.3)	0.8
Exempt income from dividend	–	8.9	–
Interest income already subjected to final taxes	**(1.3)**	(1.3)	(0.1)
Gain on sale of AFS financial assets	–	0.9	(1.7)
Nondeductible expenses	**(56.5)**	(0.9)	–
Expired MCIT	**(0.3)**	(0.6)	0.1
Other nontaxable income	**128.1**	(0.1)	0.5
Exempt income from extinguishment of debt	**–**	–	(16.9)
At effective tax rates	**(5.9%)**	(6.5%)	3.1%

The significant components of the deferred income tax liabilities - net of the Group are as follows:

	2016	2015
	(In Thousands)	
Deferred income tax assets:		
Casualty loss	**₱–**	₱18,974
Deferred rent	**18,453**	17,874
Allowance for impairment losses on receivables	**11,902**	11,976
Retirement benefits liability	**6,110**	6,990
PAS 17 rent expense	**10,054**	–
Unamortized past service cost	**5,048**	6,605
MCIT	**2,742**	–
NOLCO	**14,307**	
Allowance for impairment losses on insurance receivables	–	3,449
Deferred reinsurance commission	–	1,393
Excess of reserve for unearned premiums per books over tax basis - net	–	123
Others	**2,428**	2,268
	₱71,044	₱69,652

(Forward)

	2016	2015
	(In Thousands)	
Deferred income tax liabilities:		
Revaluation increment on property and equipment	**(₱101,577)**	(₱108,100)
Recovery on insurance	**(98,382)**	(98,382)
Remeasurement gain on retirement benefits liability	**(19,992)**	(6,982)
Unrealized gain on valuation of AFS financial assets	**(1,198)**	(1,865)
Accrued rent income	**–**	327
` Unrealized foreign exchange loss (gain)	**(38)**	(28)
Revaluation reserve on investment properties	**(70,825)**	(75,149)
Deferred acquisition cost	**(7)**	(6,753)
Undepreciated capitalized rent, interest and customs duties		(6,474)
Retirement plan assets	**–**	(661)
Unrealized gain on valuation of FVPL	**–**	(150)
	(292,019)	(304,217)
	(₱220,975)	(₱234,565)

Deferred income tax assets are recognized only to the extent that taxable income will be available against which the deferred income tax assets can be used. The Group reassesses the unrecognized deferred income tax assets on the following deductible temporary differences, NOLCO and MCIT and recognizes the previously unrecognized deferred income tax assets to the extent that it has become probable that future taxable income would allow the deferred income tax assets to be recovered:

	2016	2015
	(In Thousands)	
NOLCO	**₱413,585**	₱354,391
Allowance for impairment losses on receivables, other current assets, inventories and others	**1,914,683**	4,201,175
Retirement benefits liability	**5,122**	73,675
Gain on remeasurement of retirement benefits plan	**87,823**	–
Unamortized past service cost	**53,438**	44,110
MCIT	**2,945**	2,602
Incurred but not reported losses	**3,003**	2,000
Accrued rent	**108**	323
Unrealized foreign exchange losses	**444**	36

As at June 30, 2016, the Company has NOLCO and MCIT that can be claimed as deduction from future taxable income and tax due, respectively:

Year Incurred	Expiration Date	NOLCO	MCIT
2014	2017	₱106,072	₱179
2015	2018	46,744	1,296
2016	2019	308,459	4,194
		₱461,275	₱5,669

The following are the movements in NOLCO as at June 30, 2016 and 2015:

	2016	2015
	(In Thousands)	
Balances at beginning of year	**₱354,391**	₱412,160
Additions	**308,459**	46,744
Expirations/Application	**(201,575)**	(104,513)
	₱461,275	₱354,391

The following are the movements in MCIT as at June 30, 2016 and 2015:

	2016	2015
	(In Thousands)	
Balances at beginning of year	**₱2,602**	₱2,789
Additions	**4,194**	1,338
Expirations/Application	**(1,127)**	(1,525)
	₱5,669	₱2,602

25. Earnings Per Share

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

	2016	2015	2014
		(In Thousands)	
a. Net income (loss) attributable to equity holders of the Parent	**₱30,427**	(₱262,453)	₱210,618
b. Weighted average number of shares	**2,378,638**	2,367,149	2,367,149
Basic earnings per share (a/b)	**₱0.01**	(₱0.11)	₱0.09

26. **Segment Information**

Business Segments

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

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

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

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

2016

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
				(In Thousands)				
Revenue and income	**₱6,006**	**₱740,178**	**₱248,402**	**₱40,308**	**₱2,559**	**₱1,037,453**	**(₱360)**	**₱1,037,093**
Cost and expenses	**(165,384)**	**(864,414)**	**(301,888)**	**(77,645)**	**(18,240)**	**(1,427,571)**	**56,731**	**(1,370,840)**
Other income (charges)	**304,463**	**(17,379)**	**(2,336)**	**862**	**(3,669)**	**281,941**	**71,876**	**353,817**
Income (loss) before income tax	**145,085**	**(141,615)**	**(55,822)**	**(36,475)**	**(19,350)**	**(108,177)**	**128,247**	**20,070**
Provision for income tax	**308**	**12,486**	**2,348**	**(7,972)**	**(55)**	**7,114**	**–**	**7,114**
Net income (loss)	**144,777**	**(154,101)**	**(58,170)**	**(28,503)**	**(19,295)**	**(115,291)**	**128,247**	**12,956**
Segment assets	**4,536,835**	**2,289,280**	**689,220**	**754,882**	**47,155**	**8,317,272**	**(1,879,968)**	**6,437,304**
Segment liabilities	**2,137,053**	**776,421**	**443,928**	**333,725**	**202,865**	**3,893,992**	**(583,922)**	**3,310,070**

2015

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
				(In Thousands)				
Revenue	₱50,935	₱409,742	₱247,881	₱27,737	₱6,140	₱742,435	(₱50,000)	₱692,435
Cost and expenses	(34,713)	(407,413)	(238,053)	(68,630)	(15,642)	(764,451)	7,476	(756,975)
Other income (charges)	(225,793)	31,918	(5,207)	19,301	1,120	(178,661)	(7,471)	(186,132)
Income (Loss) before income tax	(209,571)	34,247	4,621	(21,592)	(8,382)	(200,677)	(49,995)	(250,672)
Provision for income tax	186	7,282	3,746	246	104	11,564	–	11,564
Net income (loss)	(209,757)	26,965	875	(21,838)	(8,486)	(212,241)	(49,995)	(262,236)
Segment assets	2,577,618	2,306,905	761,126	790,404	54,840	6,490,893	(2,029,820)	4,461,073
Segment liabilities	693,724	640,939	532,229	333,761	196,110	2,396,763	(681,933)	1,714,830

2014

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Others	Total	Elimination	Total
				(In Thousands)				
Revenue	₱2,979	₱552,562	₱237,094	₱22,526	₱9,551	₱824,712	₱–	₱824,712
Cost and expenses	(25,637)	(431,981)	(248,836)	(95,223)	(18,671)	(820,348)	4,339	(816,009)
Other income (charges)	2,972	289,438	(2,629)	(5,899)	(393)	283,489	(4,339)	279,150
Income (Loss) before income tax	(19,686)	410,019	(14,371)	(78,596)	(9,513)	287,853	–	287,853
Provision for income tax	95	83,432	1,232	(3,490)	681	81,950	–	81,950
Net income (loss)	(₱19,781)	₱326,587	(₱15,603))	(₱75,106)	(10,194)	₱205,903	₱–	₱205,903
Segment assets	₱2,641,421	₱2,275,700	₱891,177	₱929,981	₱50,624	₱6,788,903	(₱1,962,913)	₱4,825,990
Segment liabilities	690,675	602,730	671,888	323,446	187,110	2,475,849	(764,195)	1,711,654

Geographical Segments

The Group does not have geographical segments.

27. Long-term Lease

On August 28, 1990, TPI, a subsidiary, through a Deed of Assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. on a contract of lease of the land owned by PNR for the Tutuban Terminal and where the TPI's mall is located. The contract provided for a payment of a guaranteed minimum annual rental, 12% escalation rate every two (2) years, additional ₱10 million every two (2) years, plus a certain percentage of gross sales. The lease covers a period of twenty five (25) years until 2014 and is automatically renewable for another twenty five (25) years, subject to compliance with the terms and conditions of the lease agreement.

On December 22, 2009, TPI renewed its lease contract with PNR for another twenty five (25) years beginning September 5, 2014, the end of the original lease agreement. Related rent expense charged to operations amounted to ₱264.74 million, ₱99.80 million and ₱90.82 million in 2016, 2015 and 2014, respectively (see Note 20).

As at June 30, 2016 and 2015, the aggregate annual commitments on these existing lease agreements for the succeeding years are as follows:

	2016	2015
	(In Thousands)	
Less than one (1) year	**₱118,907**	₱137,614
More than one (1) year but not more than five (5) years	**447,675**	689,402
More than five (5) years	**2,941,659**	3,056,840
	₱3,508,241	₱3,883,856

Group as a Lessor

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

Tenants are required to post security deposits, which shall be refunded, without interest, within sixty (60) days after the expiration of the lease period, deducting the amount of damages to the leased premises, if any. The table below shows the movement analysis of the carrying value of noncurrent security deposits as at June 30, 2016 and 2015, respectively.

	2016	2015
	(In Thousands)	
Undiscounted amount at beginning of year	**₱14,565**	₱10,241
Additions	**2,626**	4,324
	17,191	14,565
Discount on security deposit:		
Balance at beginning of year	**1,275**	1,121
Addition	**899**	445
Accretion of interest	**(529)**	(291)
Balance at end of year	**1,645**	1,275
Net carrying value	**₱15,546**	₱13,290

The discounted amount of noncurrent rental deposits amounted to ₱15.55 million and ₱13.29 million as at June 30, 2016 and 2015.

Accretion of interest for the fiscal year ended June 30, 2016 is included under "Other Income (Charges)" in the consolidated statement of income.

	2016	2015
	(In Thousands)	
Beginning of year	**₱1,181**	₱1,107
Additions	–	446
Amortization	–	(372)
Balance at end of year	**₱1,181**	₱1,181

The excess of the principal amounts of the rent deposits over the carrying values is presented as "Deferred rent income" in the consolidated statements of financial position. Deferred rent income is amortized to rent revenue in the consolidated statements of comprehensive income over the lease term using the straight-line method.

The table below shows the movement analysis of the carrying value of deferred rent income as at June 30, 2016 and 2015:

	2016	2015
	(In Thousands)	
Beginning of year	**₱1,181**	₱1,107
Additions	–	446
Amortization	–	(372)
Balance at end of year	**₱1,181**	₱1,181

The amounts of deferred rent income were distributed as follows:

	2016	2015
Current portion	**₱645**	₱389
Noncurrent portion	**536**	792
	₱1,181	₱1,181

The current portion of the deferred rent income was included in "Accrued expenses and others" under "Accounts payable and accrued expenses".

28. Provisions and Contingencies

The Group is contingently liable for lawsuits, claims and assessments, which are either pending decision by the courts or under negotiation. Management and its legal counsels believe that the eventual outcome of these lawsuits or claims will not have a material effect on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings. Total provisions recognized amounted to ₱251.15 million in 2016 and nil in 2015 and 2014. Related liability recognized as at June 30, 2016 and 2015 amounted to ₱251.15 million and nil, respectively (see Note 16).

Other information normally required under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, are not disclosed as they may prejudice the Group's position.

On March 15, 2016, management announced its plans to evaluate and assess the Group's performance, including initiatives to effectively transition and turnaround the Group. In September 2016, management announced its intention to restructure the Group to remove certain redundancies.

29. Share-based Payments

In 2015, the Group introduced the ESOWN Plan (the Plan) wherein grantees (employees within POPI Group) may subscribe in whole or in part to the shares awarded to them based on a discounted market price, but in no case lower than the par value, that was determined at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. To subscribe, the grantee must be an employee, officer or director of the Group as of June 30, 2015. In case the grantee resigns, unsubscribed shares are cancelled and returned to the plan pool, while the subscription payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares.

The BOD of POPI approved the allocation of 32 million shares for ESOWN plan which will be taken from the remaining unissued shares (with grant date in 2016) and the increase in authorized of stock of POPI, which was approved by the SEC in July 2016 as discussed in Note 1.

The fair values of these options are estimated on the date of grant using the Cox-Ross-Rubenstein option pricing model.

The assumptions used to determine the fair value of the stock options are as follows:

Share price at date of grant	₱1.76
Risk free interest rate	4.0915%
Annualized volatility	56.00%
Annual dividend yield	0%
Exit rates	
Termination for cause	0%
Voluntary Resignation	0.1462%
Involuntary Separation	0.1462%

The resulting personnel expense recognized in 2016 amounted to ₱27.47 million (see Note 20).

30. Financial Risk Management Objectives, Policies and Capital Management

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

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

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

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

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

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

2016

	Neither past due nor impaired		Past due or individually impaired	
	High grade	**Standard grade**		**Total**
		(In Thousands)		
Loans and Receivables:				
Cash and cash equivalents	**₱1,306,884**	**₱–**	**₱–**	**₱1,306,884**
Receivables:				
Trade debtors	**24,480**	**–**	**88,408**	**112,888**
Insurance receivables	**231,993**	**7,876**	**157,208**	**397,077**
Loans receivable	**1,467,859**	**–**	**–**	**1,467,859**
Others	**57,698**	**–**	**198,856**	**256,554**
Deposits (under "Other noncurrent assets")	**18,992**	**–**	**408**	**19,400**
AFS Financial Assets:				
Listed equity securities	**979,685**	**–**	**538,403**	**1,518,088**
Quoted debt securities	**300,489**	**–**	**–**	**300,489**
Unquoted debt securities	**10,820**	**–**	**–**	**10,820**
Nonlisted equity securities	**106,420**	**–**	**–**	**106,420**
Financial Assets at FVPL	**12,703**	**–**	**–**	**12,703**
	₱4,518,123	**₱7,876**	**₱983,283**	**₱5,509,282**

2015

	Neither past due nor impaired		Past due or individually impaired	
	High grade	Standard grade		Total
		(In Thousands)		
Loans and Receivables:				
Cash and cash equivalents	₱151,035	₱–	₱–	₱151,035
Receivables:				
Trade debtors	8,118	33,429	95,066	136,613
Insurance receivables	400,122	–	16,168	416,290
Others	26,758	3,838	195,077	225,673
Deposits (under "Other noncurrent assets")	19,338	200	99	19,637
AFS Financial Assets:				
Listed equity securities	713,908	–	535,288	1,249,196
Quoted debt securities	258,206	–	–	258,206
Unquoted debt securities	16,405	–	–	16,405
Nonlisted equity securities	518,889	–	–	518,889
Financial Assets at FVPL	27,992	–	–	27,992
	₱2,140,771	₱37,467	₱841,698	₱3,019,936

The tables below show the aging analyses of financial assets per class that the Group held as at June 30, 2016 and 2015. A financial asset is past due when a counterparty has failed to make payment when contractually due.

2016

	Neither past due nor impaired	**Past due but not impaired**				**Individually impaired**	**Total**
		Less than 30 days	**31 to 60 days**	**61 to 90 days**	**Over 90 days**		
			(In Thousands)				
Loans and Receivables:							
Cash and cash equivalents	**₱1,306,884**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,306,884**
Receivables:							
Trade debtors	**24,480**	**2,651**	**3,254**	**1,909**	**14,083**	**66,511**	**112,888**
Insurance receivables	**231,993**	**9,448**	**367**	**8,864**	**97,122**	**49,283**	**397,077**
Loans receivable	**1,467,859**	–	–	–	–	–	**1,467,859**
Others	**57,698**	**204**	–	–	–	**198,652**	**256,554**
Deposits (under "Other noncurrent assets")	**18,992**	–	–	–	–	**408**	**19,400**
AFS Financial Assets							
Listed equity securities	**979,685**	–	–	–	–	**538,403**	**1,518,088**
Quoted debt securities	**300,489**	–	–	–	–	–	**300,489**
Unquoted debt securities	**10,820**	–	–	–	–	–	**10,820**
Nonlisted equity securities	**106,420**	–	–	–	–	–	**106,420**
Financial asset at FVPL	**12,703**	–	–	–	–		**12,703**
	₱4,518,123	**₱12,303**	**₱3,621**	**₱10,773**	**₱111,205**	**₱853, 257**	**₱5,509,282**

2015

	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Individually impaired	Total
			(In Thousands)				
Loans and Receivables:							
Cash and cash equivalents	₱151,035	₱–	₱–	₱–	₱–	₱–	₱151,035
Receivables:							
Trade debtors	41,547	4,206	604	169	1,321	88,766	136,613
Insurance receivables	400,122	–	–	–	–	16,168	416,290
Others	30,596	–	–	–	2,541	192,536	225,673
Deposits (under "Other noncurrent assets")	19,538	–	–	–	76	23	19,637
AFS Financial Assets							
Listed equity securities	713,908	–	–	–	–	535,288	1,249,196
Quoted debt securities	258,206	–	–	–	–	–	258,206
Unquoted debt securities	16,405	–	–	–	–	–	16,405
Nonlisted equity securities	518,889	–	–	–	–	–	518,889
Financial asset at FVPL	27,992	–	–	–	–		27,992
	₱2,178,238	₱4,206	₱604	₱169	₱3,938	₱832,781	₱3,019,936

Liquidity Risk

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

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

The tables below summarize the maturity profile of the Group's financial assets and liabilities as at June 30, 2016 and 2015 based on contractual undiscounted payments:

2016

	On demand	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
				(In Thousands)		
Loans and Receivables:	**₱1,306,884**	–	–	–	–	**₱1,306,884**
Cash and cash equivalents						
Trade debtors	**112,888**	–	–	–	–	**112,888**
Insurance receivables	**397,077**	–	–	–	–	**397,077**
Loans receivable	**1,467,859**	–	–	–	–	**1,467,859**
Others	**254,824**	–	–	–	–	**254,824**
Amounts owed by related parties	**1,729**	–	–	–	–	**1,729**
Deposits (under "Other noncurrent assets")	**19,400**	–	–	–	–	**19,400**
AFS Financial Assets						
Listed equity securities	**1,518,088**	–	–	–	–	**1,518,088**
Quoted debt securities	**300,489**	–	–	–	–	**300,489**
Unquoted debt securities	**10,820**	–	–	–	–	**10,820**
Nonlisted equity securities	**106,420**	–	–	–	–	**106,420**
Financial asset at FVPL	**12,703**	–	–	–	–	**12,703**
	₱5,509,281	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,509,281**
Accounts payable and accrued expenses	**₱436,764**	**₱50,947**	**₱21,565**	**₱134,713**	**₱–**	**₱643,989**
Subscription payable	**481,675**	–	–	–	–	**481,675**
Rental and other deposits	**97,554**	**16,192**	**14,160**	**13,456**	**90,070**	**231,432**
	₱1,015,993	**₱67,139**	**₱35,725**	**₱148,169**	**₱148,012**	**₱1,357,096**

2015

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 Year	Total
			(In Thousands)			
Loans and Receivables:						
Cash and cash equivalents	₱151,035	–	–	–	–	₱151,035
Trade debtors						
Insurance receivables	136,613	–	–	–	–	136,613
Others	416,290	–	–	–	–	416,290
Amounts owed by related parties	224,039	–	–	–	–	224,039
Deposits (under "Other		–	–	–	–	
noncurrent assets")	1,634					1,634
AFS Financial Assets	19,637	–	–	–	–	19,637
Listed equity securities		–	–	–	–	
Quoted debt securities	1,249,196	–	–	–	–	1,249,196
Unquoted debt securities	258,206	–	–	–	–	258,206
Nonlisted equity securities	16,405	–	–	–	–	16,405
Financial asset at FVPL	518,889	–	–	–	–	518,889
Loans and Receivables:	27,992	–	–	–	–	27,992
	₱3,019,936	₱–	₱–	₱–	₱–	₱3,019,936
Accounts payable and accrued expenses	₱525,926	₱54,949	₱68,798	₱–	₱128	₱649,801
Subscription payable	481,675	–	–	–	–	481,675
Rental and other deposits	50,241	15,555	77,554	4,880	86,606	234,836
	₱1,057,842	₱70,504	₱146,352	₱4,880	₱86,734	₱1,366,312

Foreign Currency Risk
The Group's foreign currency risk results from the foreign exchange rate movements of the Philippine peso against the United States dollars (USD), European Monetary Union (EUR) and Great Britain Pound (GBP). The Group's foreign currency risk arises primarily from its cash in banks and trade payables.

The Group monitors and assesses cash flows from anticipated transactions and financing agreements denominated in USD, EUR and GBP.

table below summarizes the Group's exposure to foreign currency risk as at June 30, 2016 and 2015. Included in the table are the Group's assets and liabilities at carrying amounts:

	2016		2015	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
		(In Thousands)		
Financial Asset:				
Cash in banks				
USD	**$2**	**₱94**	$22	₱1,009
Short-term investments				
USD	–	–	35	1,578
Financial Liability:				
Accounts payable				
USD	**2**	**94**	2	80
EUR	**1**	**51**	1	50
GBP	**1**	**37**	1	42
Net financial asset	**$–**	**₱–**	$53	₱2,415

As at June 30 2016 and 2015, the exchange rates of other currencies to Philippine Peso are as follows:

	2016	2015
USD	**₱47.06**	₱45.09
EUR	**52.25**	50.80
GBP	**63.06**	71.13

The following table presents the impact on the Group's income before income tax due to changes in the fair value of its financial assets and liabilities, brought about by a reasonably possible change in the foreign currencies/₱ exchange rate (holding all other variables constant) as at June 30, 2016 and 2015.

	Increase/ decrease in currency rate	Effect on income (loss) before income tax
	(In Thousands)	
2016		
USD	**+0.55%**	**₱–**
	-0.78%	**–**
EUR	**+1.40%**	**(1.00)**
	-0.96%	**0.95**
(forward)		
GBP	**+1.04%**	**(.61)**
	-3.07%	**1.80**
2015		
USD	+0.41%	22.79
	-0.65%	(36.13)
EUR	+2.34%	(2.30)
	-1.30%	1.28
GBP	+1.98%	(1.16)
	-1.41%	0.83

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

Equity Price Risk

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

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

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

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

The following table demonstrates the sensitivity to reasonable possible change in equity prices, with all other variables held constant:

	Change in Equity price index	Effect on Equity
	(In Thousands)	
2016		
Upper Limit	**+18.42%**	**₱28,435**
Lower Limit	**(18.42%)**	**(28,435)**
2015		
Upper Limit	+11.59%	₱34,677
Lower Limit	(11.59%)	(34,677)
2014		
Upper Limit	+17.62%	232,049
Lower Limit	(17.62%)	(232,049)

The impact on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at June 30, 2016 and 2015.

As at June 30, 2016 and 2015, the Group considers the following accounts as capital:

	2016	2015
	(In Thousands)	
Capital stock	**₱2,130,576**	₱2,069,912
Additional paid-in capital	**829,904**	829,904
	₱2,960,480	₱2,899,816

The Group is not subject to externally imposed capital requirements.

31. Financial Instruments

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values at June 30, 2016 and 2015 are set out below:

Cash and Cash Equivalents
The carrying amount of cash and cash equivalents approximates its fair values due to the short-term maturity of this financial instrument.

Receivables, Accounts Payable and Accrued Expenses and Amounts owed by Related Parties
The carrying amounts receivables, accounts payable and accrued expenses and amounts owed by related parties approximate their fair values due to their short-term nature.

Rental and Other Deposits
Current portion of rental and other deposits the carrying amounts approximates its fair value due to the short-term maturity of this financial instrument. The fair values noncurrent security deposit recorded under 'Rental and other deposits" are determined by discounting future cash flows using the applicable rates of similar types of instruments.

AFS Financial Assets
AFS equity financial assets that are listed are based on their bid prices as at June 30, 2016 and 2015. AFS debt financial assets that are quoted are based on market prices. Unquoted debt and nonlisted AFS financial assets are based on latest available transaction price at the end of the reporting period.

Financial Assets at FVPL
Listed equity securities designated as financial assets at FVPL are based on their bid prices. .

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Prime Orion Philippines, Inc.
20/F LKG Tower
6801 Ayala Ave., Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Prime Orion Philippines, Inc. and its subsidiaries (the Group) as at June 30, 2016 and 2015 and for each of the three years in the period ended June 30, 2016 included in this Form 17-A and have issued our report thereon dated October 6, 2016. 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 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 financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-1 (Group A),
June 30, 2015, valid until June 29, 2018
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5321694, January 4, 2016, Makati City

October 6, 2016

SCHEDULE I
PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
JUNE 30, 2016

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at June 30, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		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			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Definition of Vesting Condition*	✓		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements*	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination*	✓		
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Operations			
	Amendments to PFRS 5: Changes in Methods of Disposal	Not early adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts*			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments: Classification and Movement (2010 version)	Not early adopted		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*	Not early adopted		
	Financial Instruments (2014 or final version)*	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts	**Not early adopted**		
IFRS 15	Revenue from Contracts with Customers*	**Not early adopted**		
PFRS 16	Leases	**Not early adopted**		
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	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
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	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Bearer Plants			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	**Not early adopted**		
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: Tax effect of distribution to holders of equity instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities			✓
	Amendments to PAS 34: – Disclosure of information 'elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
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			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
PAS 41	Amendment to PAS 41: Bearer Plants			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
SIC-12	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	by Venturers			
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
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			✓

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective July 1, 2016 onwards.

Prime Orion Philippines, Inc. and Subsidiaries
20th Floor LKG Tower, 6801 Ayala Avenue, Makati City

SCHEDULE II
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF JUNE 30, 2016

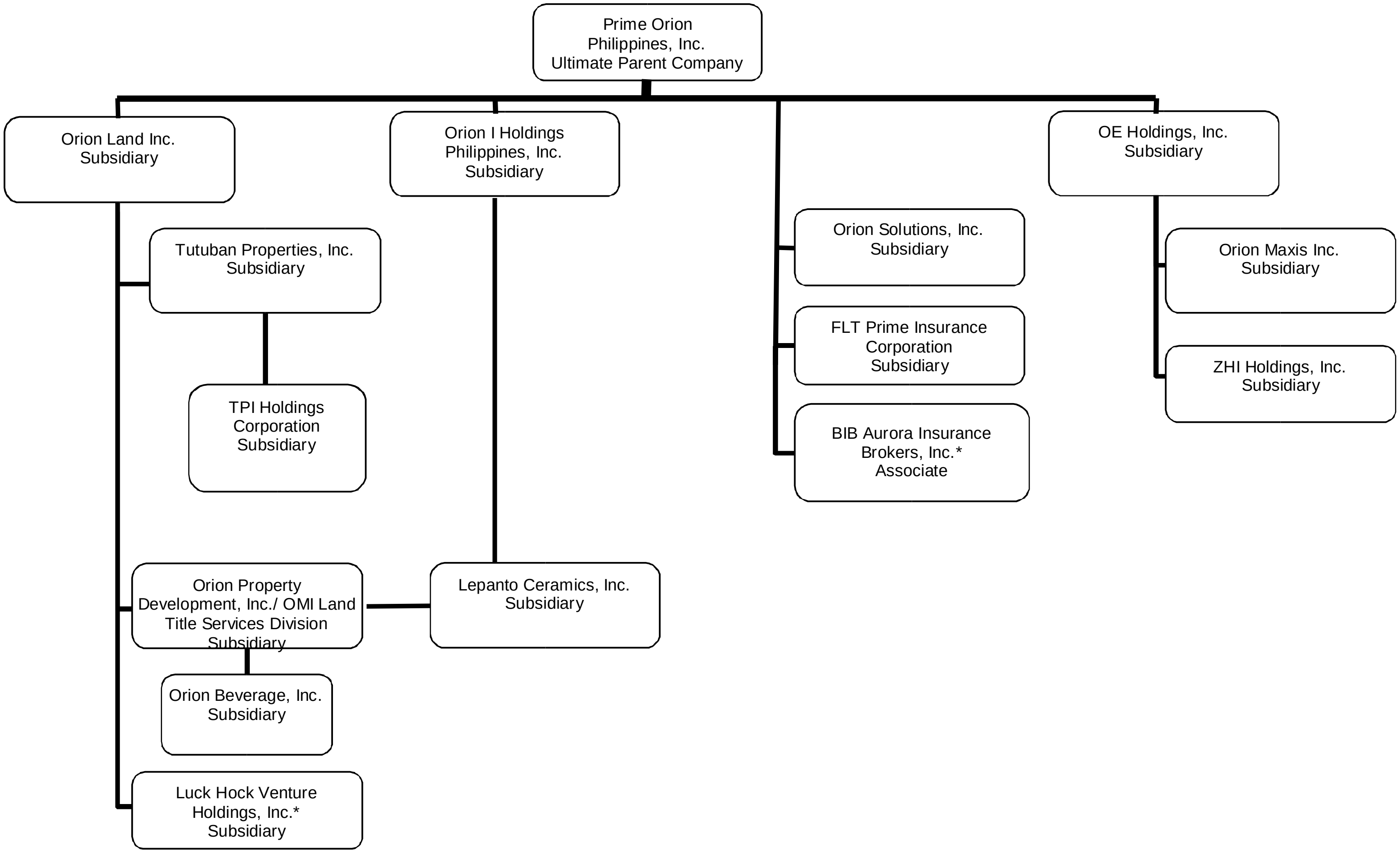
(Figures based on functional currency audited financial statements)

		Amounts (In Thousands)
Unappropriated Retained Earnings, *as of 30 June 2015*		(378,204)
Prior period adjustments		(90,679)
Unappropriated Retained Earnings, *as adjusted to available, as of 30 June 2015*		(468,883)
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	12,956	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	(19)	
Recognized deferred tax asset that increased the net income	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	236,083	
Sub-total	236,064	
Add: Non-Actual Losses		
Depreciation on revaluation increment (after tax)	7,611	
Unrealized actuarial loss	(5,842)	
Movement in deferred tax during the year	(16,963)	
Sub-total	(15,194)	
Net Income actually earned during the period		**(238,302)**
Add (Less):		
Treasury shares		21,916
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**(685,269)**

SCHEDULE III
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED

	Formula	2016	2015
Return on assets	Net Income (loss) / Average Assets	0.00	(0.06)
Return on equity	Net Income (loss) / Average Equity	0.00	(0.09)
Gross profit margin	Gross profit / Total Revenues	0.22	0.42
Net profit margin	Net income / Sales revenue	0.01	(0.40)
Cost to income ratio	Cost and expenses / Revenues	1.32	1.09
Current ratio	Current Assets / Current Liabilities	2.11	3.52
Quick ratio	Current Assets less Inventory / Current Liabilites	2.11	3.50
Solvency ratio	After tax net profit(loss) + Depreciation / Long Term Liabilities + Short Term Liabilities	0.03	(0.11)
Asset to equity ratio	Total Assets / Equity	2.10	1.67
Debt to equity ratio	Total Liability / Equity	1.08	0.64
Interest rate coverage ratio	EBITDA / Interest expense		not applicable
Gross Profit Margin	Sales - COGS or COS / Sales	0.31	(0.44)
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	332.31	(18.49)

SCHEDULE IV
PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS AT JUNE 30, 2016



*Inactive

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
AS AT JUNE 30, 2016
AMOUNTS IN THOUSANDS *(Except for Number of Shares)*

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet	Income received and accrued
A. CASH AND CASH EQUIVALENTS			
SAVINGS/CURRENT ACCOUNT (PESO)			
Asia United Bank		25	
Banco de Oro Universal Bank		41,726	17
Bank of Commerce		1,077	
Bank of the Philippine Islands		401,393	23
Development Bank of the Philippines		52	
Landbank of the Philippines		1,677	1
Maybank Philippines, Inc.		323	2
Metropolitan Bank and Trust Company		2,031	10
Philippine Business Bank		2,431	1
Philippone National Bank		119	
Rizal Commercial Banking Corp.		1,109	1
Security Bank		127	0
Union Bank of the Philippines		14,720	2
United Coconut Planters Bank		4,161	40
Sub-total		470,971	97
SAVINGS/CURRENT ACCOUNT (FCDU)			
Banco de Oro Universal Bank		80	1
Metropolitan Bank and Trust Company		3,822	1
		3,902	2
SHORT TERM INVESTMENTS			
Banco de Oro Universal Bank		290,151	4
Bank of the Philippine Islands		110,000	49
Metropolitan Bank and Trust Company		1,200	2
Philippine Business Bank		111	4
Philippine Commercial Capital, Inc.		13,435	100
Rizal Commercial Banking Corp.		415,376	369
Sterling Bank		513	9
Union Bank of the Philippines		505	-
		429,829	477
		904,701	**577**

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
AS AT JUNE 30, 2016
AMOUNTS IN THOUSANDS *(Except for Number of Shares)*

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet	Income received and accrued
B. INVESTMENT IN BONDS AND OTHER SECURITIES			
Available for sale investments:			
Listed equity securities			
Alliance Global	124,200	1,842	
Asia United Bank	6,500	462	
Atlas Consolidated Mining and Development Corporation	98,000	429	
Ayala Corporation (Preferred)	11,000	5,726	
Cosco Capital, Inc.	125,200	969	
Cyber Bay Corporation	1,388,231,404	888,385	
Del Monte Pacific Limited	35,900	411	
DMCI Holdings, Inc.	62,000	781	
Energy Development Corporation	750,000	4,140	
Filinvest Land, Inc.	612,400	1,206	
First Gen (Preferred - Series G)	10,000	1,180	
First Gen Corporation	20,000	498	
Global Estate Resorts, Inc.	1,000,000	980	
Globe - Preferred	23,000	12,426	
International Container Terminal Services	8,200	504	
Lepanto Consolidated Mining Company	1,000,000	250	
LT Group, Inc.	53,000	842	
Manila Mining Corporation	24,000,000	312	
Metro Pacific Investments Corporation	1,637,000	11,156	
National Reinsurance Corporation of the Philippines	700	1	
Pepsi Cola Product Philippines, Inc.	46	0	
Petron Corporation	228,700	2,519	
Philex Mining Corporation	548,100	4,610	
Philippine Business Bank	62,500	1,172	
Philippine Long Distance Telephone Company	500	90	
Premium Leisure	550,000	644	
Puregold Price Club Inc.	63,200	2,662	
Rizal Commercial Banking Corporation	53,840	1,720	
San Miguel Corporation	196,700	15,357	
SM Investment Corp	2,401	2,317	
Solid Group Inc.	1,000,000	1,170	
Super Store Inc. Group	70,000	227	
Top Frontier Holdings, Inc.	9,670	1,866	
Trans-Asia Oil and Energy Dev't. Corp.	3,000,000	7,250	
Trans-Asia Petroleum	88,995	335	
Travellers International Hotel Group, Inc.	556,400	1,879	
Zeus Holdings, Inc.	11,225,452	3,368	
	1,435,465,008	979,685	-
Quoted debt securities			
Ayala Corporation	7,000,000	7,281	
Ayala Corporation	10,000,000	10,490	
Ayala Land, Inc.	1,500,000	1,577	
Ayala Land, Inc.	3,000,000	2,991	
Ayala Land, Inc.	3,000,000	2,991	
Ayala Land, Inc.	31,000,000	32,716	
Filinvest Land Inc.	5,000,000	4,990	
GT Capital Holdings	10,000,000	9,962	
GT Capital Holdings	10,000,000	10,073	
GT Capital Holdings, Inc. - Bonds	6,000,000	5,909	

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
AS AT JUNE 30, 2016
AMOUNTS IN THOUSANDS *(Except for Number of Shares)*

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet	Income received and accrued
JS Summit Holdings	23,000,000	24,327	
Meralco	10,000,000	10,156	
PLDT	10,500,000	11,161	
Retail Treasury Bond	5,000,000	4,606	
Retail Tresury Bond	10,000,000	9,213	
Retail Tresury Bond	10,000,000	9,213	
Retail Tresury Bond	11,000,000	10,134	
Retail Tresury Bond	5,000,000	5,892	
San Miguel Brewery Bond	3,000,000	3,159	
SM Investments Corp.-	5,000,000	5,264	
SM Investments Corp.-	2,500,000	2,614	
SM Investments Corp.-	4,000,000	4,384	
SM Investments Corp.-	10,000,000	10,230	
SM Prime Holdings	8,000,000	7,973	
Various Fixed Rate Treasury Notes	88,803,189	93,181	
	292,303,189	300,489	-
Unquoted debt securities			
Sunlife Prosperity Bond Fund			
Land Bank of the Philippines	507,656	558	2
Security Bank Tier 2	10,000,000	9,762	493
United Coconut Planters Bank	500,000	500	-
	11,007,656	10,820	495
Nonlisted equity securities - net			
Canlubang Golf & Country Club	1	800	-
Global Business Holdings	378	25	-
Makati (Sports) Club, Inc.	*1*	*250*	-
Metrobank Max-5 Bond Fund	*4,230,402*	*6,570*	-
Metrobank Money Market Fund	*32,563,808*	*50,557*	-
Philam Bond Fund	*287,872*	*4,930*	-
Philippine Central Depository, Inc.	5,000	500	-
Philippine Machinery Management Services	20	20	-
RCBC Rizal Peso Bond Fund	1,258	4,899	-
RCBC Savings Money Market Fund	718,370	1,016	-
Sta. Elena Golf Club-A	1	2,900	-
Sunlife Asset Mngmt Balanced Fund	3,405,712	9,433	-
Sunlife Asset Mngmt Money Market Fund	5,007,384	12,267	-
TAT International	1	550	-
United Coconut Planters Bank	5,600,603	10,186	-
Valley Golf Club	*2*	*340*	-
Zeus Holdings, Inc. - unlisted shares	*1,175,600*	*1,176*	-
	52,996,412	106,420	-
TOTAL INVESTMENTS IN BONDS & OTHER SECURITIES		**1,397,414**	**495**

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
As of June 30, 2016
AMOUNTS IN THOUSANDS

			Deductions				
Account Type	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written off	Current	Not Current	Balance at end period
Advances to employees for company expenses	4,523	4,798	2,832	3,418	3,071	-	3,071
Salary loan	844	1,178	914	414	694	-	694
Car loan	1,011	-	444	-	567	-	567
Others	2,020	13,568	10,440	65	4,927	-	5,083
	8,399	19,543	14,630	3,897	9,259	-	9,414

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
As of June 30, 2016
AMOUNTS IN THOUSANDS

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected/ Settlements	Accounts Written off	Current	Not Current	Balance at end period
Orion I Holdings Philippines, Inc./Subsidiary	199,154	-	(1)	-	-	199,153	199,153
Lepanto Ceramics, Inc./Subsidiary	5	-	(3)	-	1	-	1
OE Holdings, Inc./Subsidiary	34,089	-	(1)	-	34,088	-	34,088
Orion Maxis Inc./Subsidiary	19,840	2,073	-	-	21,914	-	21,914
FLT Prime Insurance Corp./Subsidiary	72,968	-	(72,021)	-	947	-	947
Tutuban Properties, Inc./Subsidiary	57	-	(57)	-	-	-	-
Orion Property Development, Inc./Subsidiary	-	11	-	-	11	-	11
Orion Land Inc./Subsidiary	1	-	(0)	-	0	-	0
Luck Hock Venture Holdings, Inc./Subsidiary	3	-	(2)		0		0
TPI Holdings Corporation/Subsidiary	2	-	(2)		0		0
Orion Beverage, Inc./Subsidiary	2	-	(1)		0		0
ZHI Holdings, Inc./Subsidiary	1	0	-		1		1
	326,121	**2,085**	**(72,090)**	**-**	**56,963**	**199,153**	**256,116**

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
As of June 30, 2016
AMOUNTS IN THOUSANDS

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Deferred reinsurance premium	22,141	-	-	-	5,414	27,555
Deferred acquisition cost	22,395	-	-	-	(1,051)	21,344
Deferred input tax	9,111	-	-	-	(1,539)	7,572
	53,648	-	-	-	2,824	56,472

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
As of June 30, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under the caption "Current Portion of long-term debt" in related balance sheet	Amount shown under the caption "Long-Term Debt" in related balance sheet
	NOT APPLICABLE		

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
As of June 30, 2016
AMOUNTS IN THOUSANDS

Name of Related Party	Balance at beginning of period	Balance at end of period
NOT APPLICABLE		

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of June 30, 2016
AMOUNTS IN THOUSANDS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
	NOT APPLICABLE			

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
As of June 30, 2016

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 related parties	Number of shares held Directors, officers and employees	Number of shares held by Others
COMMON SHARES	**2,400,000,000**					
ISSUED		1,982,231,783		741,571,219	45,376,255	
SUBSCRIBED		396,406,340				
		2,378,638,123				

INDEX TO EXHIBITS

Form 17 - A

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* These Exhibits are either not applicable to the Company or require no answer.

Exhibit (18)
Subsidiaries of the Registrant

As of 30 June 2016, POPI has the following wholly-owned subsidiaries:

Name	Jurisdiction
Orion Land Inc.	Philippines
Tutuban Properties, Inc.	Philippines
TPI Holdings Corporation	Philippines
Orion Property Development, Inc.	Philippines
Orion Beverage, Inc.	Philippines
Orion I Holdings Philippines, Inc.	Philippines
Lepanto Ceramics, Inc.	Philippines
Orion Solutions, Inc.	Philippines
OE Holdings, Inc.	Philippines
Orion Maxis Inc.	Philippines

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT (ACGR)

1. Report is Filed for the Year : **Updated as of 30 June 2016**

2. Exact Name of Registrant as Specified in its Charter : **PRIME ORION PHILIPPINES, INC.**

3. **20/F LKG Tower, 6801 Ayala Avenue, Makati City** **1226**
   Address of Principal Office Postal Code

4. SEC Identification Number : **163671**

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

6. BIR Tax Identification Number : **000-804-342-000**

7. **(632) 884-1106**
   Issuer's Telephone number, including area code

8. **None**
   Former Name or former address, if changed from the last report

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A. BOARD MATTERS

1) *Board of Directors*

Number of Directors per Articles of Incorporation:	Nine *

Actual Number of Directors for the Year	Seven

*increase in directors from 7 to 9 was approved by the Securities and Exchange Commission on 30 Oct. 2015

(a) *Composition of the Board*

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)	Elected when (Annual/ Special Meeting)	No. of Years served as director
Felipe U. Yap	NED	N/A	Mina Infante	23 Nov. 1993	2-Dec-2014	Annual Stock-holders' Meeting	22
Bernard Vincent O. Dy	NED	Ayala Land, Inc. (ALI)	ALI	24 Feb. 2016	24 Feb. 2016	Special Board Meeting	0
Jose Emmanuel H. Jalandoni	ED	ALI	ALI	24 Feb. 2016	24 Feb. 2016	Special Board Meeting	0
Maria Rowena M. Tomeldan	NED	ALI	ALI	26 Feb. 2016	26 Feb. 2016	Special Board Meeting	0
Rex Ma. A. Mendoza	ID	N/A	Mina Infante (no relation to Mr. Mendoza)	26 Feb. 2016	26 Feb. 2016	Special Board Meeting	0
Victor C. Say	NED	N/A		30 Aug. 1989	- do - (5 years served as ID- first elected as ID in Oct. 2009) Elected as non-executive director on 26 Feb. 2016	Special Board Meeting	26
Ricardo J. Romulo	ID	N/A	Mina Infante (no relation to Atty. Romulo)	6 Nov. 1997	-do- (12 years served- first elected as ID in March 2002)	Annual Stock-holders' Meeting	18

(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.*

Section 3 of the Company's Revised Manual on Corporate Governance (revised as of July 2014) (the "Manual") provides:

> *"The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.*
>
> *All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the Corporation."*

Pursuant to the foregoing, Section 4.2.1.7 of the Manual mandates the Board of Directors to, among others, "formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board" and "establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation".

In line with the policy on transparency, Section 7.2 of the Manual states:

> *"The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets.*
>
> *All material information, i.e., anything that could potentially adversely affect the viability of the Corporation or interests of the stockholders shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership."*

Further, Section 4.2.1.8 of the Manual mandates directors to immediately disclose an actual or potential conflict of interest and to refrain from the decision-making process thereon.

The Manual likewise reflects the Corporation's policy of recognizing and respecting the rights of its minority shareholders, as it provides for cumulative voting, power of inspection of corporate books and records, the right to periodic reports, dividends, and the right of appraisal. In addition, Section 8.1.8 of the Manual states:

> *"Although all stockholders should be treated equally or without discrimination, the Board should, as far as practicable, give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. The Board shall determine which matters are proper for inclusion in the agenda for stockholders' meetings."*

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

The Board reviews and approves the Corporation's vision and mission as may be necessary in response to the changing business environment. The Corporation's vision and mission was last reviewed in 2010.

(d) Directorships in Other Companies

(i) Directorship in the Company's Group

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.

Director's Name	Company Name of the Group Company	Type of Directorship (Executive (E), Non-Executive (NE), Independent (ID))
Felipe U. Yap	FLT Prime Insurance Corporation	NE
	Orion Land Inc.	NE
	Tutuban Properties, Inc.	NE
Jose Emmanuel H. Jalandoni	Orion Land Inc.	NE
	Tutuban Properties, Inc.	NE
Maria Rowena M. Tomeldan	Orion I Holdings Philippines, Inc.	E
	FLT Prime Insurance Corporation	E
	ZHI Holdings, Inc.	E
	Orion Solutions, Inc.	E
	Orion Land Inc.	E
	Tutuban Properties, Inc.	E
	Orion Property Development, Inc.	E
	TPI Holdings Corporation	E
	OE Holdings, Inc	E
	Orion Maxis Inc	E
	Orion Beverage, Inc.	E
	Luck Hock Venture Holdings, Inc.	E
	Lepanto Ceramics, Inc.	E
Rex Ma. A. Mendoza	FLT Prime Insurance Corporation	ID

(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 (ED), Non-Executive (NED), Independent (ID)). Indicate if director is also Chairman
1. Felipe U. Yap	a. Lepanto Consolidated Mining Company	ED – Chairman
	b. Manila Mining Corporation	ED – Chairman
	c. Zeus Holdings, Inc.	NED – Chairman
2. Bernard Vincent O. Dy	a. Cebu Holdings, Inc.	NED-Chairman
	b. Cebu Property Ventures and Development Corporation	NED-Chairman
	c. ALI	ED
3. Ricardo J. Romulo	a. Cebu Air, Inc.	NED – Chairman
	b. JG Summit Holdings, Inc.	NED

(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
Felipe U. Yap	Lepanto Consolidated Mining Company (LCMI)	Chairman of LCMI
Bernard Vincent O. Dy	ALI*	President of ALI
Jose Emmanuel H.	ALI	Senior Vice President of

Jalandoni		ALI
Maria Rowena M. Tomeldan	ALI	Vice President of ALI

*POPI filed for increase in authorized capital to cover the ALI Subscription of 2.5 billion shares of stock

(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.*

Section 4.2.1.3 of the Manual provides:

> "The Board may consider the adoption of guidelines on the number of directorships that its members can hold. The optimum number of directorships should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities."

Further, Section 4.2.2.1.3 of the Manual provides:

> "The CEO and other executive directors may submit themselves to a low indicative limit on membership in other corporate boards. The same low limit may 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."

The members of the Board have not exceeded the limit of five board seats in other publicly-listed companies.

(c) Shareholding in the Company

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

Name of Director	**Number of Direct Shares**	**Number of Indirect Shares/Through (name of record owner)**	**% of capital stock**
Felipe U. Yap	3,010,000 + 3,584,000**	0	0.27%
Bernard Vincent O. Dy	1	0	-
Jose Emmanuel H. Jalandoni	1	0	-
Maria Rowena M. Tomeldan	1	0	-
Rex Ma. A. Mendoza	1	0	-
Victor C. Say	21,500,000 + 3,072,000**	2,000,000 (Cualoping Securities, Inc.)	1.1%
Ricardo J. Romulo	1 + 3,072,000**	0	0.13%

** Common shares of stock subscribed under POPI's Stock Employees Ownership Plan; shares are partially paid and subject to listing

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 the CEO:

Chairman of the Board	Bernard Vincent O. Dy
CEO/President	Jose Emmanuel H. Jalandoni

(b) Roles, Accountabilities and Deliverables

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

	Chairman	**Chief Executive Officer**
Role	1) Preside at all meetings of the stockholders and directors and exercise such other powers and perform such other duties as are incident to his office or assigned to him by the Board of Directors from time to time 2) Submit an annual report of the operation of the Corporation to the stockholders at the annual meeting, and to the Board of Directors, such statements, reports, memorandum and accounts as the latter may request from time to time, unless the President delivers such annual report himself. 3) Sign stock certificates 4) Perform such other duties as may be incident to his office or assigned to him by the Board from time to time.	1) In the absence or incapacity of both the Chairman and Vice Chairman, preside at meetings of the stockholders or the Board of Directors. 2) Exercise general management and supervision of the affairs of the Corporation, except as otherwise prescribed by the Board. 3) In the absence of the Chairman, submit an annual report of the operation of the Corporation to the stockholders at their annual meeting, and to the Board of Directors, such statements, reports, memoranda and accounts as the latter may request from time to time. 4) Sign stock certificates, as he may be authorized by the Board.
Accountabilities	1) Meetings of the Stockholders and Board of Directors 2) Dissemination of material information to the Stockholders and the Board of Directors 3) Responsible for matters as may be assigned to him by the Board	1) Meetings of the Stockholders and Board of Directors in the absence of the Chairman and Vice-Chairman 2) Dissemination to the Stock-holders and the Board of Directors of information on the status of the affairs/operations of the Company.
Deliverables	Proper conduct of meetings of the Stockholders and Board of Directors.	1) Proper conduct of meetings of the Stockholders and Board of Directors in the absence of the Chairman and Vice-Chairman. 2) Ensure that the Corporation is geared towards the attainment of its vision and mission 3) Profitable business operations in accordance with policies laid down by the Board of Directors.

		4) Report to the Board the results of the Corporation's operations

3) *Explain how the Board of Directors plans for the succession of CEO/Managing Director/President and the top key management positions.*

The key officers are chosen based on their qualifications and competencies after due evaluation by the Board. The Human Resources Department (HRD) of the Corporation is tasked to develop a plan for succession of 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.

The Corporation's Board of Directors is composed of a diverse mix of individuals – with accounting, legal or business background, consistent with its policy to ensure diversity of experience and background of directors.

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. Section 4.2.1.5 of the Manual requires the Company's directors to have a practical understanding of the Corporation or relevant business experience. In addition Section 4.2.1.8 (v) of the Manual requires directors to have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the requirements of the Commission and other regulatory agencies, to be able to meaningfully contribute to the work of the Board.

The non-executive director, Mr. Victor C. Say is the Chairman of Onetree Holdings, Inc., a holding company with purpose similar to that of the Company. Mr. Say was formerly connected with a securities broker company and is familiar with requirements of listed companies.

The independent director, Atty. Ricardo J. Romulo, has extensive experience as director of holding companies as he is currently a director of a listed holding company, JG Summit Holdings, Inc.; he used to be a director of another listed company, SM Development Corporation, for many years.

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

	Executive	**Non-Executive**	**Independent Director**
Role	Manage the operations of the Company in accordance with policies and principles laid down by the Board and ensure that the Board lays down policies and makes business decisions that are sound, sustainable, and compliant with the principles of good corporate governance and applicable laws.	Ensure that the Board lays down policies and makes business decisions that are sound, sustainable, and compliant with the principles of good corporate governance and applicable laws and regulations.	Provide an independent and objective voice in the deliberations of the Board, guided by principles of good corporate governance and applicable laws and regulations.
Accountabilities	Compliance with principles of good governance and	Compliance with principles of good governance and	Compliance with principles of good governance and

	formulation of sound business strategies and policies. Wise and profitable use of Company resources, bearing in mind the interest of the Company's stockholders.	formulation of sound business strategies and policies.	formulation of sound business strategies and policies.
Deliverables	Religious attendance in Board meetings and effective participation therein leading to sound, responsive and appropriate business strategies and policies. Profitable operations, and sustained competitiveness.	Religious attendance in Board meetings and effective participation in the deliberations therein, leading to sound, responsive and appropriate business strategies and policies.	Religious attendance in Board meetings and effective, objective, and independent participation in the deliberations therein, leading to sound, responsive and appropriate business strategies and policies.

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

Under Article III, Section 2 of the Corporation's By-laws:

> "An independent director shall hold no interests or relationships with the company that may hinder his independence from the company or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director."

The current independent directors of the Corporation have no interests or relationships with the Corporation which may hinder their independence or interfere with their exercise of independent judgment. The different views and opinions expressed by the directors during the meetings are considered.

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 additional four years? Please explain.

The Corporation follows the Securities and Exchange Commission (SEC) Memorandum Circular No. 9, Series of 2011 (which took effect on 2 January 2012) which set a term limit for independent directors – five years starting 2 January 2012, two years "cooling off" period and re-election for another five years.

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:

There were no changes in the composition of the Board of Directors in the fiscal year 2013-2014. All the directors were re-elected for FY 2014-2015.

There were changes in the composition of the Board of Directors as a result of the entry of ALI on 24 February 2016.

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

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

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors (ii) Non-Executive Directors	Candidates for directorships are pre-screened by the Nomination Committee. The directors are elected during the Annual Stockholders' Meeting, and appointed to executive positions, if any, during the Organizational Meeting that immediately follows.	The Nomination Committee is guided by the Manual and Sec. 27 of the Corporation Code in determining the qualifications and disqualifications (permanent or temporary) of nominees to the Board of Directors.
(iii) Independent Directors	The Nomination Committee receives the nomination letters for the independent directors from stockholders and pre-screens them. Pursuant to the By-Laws, five regular directors and two independent directors who receive the highest number of votes from the stockholders present (in person or by proxy) during the annual stockholders' meeting are elected for a period of one year and shall serve until the election and acceptance of their duly qualified successors.	The independent directors may hold office provided they possess all of the qualifications and none of the disqualifications provided in the Corporation's By-Laws and Manual for a period of five consecutive years. Thereafter, he may be re-elected as independent director for another five years after a two-year cooling-off period.
b. Re-appointment		
(i) Executive Directors	Same as (a) above	Same as above
(ii) Non-executive Directors	The non-executive directors are elected by the stockholders.	
(iii) Independent Directors	The independent directors are elected by the stockholders.	
c. Permanent Disqualification		
(i) Executive Directors (ii) Non-executive Directors (iii) Independent Directors	The Nomination Committee passes upon the qualifications of the directors as provided in the Manual.	The grounds for disqualification are set forth in the Manual and other applicable issuances of the SEC and provisions of the Corporation Code
d. Temporary Disqualification		
(i) Executive Directors (ii) Non-executive Directors (iii) Independent Directors	Same as (a) above	Same as above
e. Removal		
(i) Executive Directors (ii) Non-Executive Directors	As provided in the Manual and in accordance with Section 28 of the Corporation Code, any director may be removed from office by the vote of stockholders holding or	The stockholders may remove directors with or without cause; Provided that removal without cause may not be used to deprive the minority stockholders of the

	representing two thirds (2/3) of the stockholders entitled to vote at a regular or special meeting duly called for the purpose, after due notice to the stockholders of the intention to propose such removal at the meeting.	right of representation to which they may be entitled (Section 8.1.2.3 of the Manual and Section 24 of the Corporation Code)
(iii) Independent Directors	In addition to the above, an independent director may be removed if he possesses any of the grounds for disqualification.	The grounds for disqualification are provided in the Manual and the issuances of the SEC and provisions of the Corporation Code.
f. Re-instatement		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	Same as (a) above.	
g. Suspension		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	No definite process for suspension of directors has been set.	No criteria set for suspension of directors.

Voting Result of the last Annual Stockholders' Meeting (ASM)

Name of Director	Votes Received
Felipe U. Yap	1,601,618,444
David C. Go*	1,601,618,444
Yuen Po Seng*	1,601,618,444
Ronald P. Sugapong**	1,601,618,444
Daisy L. Parker**	1,601,618,444
Victor C. Say	1,601,618,444
Ricardo J. Romulo	1,601,618,444

*resigned as director on 26 February 2016
**resigned as director on 24 February 2016

6) *Orientation and Education Program*

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

As provided in Section 6.2 of the Manual, a director shall, before assuming such position, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

(b) *State any in-house training and external courses attended by Directors and Senior Management* for the past three years.*

Director	Date	Forum/Seminar/Course
Felipe U. Yap	10-12 Feb. 2015	Citi Asia Pacific Investor Conference
Bernard Vincent O. Dy	9 December 2015	Corporate Governance
	19 Oct. 2015	Quotes and Soundbites
	18 Feb. 2015	Corporate Governance Summit
	16 Aug. 2013	Design and Build
Jose Emmanuel H. Jalandoni	18 Feb. 2015	Corporate Governance
	19 Oct. 2015	Quotes and Soundbites
	16 Aug. 2013	Design and Build
Maria Rowena M. Tomeldan	9 Dec. 2015	Corporate Governance

	18 June 2013	Si Juan at Maria Ngayon: Understanding the ECO Class C/Upper D Consumers
Rex Ma. A. Mendoza	2015	Corporate Governance Program Ayala Group
	2014	Business Integrity and Leadership
	2013	Corporate Governance, Compliance and Business Ethics
Ricardo J. Romulo	20 May 2015	Earthquake Resilience: Collaboration and Coordination in Preparedness and Response
	26 Mar. 2015	Investing in Judicial Reform
	4 Feb. 2015	Rising Sun: Specific Policy Options for the Philippines and United States
	30 Jan. 2015	Global Challenges and US-Philippines Relations: Views from Washington
	22 Jan. 2015	The Harvard Asia Center and the Harvard University's Growing Engagement in Southeast Asia

*Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Felipe U. Yap	27 October 2015	Corporate Governance	SyCip Gorres Velayo & Co. (SGV)
Bernard Vincent O. Dy	8 March 2016	Corporate Governance	Institute of Corporate Directors (ICD)
Jose Emmanuel H. Jalandoni	8 March 2016	Corporate Governance	ICD
Maria Rowena M. Tomeldan	8 March 2016	Corporate Governance	ICD
Victor C. Say	28 August 2014	Corporate Governance	ROAM
Ricardo J. Romulo	25 November 2015	Corporate Governance	SGV
	8,9,15,16,22 May 2015	Mandatory Continuing Legal Education	UP Law Center Institute for Judicial Administration of Justice
Rex Ma. A. Mendoza	8 March 2016	Corporate Governance	ICD

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	If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making	The Corporation's Employees' Policy Manual prohibits an officer or employee from engaging in any activity or entering into any transaction where a potential conflict of interest	The Corporation's Employees' Policy Manual prohibits an officer or employee from engaging in any activity or entering into any transaction where a potential conflict of interest may arise.

	process. A director who has a continuing material conflict of interest should consider resigning from his position. A conflict of interest is considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company. *(Sec. 4.2.1.8 (i) of the Manual; Sec. 2.1, Conflict of Interest Policy)* The Company has adopted a Full Business Interest Disclosure Form which the directors have to accomplish upon election. The Company follows the provisions of Sections 32 and 33 of the Corporation Code on dealings of directors and officers. *(Secs. 2.1 and 2.2, Related Party Transactions Policy)*	may arise. The Company has adopted a Full Business Interest Disclosure Form to be accomplished by incoming officers as part of pre-employment requirements which includes, among others, a declaration under the penalty of perjury of all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired. *(Sec. 4.2.2.2.2 of the Manual)* An officer should not use his position to profit or gain some benefit or advantage for himself or his related interests. He should avoid situations which may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of an officer, he should immediately disclose it and should not participate in the decision-making process. An officer who has a continuing material conflict of interest should consider resigning from his position. *(Sec. 2.1, Conflict of Interest Policy)* An employee is expected to exercise corporate citizenship and protect corporate interest by conducting business affairs in fairness, honesty and in compliance with the law. He shall not use his position to profit or gain some benefit or advantage for himself or his related	An employee is expected to exercise corporate citizenship and protect corporate interest by conducting business affairs in fairness, honesty or in compliance with the law. He shall not use his position to profit or gain some benefit or advantage for himself or his related interests. *(Sec. 2.2, Conflict of Interest Policy; Sec. 2.3 Related Party Transactions Policy)* An employee should not engage, participate or involve oneself directly or indirectly in any transaction, undertaking or business enterprise where such engagement, participation or involvement is in conflict with, or is improper or undesirable to the interest of the Company. (*Sec. 2.3, Related Party Transactions Policy*)

		interests. *(Sec. 2.2 Conflict of Interest Policy; Sec. 2.3, Related Party Transactions Policy)*	
(b) Conduct of Business and Fair Dealings	A director should not use his position to profit or gain some benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality. *(Sec. 4.2.1.8 (i) of the Manual)*	The Corporation's Employees' Policy Manual prohibits an officer or employee from using his position to profit or gain benefit or advantage for himself or related interests.	The Corporation's Employees' Policy Manual prohibits an officer or employee from using his position to profit or gain benefit or advantage for himself or related interests.
(c) Receipt of gifts from third parties		The Corporation's Employees' Policy Manual regulates the receipt of officers and employees of exorbitant gifts. He should exercise utmost discretion in accepting personal favor or gifts from individuals or entities seeking to do business with the Corporation and refuse gifts that may be considered as a form of bribery of any form. *(Sec. 2.2, Conflict of Interest Policy)*	The Corporation's Employees' Policy Manual regulates the receipt of officers and employees of exorbitant gifts. He should exercise utmost discretion in accepting personal favor or gifts from individuals or entities seeking to do business with the Corporation and refuse gifts that may be considered as a form of bribery of any form. *(Sec. 2.2, Conflict of Interest Policy)*
(d) Compliance with Laws and Regulations	The Board shall ensure that the Company complies with all relevant laws, regulations and codes of business practices. *(Sec. 4.2.1.7 (c) of the Manual)*	The Corporation's Employees' Policy Manual provides that the officers and employees of the Corporation shall comply with the laws and regulations and codes of business practices.	The Corporation's Employees' Policy Manual provides that the officers and employees of the Corporation shall comply with the laws and regulations and codes of business practices.
(e) Respect for Trade Secrets/Use of Non-Public Information	A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position. He should not reveal confidential information to unauthorized persons without the authority of the Board. *(Sec. 4.2.1.8 (vi) of the Manual)* Directors, officers and employees of the Company who in the	The Corporation's Employees' Policy Manual requires officers and employees to respect trade secrets/use of non-public information. Directors, officers and employees of the Company who in the course of their work or relationship with the Company which have not been disclosed to the	The Corporation's Employees' Policy Manual requires officers and employees to respect trade secrets/use of non-public information. Directors, officers and employees of the Company who in the course of their work or relationship with the Company which have not been disclosed to the public, including

	course of their work or relationship with the Company which have not been disclosed to the public, including information likely to affect the market price of the Company's securities, are prohibited from buying or selling the Company's securities. Material Information refer to: (1) such information necessary to enable the Company and general public to appraise their position and standing; (2) such information necessary to avoid a false market; and (3) such information which may reasonably be expected to affect market activity and price of the Company's securities. *(Secs. 1 and 2.1 (b), Insider Trading Policy of POPI)*	public, including information likely to affect the market price of the Company's securities, are prohibited from buying or selling the Company's securities. Material Information refer to: (1) such information necessary to enable the Company and general public to appraise their position and standing; (2) such information necessary to avoid a false market; and (3) such information which may reasonably be expected to affect market activity and price of the Company's securities. *(Secs. 1 and 2.1 (b), Insider Trading Policy of POPI)*	information likely to affect the market price of the Company's securities, are prohibited from buying or selling the Company's securities. Material Information refer to: (1) such information necessary to enable the Company and general public to appraise their position and standing; (2) such information necessary to avoid a false market; and (3) such information which may reasonably be expected to affect market activity and price of the Company's securities. *(Secs. 1 and 2.1 (b), Insider Trading Policy of POPI)*
(f) Use of Company Funds, Assets, and Information	A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness (*Sec. 4.2.1.8 of the Manual.)*	The Management is tasked to formulate, under the supervision of the Audit Committee, a system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company.	The Corporation's Employees' Policy Manual provides guidelines for the handling of company property. The Employees Handbook prescribes penalties for use of company tools, materials and equipment without authorization, as well as for theft or robbery of company property and funds.
(g) Employment & Labor Laws & Policies	The Board shall ensure that the Company complies with all relevant laws, regulations and codes of business practices, including labor laws.	Management ensures that Company benefits and employee policies are compliant with the Labor Code and other relevant laws.	Employee benefits are compliant with the Labor Code
(h) Disciplinary Action	Section 4.2.1.6(2) of the Manual provides for grounds for temporary disqualification of directors.	The Corporation's Employees' Policy Manual and Code of Ethics enumerate the grounds for, and nature of, disciplinary action covering officers and employees.	The Corporation's Employees' Policy Manual and Code of Ethics enumerate the grounds for, and nature of, disciplinary action covering officers and employees.

(i) Whistle Blower	The Corporation's Policy on Whistle Blowing provides for the grounds and procedure for reporting suspected misconduct or irregularities in the Corporation. The policy aims to encourage directors, officers, employees, suppliers, business partners, contractors and subcontractors to come forward and report serious concerns about any suspected misconduct, malpractice, irregularity or a risk involving the Company. The Whistle-blower will be protected from reprisals, harassment, victimization, or unwarranted disciplinary action, unfair dismissal even if the concerns raised turned out to be unsubstantiated, as long as the report is made in good faith believing the disclosure to be true and is not made maliciously or for personal gain. The Corporation reserves the right to take appropriate actions against anyone who initiates or threatens to retaliate against those who have raised concerns under this Policy.	The Corporation's Policy on Whistle Blowing provides for the grounds and procedure for reporting suspected misconduct or irregularities in the Corporation. The policy aims to encourage directors, officers, employees, suppliers, business partners, contractors and subcontractors to come forward and report serious concerns about any suspected misconduct, malpractice, irregularity or a risk involving the Company. The Whistle-blower will be protected from reprisals, harassment, victimization, or unwarranted disciplinary action, unfair dismissal even if the concerns raised turned out to be unsubstantiated, as long as the report is made in good faith believing the disclosure to be true and is not made maliciously or for personal gain. The Corporation reserves the right to take appropriate actions against anyone who initiates or threatens to retaliate against those who have raised concerns under this Policy.	The Corporation's Policy on Whistle Blowing provides for the grounds and procedure for reporting suspected misconduct or irregularities in the Corporation. The policy aims to encourage directors, officers, employees, suppliers, business partners, contractors and subcontractors to come forward and report serious concerns about any suspected misconduct, malpractice, irregularity or a risk involving the Company. The Whistle-blower will be protected from reprisals, harassment, victimization, or unwarranted disciplinary action, unfair dismissal even if the concerns raised turned out to be unsubstantiated, as long as the report is made in good faith believing the disclosure to be true and is not made maliciously or for personal gain. The Corporation reserves the right to take appropriate actions against anyone who initiates or threatens to retaliate against those who have raised concerns under this Policy.
(j) Conflict Resolution	Conflicts are resolved by the Board as a body in accordance with the voting requirements provided in the Corporation Code and applicable laws	Conflicts are resolved through meetings/discussions of concerned parties.	Conflicts are resolved through meetings/ discussions of concerned parties. Conflicts are brought to the immediate manager of the parties or to the HRD for resolution.

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

The Corporation's Code of Ethics and Employees' Policy Manual have been disseminated to the senior management and employees to formally adopt a code of ethics. The Corporation's Corporate Governance Manual (revised as of July 2014) has been disseminated to the Board of Directors and at least one hard copy of the Manual has been distributed to each department.

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

The Corporation's HRD implements and monitors compliance by the senior management and employees with the Code of Ethics. The Corporation's Compliance Officer implements and monitors compliance by the Board of Directors with the Manual. The HRD is presently reviewing the Code of Ethics.

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.

Section 4.2.1.7 of the Manual mandates the Board of Directors to formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board. In addition, Section 7.2 of the Manual mandates the public disclosure of all material information, including related party transactions. On 2 December 2014, the Board of Directors approved the Related Party Transactions Policy of the Company.

Related Party Transactions	**Policies and Procedures**
(1) Parent Company	The Corporation has no parent company.
(2) Joint Ventures	The Corporation has no joint venture transactions at present.
(3) Subsidiaries	Transactions with subsidiaries are on arm's length basis similar to those with non-related parties. Transactions are reviewed and approved by the CEO.
(4) Entities Under Common Control	Transactions with entities under common control are on arm's length basis. Transactions are reviewed and approved by the CEO.
(5) Substantial Stockholders	Transactions with substantial stockholders are on an arm's length basis similar to those with non-related parties. Transactions are reviewed and approved by the CEO
(6) Officers including spouse/ children/siblings/parents	Transactions with officers are on arm's length basis similar to those with non-related parties. Officers disclose their business interests.
(7) Directors including spouse/ children/siblings/parents	Transactions with directors are on arm's length basis. Notice of related party transactions are to be given to the Board, which would review the same and decide whether to approve ratify or disapprove the same.
(8) Interlocking director relationship of Board of Directors	Transactions with interlocking directors are to be disclosed and are on an arm's length basis. Notice of related party transactions are to be

	given to the Board, which would review the same and decide whether to approve, ratify or disapprove the same. Pursuant to Section 33 of the Corporation Code of the Philippines, except in cases of fraud, and provided the contract is fair and reasonable under the circumstances, a contract between the Company and another corporation having interlocking directors shall not be invalidated on that ground alone, provided, that if the interest of the interlocking director in one corporation is substantial and his interest in the other corporation is merely minimal, he shall be subject to the provisions of Section 32 of the Corporation Code insofar as the latter corporation is concerned. (Stockholdings exceeding 20% of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.) Section 32 of the Corporation Code provides that a contract of the Company with one or more of its directors is voidable, at the option of the Company unless all of the following conditions are present: a. The presence of such director in the Board meeting in which the contract was approved was not necessary to constitute a quorum for said meeting; b. The vote of such director was not necessary for the approval of the contract; c. The contract is fair and reasonable under the circumstances; d. In the case of an officer, the contract with the officer has been previously authorized by the Board. When any of the first two conditions is absent, in the case of a contract with a director, such contract may be ratified by the vote of the stockholders representing 2/3 of the outstanding capital stock in a meeting called for the purpose; provided that full disclosure of the adverse interest of the directors involved is made at such meeting; provided further, that the contract is fair and reasonable. (Secs. 2.1 and 2.2, Related Party Transactions Policy of the Company)

(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.

There is no known actual or probable conflict of interest in which directors/officers and 5% or more shareholders may be involved.

(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	Full Business Interest Disclosure Form
Group	Full Business Interest Disclosure Form

5) *Family, Commercial and Contractual Relations*

(a) *Indicate, if applicable, any relation of a family, 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.*

There is no known relation of a family, commercial or business nature that exists between the holders of significant equity.

(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.*

There is no known relation of a commercial, contractual or business nature that exists between the holders of significant equity and the Company.

(c) *Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the Company.*

There is no shareholder agreement at this time involving the Company's shares of stock.

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 (ADR) System
Corporation & Stockholders	There were no conflicts with stockholders which the Corporation had to settle within the last three years.
Corporation & Third Parties	There were no conflicts or differences with third parties which had to be settled by the Corporation within the last three years.
Corporation & Regulatory Authorities	There were no conflicts with regulatory agencies which the Corporation had to settle within the last three years.

C. BOARD MEETINGS AND ATTENDANCE

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

The Board of Directors' meetings are scheduled at the beginning of the year and the schedule is sent by email to the directors. For CY 2014, the schedule of the Board meetings was as follows: 18 February 2014, 13 May 2014, 2 October 2014, 13 November 2014 and 2 December 2014.

For CY 2015, the schedule of Board meetings was as follows: 13 February 2015, 6 May 2015, 6 October 2015, 28 October 2015 and 2 December 2015.

The schedule of Board meetings for 2016 has not been finalized. The Board has had 8 meetings from the period of 1 January 2016 to 30 June 2016.

2) *Attendance of Directors* (for FY 1 July 2015- 30 June 2016)

Board	Name	Date of Election	No. of Meetings Held During the FY	No. of Meetings Attended	%
Vice Chairman	Felipe U. Yap	2 December 2014	15	15	100
Member	David C. Go *	2 December 2014	15	12	100^
Member	Yuen Po Seng*	2 December 2014	15	12	100^
Member	Ronald P. Sugapong**	2 December 2014	15	11	100^
Member	Daisy L. Parker**	2 December 2014	15	11	100^
Member	Victor C. Say	2 December 2014	15	15	100
Independent	Ricardo P. Romulo	2 December 2014	15	14	92
Chairman	Bernard Vincent O. Dy	24 February 2016	15	4	100^
Member	Jose Emmanuel H. Jalandoni	24 February 2016	15	4	100^
Member	Maria Rowena M. Tomeldan	26 February 2016	15	4	100^
Independent	Rex Ma. A. Mendoza	26 February 2016	15	4	100^

**resigned as director on 26 February 2016*
*** resigned as director on 24 February 2016*
^ attended all meetings since election or until resignation

3) *Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?*

The non-executive directors did not hold separate meetings during the year.

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

The Company follows Section 25 of the Corporation Code, which sets the minimum quorum requirement at majority of the Board of Directors. The same requirement is provided in the Company's By-Laws.

5) *Access to Information*

(a) *How many days in advance are board papers for Board of Directors meetings provided to the Board?*

As much as practicable, documents and resources needed for Board meetings are given to the directors at least five days prior to the date of the meeting.

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

Yes. Section 4.2.6 of the Manual states in part:

> *"To enable the members of the Board to properly fulfill their duties and responsibilities, management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.*
>
> *Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities.* ***Hence, the members of the Board shall be given independent access to Management and the Corporate Secretary****." (Emphasis supplied)*

(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?*

Under Section 4.2.3.4 of the Company's Manual, the Company Secretary has the following duties and responsibilities:

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees as well as official records of the Corporation;
- Be loyal to the mission, vision, and objectives of the Corporation;
- Work fairly and objectively with the Board, Management and stockholders;
- Have a working knowledge of the operations of the Corporation;
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting. Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings and ensure that members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so, and maintain records of the meetings;
- Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the Code, which include the filing with the Commission on the advisement letter on Directors' attendance within five days from the end of the Company's fiscal year and updating of the pertinent portion of the ACGR, and reporting on the attendance of directors and key officers in corporate governance seminar each year; and
- Report/give an update on the attendance of the directors in Board meetings each year.

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

Section 4.2.3.3 of the Manual requires the Company Secretary to possess administrative and interpersonal skills, some legal skills (if not the general counsel), and some financial and accounting skills. The Company Secretary, Atty. June Vee D. Monteclaro-Navarro, is a lawyer by profession and has extensive administrative and legal experience in her more than eighteen years as a corporate lawyer.

(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 Procedure**
Executive	The Corporation has no Executive Committee at this time.
Audit (renamed as Audit and Risk Management Committee)	Materials and agenda are given prior to the meeting
Nomination	Materials and agenda are given prior to the meeting
Compensation and Remuneration	Materials and agenda are given prior to the meeting

Other (specify)	Not Applicable

The Company follows the policy on Directors' access to information found in Section 4.2.6 of the Manual, which states:

> *"To enable the members of the Board to properly fulfill their duties and responsibilities, management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.*
>
> *Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members of the Board shall be given independent access to Management and the Corporate Secretary.*
>
> *The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.*
>
> *The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Corporation's expense.*

The Corporate Secretary attends meetings of the Board Committees and likewise provides the members thereof with all information and resources needed in preparation for the meetings.

6) *External Advice*

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

There is no procedure at present whereby directors can receive external advice. However, directors are free to secure external advice, if they deem such as necessary.

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.

The Board of Directors has not recently introduced any policy change.

D. REMUNERATION MATTERS

1) *Remuneration Process*
Disclose the process used for determining the remuneration of the CEO and the four most highly compensated management officers.

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Based on qualifications, tenure, performance and industry practice Yearly merit increase is provided based on the performance of the Group, subject to Board approval	Based on qualifications, tenure, performance and industry practice Yearly merit increase is provided based on the performance of the Group and in accordance with the established annual merit increase, subject to Board approval
(2) Variable remuneration	N/A	N/A

(3) Per diem allowance	Based on Company's performance, industry practice and as approved by the Board	Based on industry practice
(4) Bonus	Determined yearly based on the Company's performance and individual performance for the year, subject to Board approval	Determined yearly based on the Company's performance and individual performance for the year, subject to Board approval
(5) Stock options and other financial instrument	N/A	N/A
(6) Others (specify)	Director's Fee	Director's Fees for executive directors

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.*
The Human Resources Department of the Corporation implements the Corporation's policy on remuneration and structure of compensation package.

	Remuneration Policy	**Structure of Compensation Package**	**How compensation is Calculated**
Executive Directors	Based on qualification, tenure, performance and industry practice	Fixed compensation and bonus and Director's Fees	Yearly merit increase is provided based on the performance of the Group and in accordance with the established annual merit increase, subject to Board approval Director's fees are as may be approved by the Board, subject to the By-Laws and industry practice.
Non-executive Directors	Based on By-Laws	Director's Fees and bonus as may be approved by the Board	As may be approved by the Board

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 years.

The stockholders ratify at the annual stockholders' meeting, all the acts and resolutions of the Management and the Board of Directors, which includes the approval of director's fees.

Remuneration Scheme	**Date of Stockholders' Approval**
The stockholders granted authority to the Board of Directors to set per diems each year in accordance with the Company's By-Laws. Subject to the approval of the stockholders, the Board of Directors is authorized to fix the per diems of the directors attending Board meetings, Executive Committee meetings and other committee meetings. The amounts of the per diem shall be guided by reasonableness and industry practice. (Section 10, Article III of the By-Laws)	14 November 2005

An amount equivalent to five percent of net income before tax in each year shall be paid and distributed at the Board's discretion, to the members of the Board, the Executive Committee and officers of the Corporation (Section 12, Article III of the By-Laws).	

3) *Aggregate Remuneration* *(Amounts in millions)*

Complete the table on the aggregate remuneration accrued during the most recent year (in millions).

Remuneration Item	Executive Directors	Non-Executive Directors (other than Independent Directors)	Independent Directors
(a) Fixed remuneration	P27.03	N/A	N/A
(b) Variable remuneration	N/A	N/A	N/A
(c) Per diem allowance	P2.2	P0.6	P1.3
(d) Bonuses	P7.6	P0.5	P1.0
(e) Stock options and other financial instrument	N/A	N/A	N/A
(f) Others (specify)	N/A	N/A	N/A
Total	P36.8	P1.1	P2.3

Other Benefits	Executive Directors	Non-Executive Directors (other than Independent Directors)	Independent Directors
(1) Advances	N/A	N/A	N/A
(2) Credit granted	N/A	N/A	N/A
(3) Pension Plan/s Contributions	N/A	N/A	N/A
(4) Pension Plans., Obligations incurred	N/A	N/A	N/A
(5) Life Insurance Premium	P0.36	N/A	N/A
(6) Hospitalization Plan	P2.4	N/A	N/A
(7) Car Plan	N/A*	N/A	N/A
(8) Others (specify)	N/A	N/A	N/A
Total	P2.76		

*The Company provides a company car to the Executive Directors.

4) *Stock Rights, Options and Warrants*

(a) *Board of Directors*

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

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
Felipe U. Yap	3,584,000	-	3,584,000	0.15 %
David C. Go*	2,560,000	-	2,560,000	0.11
Yuen Po Seng*	2,560,000	-	2,560,000	0.11
Ronald P. Sugapong**	2,560,000	-	2,560,000	0.11
Daisy L. Parker**	2,560,000	-	2,560,000	0.11
Victor C. Say	3,072,000	-	3,072,000	0.13
Ricardo J. Romulo	3,072,000	-	3,072,000	0.13

**resigned as director on 26 February 2016*
***resigned as director on 24 February 2016*

(b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
Except for the Employees' Stock Option Plan which was approved by the stockholders on 14 December 2009, there were no incentive programs introduced, amended or discontinued. The terms and conditions of the 2009 stock option plan have yet to be determined. On 13 August 2015, the Board of Directors approved the Terms and Conditions of the Company's Stock Ownership Plan. A request for exemption from registration of the Plan was filed by the Company on 27 August 2015 with the SEC. The SEC, in its Resolution dated 6 November 2015, granted the request for exemption from registration of the 32 million common shares under the Employees' Stock Ownership Plan.	N/A	N/A

5) *Remuneration of Management*

Identify the five 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
Ma. Rhodora dela Cuesta/VP-Legal, Asst. Corp. Sec.	P7.06 M
Edwin M. Silang/AVP-Group Human Resources	
Victor V. Rafael/Manager-Corporate and Financial Planning Manager	

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 Responsibili-ties	Power
	Exec. Dir.	Non-Exec. Dir.	Indep. Dir.				

Audit and Risk Management Committee ("Audit and Risk Committee")		1	2	Audit Committee Charter	Assist the Board in the performance of its oversight responsibility over the Company's financial reporting system, internal control system, audit processes and compliance with applicable laws, rules and regulations	1. Financial statements and disclosures 2. Evaluation of internal controls and risk including information technology security 3. Review of internal and external audit 4. Coordinate and monitor compliance with legal and regulatory requirements	Access to records, properties and personnel to enable them to perform audit functions
				Risk Committee Charter	The Board Risk Committee is primarily responsible in providing advice to and assisting the Board in reviewing and recommending the Company's Risk Appetite, the Risk Management Statement and the Risk Management Framework to align with the Company's Risk Appetite and to support business objectives.	1. Ensure that the overall risk management policies and procedures exist for the Company. 2. Review the adequacy of the Company's risk management framework/ process. 3. Review the results of the annual risk assessment done by the Chief Risk Officer (CRO)/ Risk Management Officers (RMO), including the risks identified and the risk treatments, their impact on the Company's business. 4. Evaluate the risk assessment and treatment report submitted by the CRO on a periodic basis, which may include existing and identified possible risks faced by the Company and/	Access to records, properties and personnel to enable them to review the risk-related issues and to recommend the Risk Appetite and Risk Management Framework of the Company.

						or its subsidiaries as well as the risk treatment or action plans adopted by Management. 5. Monitor the Company's implementation of the various risk management activities and evaluate the effectiveness of the risk treatments and action plans, with the assistance of the internal auditors. 6. Meet with Management to discuss the Committee's observations and evaluation on its risk management activities.	
Nomination	1	1	1	Nomination Committee Charter	Shortlisting and Evaluation of qualifications of candidates nominated for election to the Board	Evaluation of candidates to the Board	Pre-screens and shortlists candidates for directorships based on the qualifications and disqualification for directors
Remuneration	1	1	1	Compensation and Remuneration Committee Charter	Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing remuneration packages of corporate officers, directors and employees	Develop compensation related policies	Develops and recommends remuneration policies for officers and employees

2) *Committee Members*

(a) *Audit and Risk Management Committee*

Office	Name	Date of Appointment	No. of Meetings Held during FY	No. of Meetings Attended	%	Length of Service in the Committee
Member	Ricardo J. Romulo	2 Dec. 2014	6	6	100	14 years
Member	Victor C. Say**	2 Dec. 2014	6	3	75*	6 years
Member	Ronald P. Sugapong**	2 Dec. 2014	6	4	100^	14 years
Chairman	Rex Ma. A. Mendoza*	1 Mar- 2016	6	2	100^	4 months
Member	Maria Rowena M. Tomeldan*	1 Mar-2016	6	2	100^	4 months

*attended all meetings since appointment or until resignation
*during his term as member of the committee
**Messrs. Say and Sugapong were replaced by Mr. Mendoza and Ms. Tomeldan on 1 March 2016.

Disclose the profile or qualifications of the Audit and Risk Committee members.

Atty. Ricardo J. Romulo, Filipino, 83, has been an Independent Director of the Company since 2002. A graduate of Harvard Law School, he is the Senior Partner of Romulo Mabanta Buenaventura Sayoc & de Los Angeles Law Offices. Positions in other companies that he currently holds are as follows:

- Chairman of Cebu Air, Inc. *(listed company*), Federal Phoenix Assurance Co. Inc., Sime Darby Pilipinas, Inc., Towers Watson Philippines, Inc. and Interphil Laboratories, Inc.
- Director of BASF Philippines, Inc., FLT Prime Insurance Corporation, Honda Philippines, Inc., Johnson & Johnson (Phils.), Inc., Maersk-Filipinas Inc., Zuellig Pharma Corporation, JG Summit Holdings, Inc. *(listed company*), Beneficial Life Insurance Company and MCC Transport Philippines, Inc.

Maria Rowena M. Tomeldan, Filipino, 53, is a Vice President of ALI since January 2005. She currently heads Operations and Support Services, Commercial Business Group. She is a cum laude graduate of Bachelor of Arts in Economics with Masters in Business Administration (MBA) at the University of the Philippines. She took the Executive Development Program at the Aresty Institute of Executive Education in Wharton University, Pennsylvania, USA. Her other significant positions include:

- Director of Bonifacio Global City Estate Association, ALI-CII Development Corporation, and Alabang Commercial Corporation
- Chairman of the Board of Directors of Ayala Land Malls, Inc. (formerly Solerte), Primavera Towncentre, Inc., Ayala Theatres Management, Inc., Five Star Cinema, Inc., Leisure and Allied Industries Phils., Inc., Cavite Commercial Town Centre Inc., Subic Bay Town Center, Inc., South Innovative Theatre Management, Inc., and North Beacon Commercial Corporation, Westview Commercial Ventures Corporation, and North Ventures Commercial Corporation
- Vice Chairman of the Board of Directors of Lagoon Development Corporation, and AyalaLand Metro North, Inc.
- President of ALI Commercial Center Inc., Soltea Commercial Corp, Cagayan De Oro Gateway Corporation, Station Square East Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc., Ecozone Power Management, Inc., Arvo Commercial Corporation, and Summerhill Commercial Ventures Corp.
- Executive Vice President of Accendo Commercial Corporation; Ayala Land Malls VisMin, Inc. and Governor of the Ayala Center Estate Association, Inc.
- Board member of the International Council of Shopping Centers (ICSC)-Asia Advisory Board and is a 2015 ICSC Trustees Distinguished Service Awardee.

Rex Ma. A. Mendoza, Filipino, Filipino, 53, is the founder and Managing Director of Rampver Financials, a financial services firm and the leading non-bank mutual funds distributor in the country. He was previously the Senior Adviser to the AIA Group CEO for Marketing and Distribution. AIA Group Limited is the leading Pan-Asian insurance company and is the parent firm of the Philippine American Life and General Insurance Company (PhilamLife). Prior to this position, he was the President and Chief Executive Officer of Philam Life, Chairman of The Philam Foundation, Inc., and Vice Chairman of

BPI Philam Life Assurance Company. Prior to rejoining Philam Life, he was Senior Vice President and Chief Marketing and Sales Officer of Ayala Land, Inc. He was also Chairman of Ayala Land International Sales, Inc., President of Ayala Land Sales, Inc., and Avida Sales Corporation. He has a Master's Degree in Business Management with distinction from the Asian Institute of Management and was one of the ten Outstanding Graduates of his batch at the University of the Philippines where he obtained a BSBA degree with a double major in marketing and finance. He was awarded Most Distinguished Alumnus of the University of the Philippines' Cesar E.A. Virata School of Business last December 2013. He is also a fellow with distinction at the Life Management Institute of Atlanta, Georgia, USA, a Registered Financial Planner and a four-time member of the Million Dollar Round Table. Mr. Mendoza was a professor of Marketing and Computational Finance at the De La Salle University Graduate School of Business. He taught strategic marketing, services marketing and services strategy. He has served as Chairman of the Marketing Department and was awarded as one of the University's most outstanding professors.

He currently serves as:

- Director of Globe Telecom, Inc. (*listed company*), The Freeport Area of Bataan, Esquire Financing, Inc., Seven Tall Trees Events, Inc., and the Cullinan Group
- Trustee of the Bataan Peninsula State College.

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

Under Section 4.2.2.3.2 of the Manual, the Audit and Risk Committee is tasked to perform oversight functions over the Company's external auditor. Pursuant thereto, prior to the commencement of audit, the Audit and Risk Committee discusses with the external audit the nature, scope and expenses of the audit. The Audit Committee reviews the reports submitted by the external auditor.

(a) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held During the FY	No. of Meetings Attended	%	Length of Service in the Committee
Member	Felipe U. Yap	2 Dec. 2014	2	2	100	14 years
Member	Yuen Po Seng**	2 Dec. 2014	2	2	100^	14 years
Member	Victor C. Say**	2 Dec. 2014	2	2	100^	7 years
Chairman	Jose Emmanuel H. Jalandoni**	1-Mar-2016	2	-	-	4 months
Member	Rex Ma. A. Mendoza**	1-Mar-2016	2	-	-	4 months

^attended all meetings since appointment or until resignation
-no committee meeting was held from 1 March 2016 to 30 June 2016
***Messrs. Yuen and Say were replaced by Messrs. Jalandoni and Mendoza on 1 March 2016

(c) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held During the FY	No. of Meetings Attended	%	Length of Service in the Committee
Member	Felipe U. Yap	2 Dec.2014	3	3	100	14 years
Member	Yuen Po Seng**	2 Dec. 2014	3	2	67*	14 years
Chairman	Jose Emmanuel H. Jalandoni**	1-Mar-2016	3	-	-	4 months
Member	Ricardo J. Romulo	2-Dec-2014	3	3	100	14 years

*during his term as member of the committee
-no committee meeting was held from 1 March 2016 to 30 June 2016
**Mr. Yuen was replaced by Mr. Jalandoni on 1 March 2016

3) *Changes in Committee Members*

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

On 1 March 2016, there were changes in the composition of the Board Committees due to the change of directors arising from the ALI subscription to POPI shares. The new members of the Board Committees are as stated in items E (2) (a),(b) and (c) above.

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
Audit and Risk Management Committee	Prepared and/or presented to the Board of Directors for approval the audited financial statements for Fiscal Year (FY 2014-2015) and the quarterly reports for FY 2014-2015; Conducted self-assessment of the performance of the Audit Committee Recommended the appointment of SGV as external auditor of the Company	There were no issues to be addressed
Nomination Committee	Confirmed the Final List of Nominees for Directors for FY 2014-2015	No issues to be addressed
Compensation and Remuneration Committee	Made recommendations for adjustment of salaries of executives and employees Recommended the directors' fee and Board Committee members' fee (for FY 2014-2015)	No issues to be addressed

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 Board Committees have no list of programs to undertake at this time as there are no new relevant governance issues to be addressed this year.

F. RISK MANAGEMENT PROGRAM

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.*
(e) *Where no review was conducted during the year, an explanation why not.*

The risk management policy of the Company is already developed while the implementation of the risk management system which includes identification of the risk exposure, possible risk treatment and control system are still ongoing. The risk management system which is currently being implemented by the different responsible departments within the Company is expected to be completed before the end of fiscal year 2016.

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	The Company is in the process of identifying possible treatments for risk exposures.	

(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	The Group's risk management system is being developed. The responsible departments are now identifying possible treatments for risk exposure.	

(c) *Minority Shareholders*

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

The Company implements cumulative voting of directors, prohibits the removal of a director if it would deny the minority shareholders representation in the Board (Section 8.1.2.3 of the Manual), and recognizes the appraisal right of shareholders (Section 8.1.7 of the Manual).

3) *Control System Set Up*

(a) *Company*

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Company.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
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		

(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
N/A		

G. INTERNAL AUDIT AND CONTROL

1) *Internal Control System*
Disclose the following information pertaining to the internal control system of the Company:

(a) Explain how the internal control system is defined for the Company.

Internal Control system is designed to provide reasonable assurance to the achievement of the objectives on the effectiveness and efficiency of operation, reliability of financial reporting, compliance with applicable laws and regulations, and safeguarding of the assets of the Company. These internal control systems are monitored and evaluated on a regular basis to ensure that they are functioning properly and effectively through a regular review of control environment, risk assessment, control activities, information and communication and monitoring.

Financial and Operational Control

The Company's disclosure controls and procedures include without limitation controls and procedures that are designed to ensure that information required to be disclosed in reports filed or submitted is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our Company's management, including the President and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Compliance

The Company's corporate compliance is managed by the Corporate Secretary and Internal Audit/Compliance Department. This unit endeavors to ensure that our policies, corporate decisions and business activities are done in compliance with prevailing law and regulations, both internal and external. The Company proactively implements compliance policies at the business unit level and the transactional level. Its compliance activities in 2015 included:

a. Supporting business activities with legal advice by delivering legal opinions on planned actions and issues in relation to their compliance with the applicable laws or regulations (legal advisory);
b. Conducting a risk and legal review of planned business initiatives, policies and planned cooperation (legal review of business & policy initiatives); and
c. Settlement of litigation and non-litigation cases (litigation).

Evaluation on the Effectiveness of Internal Audit
Management's Report on Internal Control over Financial Reporting

The Company's Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed by, or under the supervision of, our CFO, and executed by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS as issued by the IASB and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS, and that receipts and expenditures of our Company are being made only in accordance with authorizations of management and Directors of our Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our Company's assets that could have a material effect on the Consolidated Financial Statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate.

Under the supervision and with the participation of the Company's President, Chief Finance Officer and the Group Compliance, Management conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as of 30 June 2015. Based on this evaluation, Management has concluded that, as of 30 June 2015, the Company's disclosure controls and procedures were effective.

(c) Period covered by the review.
The review covers the period of 1 July 2014 to 30 June 2015.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system.

The internal controls are reviewed annually and based on the reports of the Audit Committee on the audit areas covered during the year.

(e) Where no review was conducted during the year, an explanation why not.
N/A

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role and scope of internal audit work and other details of the internal audit function.

The Internal Audit Function sees to it that the Company's key organizational and procedural controls are effective, appropriate, and complied with, and shall be guided by the International Standards on Professional Practice of Internal Auditing.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting Process
Active	Review and Evaluation of Control Functions-all Subsidiaries	In-house		Reports to President and Audit Committee
Active	Providing Assurance and Internal Consulting Service-All Subsidiaries	In-house		President and CFO
Active	Monitoring and Reporting Application of Control Functions-All Subsidiaries	In-house		President; CFO and Audit Committee

(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 and Risk Committee?*

Yes. Section 4.2.2.3.2 of the Manual tasks the Audit and Risk Committee to organize an internal audit department, and consider the appointment of an independent internal auditor and terms and conditions of its engagement and removal.

The Internal Audit Head is appointed and discharged by President and require the approval of the Audit and Risk 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?*

Sections 4.2.5.2 and 4.2.2.3.2 of the Manual provide that the internal auditor shall functionally report directly to the Audit and Risk Committee. In addition, Section 4.2.5.1 of the Manual provides that the Internal Auditor shall submit to the Audit and Risk Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit and Risk Committee. The internal auditor shall have unrestricted access to all the Corporation's records, properties and personnel to enable them to perform their audit functions.

Internal Audit is an independent unit to other units within the Company and reports directly to the President and Audit and Risk Committee.

(d) *Resignation, Re-assignment and Reasons*

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
No Audit Staff resigned in FY 2014-2015	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	Internal Audit completed the various audit activities and other consultancy services in accordance with the approved Audit Master Plan
Issues	Summarized issues and findings gathered during the audit process and discussed with auditees for resolution
Findings	
Examination Trends	Identified recurring issues and findings and initiated immediate corrective actions.

(f) *Audit Control Policies and Procedures*

Disclose all internal audit controls, policies and procedures that have been established by the Company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	**Implementation**
Investments and Capital Expenditures	Implemented
Revenue Cycle- Various Procedures	Implemented
Disbursements and Payment to Government Agencies	Implemented
Operation Policies and Procedures-complete	Implemented

(g) *Mechanism and Safeguards*

State the mechanism established by the Company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the Company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company).

Auditors (Internal and External)	***Financial Analysts***	***Investment Banks***	***Rating Agencies***
The Internal and External Auditors report directly to the Audit and Risk Committee. Their reports are approved by the Audit Committee and the Board of Directors. In addition, the Manual provides that: (i)The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency. (Section 4.2.7 (A) (v) of the Manual) (ii) The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence. (Section 4.2.7 (B) of the Manual) (iii) If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is	The Company does not perceive any need at this time to establish a mechanism to safeguard the independence of these entities.	The Company does not perceive any need at this time to establish a mechanism to safeguard the independence of these entities.	The Company does not perceive any need at this time to establish a mechanism to safeguard the independence of these entities.

incorrect or incomplete, he shall give his comments or views on the matter in the said reports. (Section 4.2.7 (B) of the Manual)			

(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.*

Section 7.1 of the Manual provides that the reports or disclosures required therein shall be prepared and submitted to the Commission by the responsible committee or officer through the Corporation's Compliance Officer. Hence, the Certification of the Company's compliance with the Manual is signed by the Corporate Secretary in her capacity as Compliance Officer, and by the President. However, pursuant to SEC Memorandum Circular No. 5, Series of 2013, the submission of the Certification of Compliance with the Manual was discontinued in 2013. In lieu thereof, the ACGR signed by the Chairman, President/CEO, Independent Directors and Compliance Officer shall be submitted by the Corporation starting June 2013 and every five years thereafter. The ACGR shall be updated yearly.

H. ROLE OF STAKEHOLDERS

1) *Disclose the Company's policy and activities relative to (a) customers' welfare, (b) supplier/contractor selection practice, (c) environmentally friendly value chain, (d) community interaction, (e) anti-corruption programs and procedures, and (f) safeguarding of creditors' rights.*

	Policy	**Activities**
Customer's welfare	Safety and Security	Compliance with government regulations
Supplier/contractor selection practice	Consider price bid and reliability of supplier	The Company gets the price bid of at least three (3) suppliers before an award is made.
Environmentally friendly value-chain	N/A	N/A
Community interaction	Corporate Social Responsibility (CSR) Policy	The Company, through its subsidiary, undertakes CSR initiatives in the communities within the area
Anti-corruption programmes and procedures	Company's Policies and Procedures on Employee Conduct	Enforcement in accordance with the Company's Policy Manual
Safeguarding creditors' rights	Refer to relevant agreements or contracts	Monitor contracts

2) *Does the Company have a separate corporate responsibility (CR) report/section or sustainability report/section?*

The Company includes a CSR report in its Annual Report.

3) *Performance-enhancing mechanisms for employee participation.*

(a) *What is the Company's policy for its employees' safety, health, and welfare?*

The Company seeks to provide services and programs designed to promote the well-being of employees such as health and safety, rest and recreation, economic security and family welfare.

The Company provides services and programs designed to care for the well-being of its employees. Programs for health, safety, and employee welfare are implemented to communicate and demonstrate a caring atmosphere in the work place.

The Company maintains a medical and wellness program which provides for in-patient and out-patient benefits for the employees. Employees undergo annual medical examinations for health maintenance. Medical consultations are also made available to the employees through the regular visits of a medical doctor in the office.

Furthermore, policies to promote a safe and healthy work environment have been established in accordance with the requirements of the Department of Labor and Employment.

Drug-Free Workplace Policy

The Company is committed to safeguard the well-being of its employees from the harmful effects of dangerous drugs on their physical and mental well-being by increasing employee awareness on the adverse effects of dangerous drugs and by monitoring employees who are susceptible to drug abuse.

Workplace Policy and Program on Hepatitis B

The aim of this Policy is to ensure that the employees' right against discrimination and confidentiality is maintained. This Policy also enlightens the employees of their role as well as the Company's role in dealing with Hepatitis B.

Workplace Policy and Program on Tuberculosis (TB) Prevention and Control

The purpose of this Policy is to address the stigma attached to employees with TB and to ensure that the employee's right against discrimination, brought by the disease, is protected. This Policy also intends to facilitate free access to anti-TB medicines of affected employees through referrals.

HIV and AIDS Policy

The purpose of this Policy is to provide information and guidance in the diagnosis, treatment and prevention of HIV/AIDS in the workplace to the employees. This Policy also intends to address the stigma attached to employees with HIV/AIDS and make sure that the workers' right against discrimination and confidentiality is maintained.

Anti-Sexual Harassment Policy

The Company values the dignity of its human resources and guarantees full respect for its employees, trainees or applicants for employment. The Company likewise commits to maintain a work environment free from sexual harassment and all forms of sexual intimidation and exploitation, and it will not tolerate harassment of its employees (either male or female) by anyone, including any of its officers, managers, supervisors, vendors, clients or customers.

Breastfeeding Policy

The Company recognizes the importance of breastfeeding for both mother and baby and hereby supports and promotes breastfeeding for its mother-employees. The Company provides facilities and the support necessary to enable mothers in their employment to balance breastfeeding / breast milk expression with their work.

Other initiatives to promote wellness include learning sessions, sports programs, recreational activities such as outings, and other company events that also foster camaraderie and cooperation among the employees.

The Company also participates in fire and earthquake drills, in coordination with the office building administrator and the Company's Safety Committee headed by a Certified First Aider.

Training

Training efforts focus on the three core areas: 1) Personal Effectiveness; 2) Functional / Professional Skills; and 3) Leadership Skills.

The Company stages in-house programs through the Group Training Curriculum and the Management Coffee Sessions.

The Group Training Curriculum is envisioned to be a venue where all employees can be equipped with core, common and critical skills within the Group.

As part of the Company's culture-building initiatives, the HRD conducts or holds Management Coffee Sessions with the objective of facilitating informative and interactive discussions among the leaders of the Group on various topics of leadership, management and the business landscape.

The Company also sends its employees to public seminars to continuously equip them with the necessary technical or functional knowledge and expertise necessary for meeting the present and future demands for achieving the business objectives of the Company.

(b) *Show data relating to health, safety and welfare of its employees.*

The Company conducts an annual medical examination for primary and secondary prevention of diseases and to promote healthy behavior among the employees. The top 1 illness based on the recent annual medical examination (19 March 2014) is Obesity/Overweight. Results of the annual medical examination show:

Levels of Fitness	Percentage of Employees
Class A (Physically Fit)	3.71%
Class B (Physically Fit but with minor ailment conditions)	62.96%
Class C (with non-disabling conditions that must be controlled and maintained by medication)	33.33%
Class D (Unfit to Work)	0%
Pending (To undergo medical examination)	0%

(c) *State the Company's training and development programmes for its employees. Show the data.*

The Company promotes employee learning, education and growth through training and development programs to equip them with a whole range of knowledge, skills and experiences in the areas of personal effectiveness, functional/job-related competencies and leadership development for effective performance in their current and future jobs. Training programs include:

(i) Management Coffee Sessions – around 70 supervisors and managers attend regular learning sessions in the area of leadership development
(ii) Group Training Program – around 20 employees attend regular courses that focus on competencies that are core, critical and common to all employees in the Group
(iii) Functional Training – based on identified training needs, employees attend public seminars that focus on enhancing their specific job-related competencies.

(d) *State the Company's reward/compensation policy that accounts for the performance of the Company beyond short-term financial measures.*

It is the policy of the Company to manage work performance through a year-round process of helping and guiding people to achieve desired results. Our Performance

Management System (PMS) aims to systematically and periodically monitor results against established individual or organizational goals and thus improve the overall performance and potentials of the Company and its employees. The system allows the Company to be linked to employee rewards and compensation. Performance of the individual, department and the company as a whole bears the greatest weight in determining annual merit increases.

4) *What are the Company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.*

In accordance with the Company's Policies and Procedures on Employee Conduct, the Company adheres to the policies of fair and consistent implementation of its regulations and the procedural due process in handling complaints by employees concerning illegal and ethical behavior and in ensuring their protection from retaliation.

I. DISCLOSURE AND TRANSPARENCY

1) *Ownership Structure*

(a) *Holding 5% shareholding or more** *(as of 30 June 2016)*

Shareholder	No. of Shares	Percent	Beneficial Owner
PCD Nominee Corp. (Filipino)	1,683,392,444	70.287%	Various Clients
Lepanto Consolidated Mining Co.	180,000,000	7.511%	NA
F.Yap Securities, Inc.	157,254,100	6.562%	Various Clients

*Based on the report as of 30 June 2016 of Stock and Transfer Agent, BDO Unibank, Inc.-Securities Services and Corporate Agencies Dept.

On 24 February 2016, ALI subscribed to 2.5 billion shares of stock of POPI (equivalent to 51.06% of the equity of the Company). The said shares will come from the increase in authorized capital stock filed by Company with the Securities and Exchange Commission.

Name of Senior Management	No. of Direct Shares	No. of Indirect Shares	% of Capital Stock
Jose Emmanuel H. Jalandoni	1	-	-
Ruby P. Chiong	0	-	-
Rhodora Estrella B. Revilla	0	-	-
June Vee D. Monteclaro-Navarro	0	-	-
Nimfa Ambrosia Perez-Paras	0	-	-
Roann F. Hinolan-Batoon	0	-	-

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	The Company's policy on whistle blowing is posted in its website.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors	Yes
Training and/or continuing education program attended by each director	No. With the ACGR, the Corporate Governance section in the Annual Report was discontinued as per SEC Memorandum Circular No. 5 Series of 2013. The subsequent trainings of directors were not included in the Annual Report but reported in the Consolidated Changes to ACGR.
Number of Board of Directors meetings held during the year	No. The number of Board meetings held in a year and the attendance details of the directors in such

	meetings are disclosed in the ACGR as the submission of Certification of Attendance of Directors was discontinued as per SEC Memorandum Circular No. 5 Series of 2013. The Compliance Officer submitted the report on the attendance of Directors in Board and Committee meetings for the fiscal year by way of advisement letter to the SEC last 4 July 2014 and disclosed as an update to the ACGR.
Attendance details of each director in respect of meetings held	No. See above.
Details of remuneration of the CEO and each member of the Board of Directors	No. The remuneration of the CEO and top 4 officers of the Company is reported as a lump sum amount. The total compensation paid to the members of the Board are reported in the General Information Sheet submitted by the Company each year.

3) *External Auditor's Fee*

Name of Auditor	Audit Fee (FY 2014-2015)	Non-Audit Fee
SGV and Co.	P2,787,160.32 (inclusive of VAT)	0

4) *Medium of Communication*

List down the mode/s of communication that the Company is using for disseminating information.

a) Disclosures to the SEC and PSE
b) Company Website
c) E-mail
d) Registered mail
e) Publication in newspapers of general circulation

5) *Date of release of audited financial report:* 9 October 2015

6) *Company Website*

Does the Company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	NA
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (By-Laws and Articles of Incorporation)	Yes

7) *Disclosure of Related Party Transactions (RPT)*

RPT	Relationship	Nature	Value (in Thousands) (FY 1 July 2014-30 June 2015)
Lepanto Ceramics, Inc.	Subsidiary	Advances	P5
Orion I Holdings			

Philippines, Inc.	Subsidiary	Advances	199,154
OE Holdings, Inc.	Subsidiary	Advances	34,089
FLT Prime Insurance Corp.	Subsidiary	Charges	72,968
Orion Property Development, Inc.	Subsidiary	Charges	79
Orion Maxis Inc.	Subsidiary	Charges	20,035
Tutuban Properties, Inc.	Subsidiary	Charges	58

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?

Section 7.2 of the Manual states:

> "All material information, i.e., anything that could potentially adversely affect the viability of the Corporation or interests of the stockholders shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership." (Emphasis supplied)

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 issued and outstanding stock of the Company having voting powers. (Art. III, Sec. 5 of the Company's By-Laws)

(b) *System used to approve corporate acts*

Explain the system used to approve corporate acts.

System Used	Stockholders' affirmative vote during a regular or special Stockholders' Meeting
Description	Majority vote of the stockholders are required to approve corporate acts.

(c) *Stockholders' Rights*

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under the Corporation Code	**Stockholders' Rights <u>not</u> in the Corporation Code**
Notice period of two weeks for regular stockholders' meetings and one week for special stockholders' meetings. (Section 50)	In practice, the Company provides its stockholders with the notice and agenda of the Annual Stockholders' Meeting at least fifteen business days from the date thereof.
No provision on the right of minority stockholders to propose holding of stockholders' meetings.	Minority stockholders may propose the items for discussion in the agenda that relate directly to the business of the Corporation.

Dividends

The Corporation has not declared any dividends in the last five years.

(d) Stockholders' Participation

1-7. 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.

During Annual or Special Stockholders' Meetings, after the Chairman has completed his report, stockholders are encouraged to ask questions and to give comments on any matter involving the Company. The Company ensures the attendance of the external auditors and relevant personnel during such meetings so that any and all answers that may be asked by stockholders may be given the appropriate response.
Before the end of the meeting, the Chairman asks if the stockholders have any questions.

8. State the Company policy of asking shareholders to actively participate in corporate decisions regarding:
(a) Amendments to the Company's constitution;
(b) Authorization of additional shares; and
(c) Transfer of all or substantially all assets, which in effect results in the sale of the Company

The Company complies with the procedures set forth in its By-Laws and the provisions of the Corporation Code and other regulations implemented by the SEC and the PSE.

For the Special Stockholders' Meeting on 20 October 2015, notice/agenda of the meeting and the explanation of each item to be taken up during the meeting were sent out to all the stockholders together with the Definitive Information Statement (SEC Form 20-IS). For this meeting, the Definitive Information Statement explained the purpose of the proposed amendments to the Articles of Incorporation, specifically, (a) increase in the authorized capital stock from P2.4 billion to P7.5 billion, and (b) increase in the number of directors from 7 to 9.

9. Does the Company observe a minimum of 21 business days for giving out of notices to the Annual/Special Stockholders' Meeting where items to be resolved by shareholders are taken up?

(a) Date of sending out notices: *29* September 2015 (Notice sent out with the Definitive Information Statement)

(b) Date of the Annual/Special Stockholders' Meeting: 20 October 2015

*10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting (SSM) (*held on 20 October 2015*).*

The following questions were raised by two stockholders during the SSM:

Question 1: What is the percentage of ownership of the Corporation in Cyber Bay Corporation (CBC)?

Answer : The Corporation used to have majority in CBC but a few years ago, a new investor came in and took over CBC. The investor bought the loans of CBC and converted the loans to equity. As a result, the Corporation's ownership in CBC is down to 10%.

Question 2: How much is the price for which ALI will buy the Corporation's shares?

Answer : ALI's entry price is P2.25 per share or a total of P5.625 billion representing about 51% of the Corporation. In other words, ALI will infuse about P5.6 billion and did not buy out any stockholder and will have 51% control of the Corporation.

Question 3: What is the term of payment of ALI for the Corporation's shares?

Answer : The payment is by cash. As soon as the initial payment is made, the Corporation will apply for increase in capital.

11-23. Results of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
"RESOLVED, That considering that copies of the minutes of the previous meeting of the stockholders have been earlier distributed to the stockholders, let the reading of the minutes of the previous stockholders' meeting dated 2 December 2014, be dispensed with and that the same be approved without reading."	100% of capital stock present in person or by proxy	0	0
"**WHEREAS**, Ayala Land, Inc. ("ALI") entered into an agreement with Prime Orion Philippines, Inc. (the "Corporation"), whereby ALI agreed to subscribe to 2.5 billion shares of stock of the Corporation for a total consideration of P5.625 billion (the "ALI Subscription"), subject to certain terms and conditions; **WHEREAS**, upon fulfillment of the terms and conditions, ALI shall proceed with the ALI Subscription; **WHEREAS**, the Corporation has, at present, an authorized capital stock of P2.4 billion divided into 2.4 billion common shares of stock with par value of P1.00 per share; hence, the need to increase its authorized capital stock to cover the ALI Subscription; **NOW THEREFORE, BE IT RESOLVED**, as it is hereby resolved, That the Corporation increase the Corporation's authorized capital stock from P2.4 billion (divided into 2.4 billion common shares with par value of P1.00 per share) to P7.5 billion (divided into 7.5 billion common shares with par value of P1.00 per share), and for this purpose, to amend Article VII of the Corporation's Articles of	100% of capital stock present in person or by proxy	0	0

Incorporation; **RESOLVED FURTHER**, That the Stockholders of the Corporation approve the subscription of Ayala Land, Inc. ("ALI") to Two Billion Five Hundred Million (2,500,000,000) common shares of stock of the Corporation (the "ALI Subscription"), out of the increase in authorized capital stock from 2.4 billion shares to 7.5 billion shares, for a total consideration of P5.625 billion; **RESOLVED FURTHER**, That the Corporation secure confirmation from the Securities and Exchange Commission of the exemption of the ALI Subscription from the mandatory tender offer rules of the Securities Regulation Code; **RESOLVED FURTHER**, That the Corporation authorize and empower its President and/or Corporate Secretary to file the application for increase in authorized capital stock and request for exemption from the mandatory offer rules and such other documents as may be required to implement the foregoing resolutions."			
"**RESOLVED**, That **Prime Orion Philippines, Inc.** (the "Corporation") increase its authorized capital stock from P2.4 billion (divided into 2.4 billion common shares with par value of P1.00 per share) to P7.5 billion (divided into 7.5 billion common shares, with par value of P1.00 per share), and for this purpose, hereby amend Article Seventh of the Corporation's Articles of Incorporation, to read as follows: 'SEVENTH: That the capital stock of said Corporation is SEVEN BILLION FIVE HUNDRED MILLION PESOS (P7,500,000,000.00) Philippine currency, divided into Seven Billion Five Hundred Million (7,500,000,000) Common Shares, with par value of One Peso (P1.00) per share.' The second paragraph of Article	100% of capital stock present in person or by proxy	0	0

Seventh is hereby deleted while the third and last paragraphs of Article Seventh remain unchanged. **RESOLVED FURTHER**, That the Corporation increase the number of Directors of the Corporation from seven (7) to nine (9) directors, and pursuant thereto, amend Article Sixth of the Corporation's Articles of Incorporation, to read as follows: 'SIXTH: That the number of directors of the said corporation shall be nine (9) xxx' and the remaining portion of Article Sixth remain unchanged; **RESOLVED FURTHER**, That the Corporation authorize and empower its President and/or Corporate Secretary to file the application for amendment of the Articles of Incorporation and such other documents as may be required to implement the foregoing resolutions."			
"**RESOLVED,** That **Prime Orion Philippines, Inc.** (the "Corporation") upon approval of the increase in its authorized capital stock to P7.5 billion and the issuance of the ALI Subscription, apply for listing the ALI Subscription with the Philippine Stock Exchange ("PSE"); **RESOLVED FURTHER**, That the Corporation authorize and empower its President and/or Corporate Secretary to file the application for listing of the ALI Subscription with the PSE, and such other documents as may be required to implement the foregoing resolutions."	100% of capital stock present in person or by proxy	0	0

There were no dissenting votes.

24. *Date of publishing of the result of the votes taken during the most recent Annual/Special Stockholders' Meeting for all resolutions:*

    The results were disclosed to the SEC and PSE on 20 October 2015.

(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.

Except for the inclusion of an Explanation of the items in the agenda (as required by the corporate governance guidelines of the SEC and sent out with the Notice of Meeting), no modifications were made in the regulations of the Special Stockholders' Meeting on 20 October 2015.

(f) *Stockholders' Attendance*

(i) *Details of Attendance in the Annual/Special Stockholders' Meeting held on* 20 October 2015:

Type of Mtg.	**Names of Board Members/ Officers Present**	**Date of Mtg.**	**Voting Procedure (by poll, show of hands, etc.)**	**% of SH Attending in Person**	**% of SH in Proxy**	**Total % of SH present**
Special	All of the seven Directors of the Board attended the meeting.	20 October 2015	Voting is by *poll of votes.*	1.74%	75.36%	77.10%

(ii) *Does the Company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSM?*

Yes. The validation of the votes is conducted by the Company's stock transfer agent, BDO Unibank, Inc..

(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.*

The Company only has one class of shares -- common -- which carry one vote for one share.

(g) *Proxy Voting Policies*

State the policies followed by the Company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The Company has a prescribed proxy form but does not strictly enforce it as long as the proxy submitted is in writing, signed by the stockholder and timely submitted.
Notary	There is no need for the proxy to be notarized.
Submission of proxy	The proxy has to be submitted at the office of the Company, prior to the date of the validation of proxies indicated in the Notice/Agenda
Several proxies	Several proxies are acceptable, but only one can vote on behalf of the principal during the meeting.
Validity of proxy	A proxy is valid only for the meeting for which it was intended, unless otherwise stated therein. However, as provided in the Corporation Code, no proxy can be valid for a period longer than 5 years.
Proxies executed abroad	Proxies executed abroad are acceptable subject to the Company's validation process.
Invalidated proxy	The Company does not have any established policy on invalidated proxies, except that such proxies would not be recognized or entitled to vote.
Validation of proxy	Proxies are validated on the date, time, and at the place indicated in the Notice/Agenda by

	representatives of the Company's stock transfer agent and external auditor.
Violation of proxy	The Company does not have any established policy at this time concerning violation of proxy. However, in such case, the Company would take it on a case-to-case basis in determining whether to count the votes of the proxy.

(h) *Sending of Notices*

State the Company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
The Company's By-Laws provide that Notices shall be sent by personal delivery, mail, telegraph, cable, or electronically to stockholders of record at his last known address at least 10 days prior to the date of meeting, if annual meeting, or at least 5 days prior to date of meeting, if special meeting. Pursuant to the Implementing Rules of the Securities Regulation Code, the notice/agenda together with the Explanation of the items to be taken up and the Information Statement are distributed at least 15 business days before the date of the meeting.	The Company transmits Notices to brokers in Pasig and Makati by hand or by fax. It transmits Notices to stockholders in Metro Manila by messengerial service or by ordinary mail. Notices to stockholders outside Metro Manila were sent via ordinary mail.

(i) *Definitive Information Statement and Management Report*

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and other Materials	877 stockholders + 82 PCD/trading participants
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials Held by Market Participants/Certain Beneficial Owners	29 September 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and other Materials held by Stockholders	29 September 2015
State whether CD format or hard copies were distributed	Hard copies of the Notice/Agenda and Explanation, Definitive Information Statement and Management Report were distributed.
If yes, indicate whether requesting stockholders were provided hard copies	Not Applicable. There were no requests for hard copies during the SSM.

(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. This information is already indicated in the Definitive Information Statement which is likewise transmitted to the stockholders of record. The agenda of the SSM on 20 October 2015 does not include election of directors.
The auditors to be appointed or re-appointed.	No. This information is already indicated in the Definitive Information Statement which is likewise transmitted to the stockholders of record. The agenda of the SSM on 20 October 2015 does not include appointment of auditors.
An explanation of the dividend policy, if any	No. This information is already indicated

dividend is to be declared.	in the Management Report which is likewise transmitted to the stockholders of record. However, the Company has not declared any dividend in the last several years.
The amount payable for final dividends.	No dividends were declared.
Documents required for proxy vote.	Yes.

2) *Treatment of Minority Stockholders*

   (a) *State the Company's policies with respect to the treatment of minority stockholders*

Policies	**Implementation**
A director shall not be removed without cause if it will deny minority shareholders representation in the Board. (Sec. 8.1.2.3 of the Manual)	N/A. No director was removed during the year.
Although all stockholders should be treated equally or without discrimination, the Board should, as far as practicable, give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. The Board shall determine which matters are proper for inclusion in the agenda for stockholders' meetings. (Sec. 8.1.8 of the Manual)	During the year, no minority shareholder has proposed the holding of a meeting or the inclusion of any item for discussion in the agenda.

   (b) *Do minority stockholders have a right to nominate candidates for Board of Directors?*

   Yes.

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.*

   The Company's internal and external communications policies are reviewed by key officers as may be required and practicable. The Corporate Secretary reviews any external communication to be released. Internal communication is handled by Compliance Officer in coordination with the top management and/or the President.

2) *Describe the Company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.*

	Details
(1) Objectives	Inform stockholders, stakeholders and the public in general of the results of operations of the Company
(2) Principles	Transparency Accountability Fiscal Management
(3) Modes of Communication	Annual Stockholders' Meeting Corporate website Disclosures to SEC and PSE Annual Report Press releases
(4) Investors Relations Officer	Victor V. Rafael was appointed on 2 December 2014 as Investor Relations Officer.

Telephone No.	:	884-1106
Fax No.	:	884-1409
Email	:	popi-corporate@primeorion.com/ vrafael@primeorion.com

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? Name of the independent party the Board of Directors of the Company appointed to evaluate the fairness of the transaction price.*

The Company follows the provisions of its By-laws and the Corporation Code with respect to the above transactions.

The Company engages consultants as may be necessary for the evaluation of the fairness of the transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the Company.

Initiative	Beneficiary
Feeding Program	Day Care students of Brgys. 48, 49 and 51 (Tondo, Manila)
Free Haircut	Students residing in Brgys. 48, 49 and 51 of Tondo, Manila
Brigada Eskwela Program	Day Care Centers of Brgys. 48 and 49 of Tondo, Manila
School Kit Distribution	Students of Day Care Centers in Brgys. 48, 49 and 50 of Tondo, Manila
Computer Donation	Gregorio Perfecto High School in Tondo. Manila
Christmas gift-giving	Children of Brgys. 48 and 49 in Tondo, Manila

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	Members of the Board of Directors to accomplish a Self-Assessment Form	Performance rating of 1-5, with 1 as highest rating; Performance levels range from Needs Improvement, Good, Satisfactory and Excellent
Board Committees	Self-assessment to be done yearly by the Audit Committee members as prescribed in its Audit Committee Charter (using the Self-Assessment Worksheet and Self-Rating Form)	Performance rating of 1-5, with 5 as the highest
Individual Directors	Members of the Board of Directors to accomplish a Self-Assessment Form	Performance rating of 1-5, with 1 as the highest rating Performance levels range from Needs Improvement, Good, Satisfactory and Excellent
CEO/President	Process to be developed	N/A

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the Corporate Governance Manual involving directors, officers, management and employees.

Violations	Sanctions
Section 11.1 of the Manual imposes the following penalties, after notice and hearing, on the Company's directors, officers, and staff in case of violation of any of the provision of this Manual:	• First Violation - Violator shall be subject to written reprimand. • Second Violation - Suspension from office shall be imposed on such person violating the Manual. The duration of the suspension shall depend on the gravity of the violation. • Third Violation - The maximum penalty of removal from office shall be imposed.